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 preliminary 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 preliminary offering memorandum. In accessing the preliminary 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 preliminary offering memorandum has been prepared in connection with the proposed offer and sale of the securities described therein. The preliminary 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 PRELIMINARY 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 IN THE PRELIMINARY OFFERING MEMORANDUM.

Confirmation of your representation. In order to be eligible to view the preliminary 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 preliminary offering memorandum is being sent at your request. By accepting the e-mail and accessing the preliminary offering memorandum, you shall be deemed to have represented to the Issuer that:

(1) you consent to delivery of such preliminary 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 preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession the preliminary 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 preliminary offering memorandum to any other person.

The materials relating to the preliminary 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 preliminary 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 preliminary 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 preliminary 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.

Prohibition of Sales to EEA Retail Investors: The Notes described in the preliminary 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 European Economic Area ("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.

The preliminary offering memorandum has been prepared on the basis that any offer of the securities referred to therein in any Member State of the EEA will be made pursuant to an exemption under Regulation (EU) 2017/1129 (the "Prospectus Regulation") from the requirement to publish a prospectus for offers of the securities referred to therein. 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 the preliminary 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.

Prohibition of Sales to UK Retail Investors: The Notes described in the preliminary 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 United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

The preliminary offering memorandum has been prepared on the basis that any offer of the Notes referred to therein in the UK will be made pursuant to an exemption under the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation") from the requirement to publish a prospectus for offers of the securities referred to therein. Accordingly, any person making or intending to make an offer in the UK of Notes which are the subject of the offering contemplated in the preliminary 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 UK 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 any of the initial purchasers to publish a prospectus for such offer.

***UK MIFIR product governance / Professional investors and ECPs only target market*:** Solely for the purposes of the product approval process of any relevant initial purchaser that considers itself a manufacturer pursuant to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") (each a "UK Manufacturer" and, together, the "UK Manufacturers"), the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the

European Union (Withdrawal) Act 2018 ("UK MiFIR"); 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 "UK distributor") should take into consideration the UK Manufacturers' target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the UK Manufacturers' target market assessment) and determining appropriate distribution channels.

The preliminary 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"). The preliminary 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 the preliminary offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

The preliminary 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 preliminary offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

SUBJECT TO COMPLETION, DATED JANUARY 13, 2021

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

The information in this preliminary offering memorandum is not complete and may be changed. The Issuer may not sell these securities until the preliminary offering memorandum is delivered in final form. This preliminary offering memorandum is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction in which such offer, solicitation or sale is not permitted.

Jerrold FinCo plc

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

£450,000,000 % Senior Secured Notes due 2027

Jerrold FinCo plc, a public limited company incorporated under the laws of England and Wales (the "Issuer"), is hereby offering £450.0 million aggregate principal amount of its % Senior Secured Notes due 2027 (the "Notes"). Interest will be paid on the Notes semi-annually in arrears on and of each year, commencing , 2021. The Notes will mature on , 2027.

The Issuer may redeem some or all of the Notes on or after , 2023 at the redemption prices set forth in this offering memorandum. Prior to , 2023, 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 , 2023 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 2026 Notes and the Revolving Credit Facility, each as defined herein), 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 (as defined herein), 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 (as defined below) 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 and certain dormant and non-material subsidiaries) (the "Subsidiary Guarantors," and, together with the Company, the "Guarantors") (the "Guarantees"). The Securitization Vehicles (as defined herein) will not guarantee the Notes. 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 2026 Notes, the Revolving Credit Facility and any hedging obligations. 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 2026 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 2026 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 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. The Securitization Vehicles are bankruptcy-remote special purpose vehicles. See "*Description of Certain Financing Arrangements— Securitizations*."

There is currently no public market for the Notes. Application will be made to The Irish Stock Exchange plc (trading as Euronext Dublin) (the "Exchange") for the Notes to be admitted to listing on the Official List 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 of the Exchange.

Investing in the Notes involves a high degree of risk. Please see "Risk Factors" beginning on page 43.

Price: 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 (the "Issue Date").

Global Coordinators and Joint Bookrunners

Citigroup **Goldman Sachs International**

Joint Bookrunners

Barclays **Credit Suisse** **HSBC** **J.P. Morgan**

The date of this offering memorandum is , 2021.

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.

Table of Contents

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 Citigroup Global Markets Limited, Goldman Sachs International, Barclays Bank PLC, Credit Suisse Securities (Europe) Limited, 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 the admission of the Notes to listing on the Official List of the Exchange and to trading on the Global Exchange Market thereof. 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 the application for listing on the Official List of the Exchange and 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 CITIGROUP GLOBAL MARKETS 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 THE EXCHANGE.

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 EUROPEAN ECONOMIC AREA

This preliminary 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 Regulation (EU) 2017/1129 (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 the EEA of Notes which are the subject of the offering contemplated in this preliminary 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. 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 described in the preliminary 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.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This preliminary 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.

This preliminary offering memorandum has been prepared on the basis that any offer of the Notes referred to herein in the UK will be made pursuant to an exemption under the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "UK 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 the UK of Notes which are the subject of the offering contemplated in this preliminary 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 UK 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 any of the initial purchasers to publish a prospectus for such offer. This paragraph is subject to the limitations under the caption "*Prohibition of Sales to UK Retail Investors*" below.

Prohibition of Sales to UK Retail Investors

The Notes described in the preliminary 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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MIFIR product governance / Professional investors and ECPs only target market:

Solely for the purposes of the product approval process of any relevant initial purchaser that considers itself a manufacturer pursuant to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") (each a "UK Manufacturer" and, together, the "UK Manufacturers"), the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); 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 "UK distributor") should take into consideration the UK Manufacturers' target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the UK 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 Office for National Statistics, the Bank of England, the Financial Conduct Authority, UK Finance (previously the Council of Mortgage Lenders), HM Land Registry, Halifax House Price Index (as defined below), Nationwide Building Society, Finance and Leasing Association, City University of London, MT Finance Ltd., Mintel Group Ltd., 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 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 exit from the European Union;
- the impact of Covid-19, or any mutation of Covid-19, on the global and UK economy and resultant impact on our liquidity position, capital position, funding capability, capital markets, operational risk profile, portfolio credit risk profile, reputation, results of operations and financial condition;
- the impact of the success or failure of vaccines and the ability of the UK Government to distribute and administer them to combat Covid-19;
- 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;
- the impact of rising unemployment;
- 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;
- failure to comply with current, past or future regulatory rules or guidance, or the retrospective interpretation thereof, or to treat customers fairly;
- failure to identify and offer the appropriate treatment to vulnerable customers;
- 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;
- the impact and cost associated with greater prudential regulation;
- changes or uncertainty in respect of LIBOR or SONIA that may affect our sources of funding;
- the impact of new initiatives by the UK Government that may affect our business;
- the impact, costs and settlements associated with dealing with claims made from claims management companies or their legal representatives;
- the impact of litigation;
- our ability to retain our senior management and our underwriters, account executives, sales personnel and other client-facing employees and key individuals;

- the loss of a material number of employees being available due to a health crisis including Covid-19;
- failure to operate effectively and in line with regulations and legal requirements while working remotely;
- failure to operate a Covid-19 secure workplace in breach of health and safety regulations;
- the impact of changes in working practices following Covid-19;
- 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, Highfield ABS, Together ABS 1, Together ABS 2, Together ABS 3 and Together ABS 4, 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"). 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 consolidated financial statements of the Company as of and for the years ended June 30, 2018, 2019 and 2020. Our consolidated financial statements were prepared in accordance with IFRS.

The independent auditor's reports for Together Financial Services for the years ended June 30, 2018, 2019 and 2020 were unqualified. The independent auditor's reports for Together Financial Services for the years ended June 30, 2018, 2019 and 2020 are included on pages F-190, F-132 and F-57, respectively, of this offering memorandum.

This offering memorandum also includes the unaudited consolidated interim financial statements of Together Financial Services for the three months ended September 30, 2020, which include comparative financial information as of and for the three months ended September 30, 2019, 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, 2020 has been calculated by adding together (1) the audited consolidated financial information for the year ended June 30, 2020, and (2) the unaudited consolidated interim financial information for the three months ended September 30, 2020, and then subtracting (3) the unaudited consolidated interim financial information for the three months ended September 30, 2019. 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-41 through F-56, F117 through F-131 and F-178 through F-189 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-41 through F-56, F117 through F-131 and F-178 through F-189 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, Deloitte LLP's and Ernst & Young LLP's audit reports, the information contained on pages F-41 through F-56, F-117 through F-131 and F-178 through F-189 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*."

In the annual consolidated financial statements of the Company as of and for the year ended June 30, 2019, the statement of financial position data as of June 30, 2018 was restated to reflect a change of classification of restricted cash (which is cash held by the Securitization Vehicles) from borrowings to cash and cash equivalents). In the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, the statement of financial position data was restated to report provisions for liabilities and charges, which was previously included within other liabilities as a separate line item. Additionally, in the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, the classification of elements of the statement of cash flows as of June 30, 2019 was refined to better reflect the Company's operating model. This has been accounted for as a change in accounting policy under IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. Unless otherwise indicated, (i) the financial information as of and for the year ended June 30, 2018 included in this offering memorandum is derived from the consolidated financial statements of the Company as of and for the year ended June 30, 2019 and (ii) the financial information as of and for the year ended June 30, 2019 included in this offering memorandum was derived from the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020.

We adopted IFRS 9 (*Financial Instruments*) ("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 years ended June 30, 2019 and 2020 may not be directly comparable with the financial statements for the year ended June 30, 2018, as well as the portfolio data as of the corresponding date. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—IFRS 9—including impairment of financial assets—applicable since July 1, 2018*."

We adopted IFRS 16 (*Leases*) ("IFRS 16") 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 operations used to calculate financial information presented herein for the twelve months ended September 30, 2019 were 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 (during which IFRS 16 has been adopted) to the difference between the results of operations for the year ended June 30, 2019 and the three months ended September 30, 2018 (during 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. We adopted IFRS 16 using a modified retrospective approach and, as such, comparative information for the years ended June 30, 2018 and 2019 was not restated. See "*Risk Factors—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 EBITDA for Together Financial Services, which represents 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, 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, 2020, three months ended September 30, 2019 and twelve months ended September 30, 2020 reflect EBITDA and Adjusted EBITDA, respectively, excluding, in each case, the effects of additional provisions made in respect of forbearance and customer communication remediation (see note 23 to our consolidated financial statements for the year ended June 30, 2020 and note 15 to our unaudited consolidated interim financial statements for the three months ended September 30, 2020). References to "Underlying EBITDA" and "Underlying Adjusted EBITDA" in respect of the three months and twelve months ended September 30, 2020 reflect EBITDA and the Adjusted EBITDA for such periods, respectively, excluding, in each case, the effects of exceptional redundancy costs (see "*Risk Factors—Risks Relating to Our Business—The loss of a number of our senior management or employees and our ability to attract and retain qualified personnel could have a material adverse effect on our business and the effectiveness of our governance.*").

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 divided by the sum of interest receivable and similar income plus fee and commission income (in the case of each of interest receivable and similar income and 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 plus fee and commission income (in the case of each of interest receivable and similar income and fee and commission income, derived from the Company's consolidated financial statements).

In this offering memorandum, references to "Underlying Adjusted EBITDA margin" reflect Underlying Adjusted EBITDA divided by the sum of interest receivable and similar income plus fee and commission income (in the case of each of interest receivable and similar income and 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 profit before taxation," in respect of the year ended June 30, 2020, and twelve months of the year ended September 30, 2020, reflect profit before tax for Together Financial Services for such year adjusted to exclude the effects of exceptional items related to the 2021 Notes Refinancing (as defined under "*Certain Definitions*") and to exclude the effects of additional provisions made in respect to forbearance and customer communication remediation (see "*Business—Regulatory Proceedings*" and note 23 to our consolidated financial statements for the year ended June 30, 2020), and, in respect of the three months ended September 30, 2020 and twelve months ended September 30, 2020, exclude the effects of exceptional redundancy costs (see *"Risk Factors—Risks Relating to Our Business—The loss of a number of our senior management or employees and our ability to attract and retain qualified personnel could have a material adverse effect on our business and the effectiveness of our governance."*) in respect of the three months ended September 30, 2020.

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 the Original Subordinated Shareholder Loan Notes and the Subordinated Shareholder Funding) for the period divided by two.

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

In this offering memorandum, references to "Total Accessible Liquidity" reflect, as of the relevant reference date, cash at bank *plus* undrawn commitments under the Revolving Credit Facility available for drawing *plus* amounts available under the Conduit Securitizations. Total Accessible Liquidity is a measure of the liquidity we are able to draw and utilize for any general corporate purposes (other than loan asset origination, for which the group has additional capacity). Total Accessible Liquidity does not give *pro forma* effect to the Offering. In particular, as of September 30, 2020, our Total Accessible Liquidity consisted of:

	As of September 30, 2020
	(£ in millions)
Cash at bank[1]	139.1
Plus amounts available under the Conduit Securitizations[2]	60.0
Plus undrawn commitments under the Revolving Credit Facility[3]	68.1
Total Accessible Liquidity	**267.2**

(1) Represents unrestricted cash available in our bank accounts as of the reference date. Differs from cash and cash equivalents presented within our consolidated statement of financial position as such amounts also include restricted cash, being cash amounts held within the Securitization Vehicles.

(2) Represents additional amounts that we may draw, pursuant to the terms of the Conduit Securitizations, by selling eligible loan assets to the relevant Conduit Securitization SPV at the advance rate applicable under each Conduit Securitization. See "*Description of Certain Financing Arrangements—Securitizations—Conduit Securitizations.*" Such available amounts are subject to the availability of eligible assets in the Borrower Group and covenant constraints in the Conduit Securitization, including asset eligibility criteria and securitization portfolio covenants.

(3) Represents the amount that would have been available to be drawn under the Revolving Credit Facility as of September 30, 2020, taking into account the incurrence limits under the Senior Secured Indentures and maintenance covenants limits under the Revolving Credit Facility. The total commitments under the Revolving Credit Facility (which was undrawn as of September 30, 2020 and remains undrawn as of the date of this offering memorandum) are £71.9 million.

Total Accessible Liquidity 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 expected liquidity available to the business and believes that such information is useful to investors in assessing the funds available to the group. Total Accessible Liquidity is subject to the availability of eligible assets.

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, debt repayment or 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—Loan Assets Cash Flow Metrics—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 (each 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 as of and for the twelve months ended September 30, 2020 to give *pro forma* effect to the offering of the Notes and the use of proceeds therefrom (the "Offering") and the 2021 Notes Refinancing as if they had occurred on October 1, 2019, or September 30, 2020, as applicable. 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 of the group or the Borrower Group that would have been reported had the Offering and the 2021 Notes Refinancing been completed as of October 1, 2019 for the purpose of the calculation of interest payable and other metrics derived from the group's statement of comprehensive income data and cash flow statement data and the consolidated financial position that the group would have reported had the Offering been completed as of September 30, 2020 for purposes of the calculation of net borrowings and other metrics derived from the group's financial position data and should not be taken as indicative of the group's or the Borrower Group's future consolidated results of operations or financial position.

In addition, we have included in this offering memorandum unaudited *pro forma* Borrower Group loan analysis data to give *pro forma* effect to the repurchase of £101.4 million principal balance of assets from Charles Street ABS with part of the proceeds of the offering of the Notes as if it had occurred on September 30, 2020.

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 (including the treatment of recent Mortgage-Payment Deferrals (defined below) introduced pursuant to FCA guidance related to Covid-19), we do not reschedule our loans by capitalizing arrears. In this offering memorandum, arrears data are based on the latest contractual position and do not take into account either payment plans or agreed changes to payment dates, other than with respect to Mortgage-Payment Deferrals, for which the arrears calculation is described in further detail below. Arrears data is further subdivided into performing and non-performing arrears loans as described below.

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, 2020 (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, Highfield ABS, Lakeside ABS, Together ABS 1, Together ABS 2, Together ABS 3 and Together ABS 4 (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 changed the way we measure impairment of financial assets and this affected our loan portfolio analysis data. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—IFRS 9—including impairment of financial assets—applicable since July 1, 2018*.”

In this section “*Presentation of Financial and Other Information*,” “reference date” means (i) with respect to information as of, or in respect of periods ending on, June 30, 2018, 2019 and 2020, June 30, 2018, 2019 and 2020, respectively (iii) with respect to information as of, or in respect of periods ending on, September 30, 2019 and 2020, September 30, 2019 and 2020, respectively and (iii) with respect to information as of, or in respect of periods ending on, any other specified date, such specified date.

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 of the latest contractual installment applicable prior to the reference date (including taking into account any temporary amendments to the latest contractual installment applicable prior to the reference date as a result of offering Mortgage-Payment Deferrals (as defined below)), 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 but less than or equal to three months’ of the latest contractual installments applicable prior to the reference date or where cash receipts collected in the prior three months are equal to or greater than 90% of the latest contractual installments due in the prior three-month period. The balance of loans are classified as (i) non-performing arrears loans, where such loans have arrears of greater than three months’ of the latest contractual installments due prior to the reference date and where receipts collected in the prior three months are less than 90% of the three latest contractual installments due prior to the reference date, 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. As a result of the introduction of Mortgage-Payment Deferrals, some accounts have had contractual installments set as zero (as outlined below). Due to the fact that such installments were set as zero, a small number of loans that were previously classified as non-performing loans have been classified as performing loans in line with limb (i) above. 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 relevant reference date. 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 relevant reference date. 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—Critical Accounting Policies—IFRS 9—including impairment of financial assets—applicable since July 1, 2018*."

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 of the latest contractual installment applicable prior to the reference date as a percentage of our loan book or contractual arrears greater than three months of the latest contractual installment applicable prior to the reference date 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 installment is due). For the purpose of the calculation of arrears, with respect to loans subject to Mortgage-Payment Deferrals at the relevant reference date, the contractual installment is set as zero (whether the relevant customers reduced or no payments under their respective Mortgage-Payment Deferrals), which is included in the calculation of arrears (rather than the original contractually scheduled repayments). We have taken this approach in line with FCA guidance to prevent reporting a worsening status on customers' credit files associated with Mortgage-Payment Deferrals. See "*Regulation—Recent Regulatory Changes*."

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 than three months of the latest contractual installment applicable prior to the relevant reference 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, (i) the term "MPD Live Loans" refers to the total balance of loans in respect of which customers have requested Mortgage-Payment Deferrals (see "*Summary—Recent Developments—Mortgage-Payment Deferrals*") that are in active deferral periods and (ii) the term "MPD Total Loans" refers to the total balance of (x) MPD Live Loans, (y) loans in respect of which customers have requested Mortgage-Payment Deferrals where deferral periods have not yet commenced and (z) loans in respect of which customers have requested Mortgage-Payment Deferrals in respect of which deferral periods were previously active but the relevant customers have since exited their deferral period.

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) received, 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, 2020, subsequent lien loans amounted to £43.1 million after allowances for impairment, representing 1.1% of our total loan assets.

The following table provides a reconciliation, as of September 30, 2020, 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, 2020
	(*£ in millions*)
Loan portfolio balances of our core operating subsidiaries	4,129.8
Less allowances for impairment on our core operating subsidiaries	(107.5)
Add part month adjustment for accrued interest[1]	11.2
Add product accrued income[2]	0.4
Less fee spreading[3]	(30.0)
Total loan portfolio balances	**4,004.0**
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]	17.2
Less: allowances for impairment on our shortfalls[5]	(20.4)
Total loan assets (as shown as "Loans and Advances to Customers" on statement of financial position)	**4,000.8**
Less: principal balances of loans attributable to Securitizations[6]	(2,868.6)
Borrower Group's total loan assets	**1,132.3**

(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, 2020 in respect of those loans for which the monthly funding anniversary date in the month of September 30, 2020 was not September 30, 2020.

(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) 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 relevant reference date, 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) 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 relevant reference date, 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—Critical Accounting Policies—IFRS 9—including impairment of financial assets—applicable since July 1, 2018*."

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 Quarterly All Houses All Buyers Non-Seasonally Adjusted Price Index for periods prior to and including March 30, 2016 and the 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 IHS Markit Limited (the "Halifax House Price Index"). 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:

- "2018 Notes" means the £300,000,000 aggregate principal amount of the Issuer's 9¾% Senior Secured Notes due 2018 issued on September 27, 2013 and April 24, 2015. The 2018 Notes were redeemed using the proceeds of the offering of the 2021 Notes.
- "2021 Notes" means the £375,000,000 aggregate principal amount of the Issuer's 6¼% Senior Secured Notes due 2021 issued on October 13, 2016. The 2021 Notes were redeemed using the proceeds of the offering of the 2026 Notes.
- "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.
- "2021 Notes Refinancing" means the issuance of the 2026 Notes on February 10, 2020 and the use of proceeds therefrom to satisfy and discharge the indenture relating to the 2021 Notes and to repay amounts outstanding under the Revolving Credit Facility as of that date.
- "2024 Additional Notes" means the £150,000,000 of additional aggregate principal amount of the Issuer's 6⅛% Senior Secured Notes due 2024 issued on January 31, 2018.
- "2024 Notes" means the 2024 Original Notes and the 2024 Additional Notes. The 2024 Notes are expected to be repaid with the proceeds of the Offering.
- "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 NatWest Markets plc (formerly known as 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 6⅛% Senior Secured Notes due 2024 issued on February 22, 2017.
- "2026 Notes" means the £435,000,000 aggregate principal amount of the Issuer's 4⅞% Senior Secured Notes due 2026 issued on February 10, 2020.
- "2026 Notes Indenture" means the indenture governing the 2026 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 NatWest Markets plc as security agent entered into on February 10, 2020.
- "2026 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 2026 Notes to the Company on February 10, 2020.
- "Borrower Group" means the Company and its subsidiaries and does not include Charles Street ABS, Highfield ABS, Lakeside ABS, Delta ABS 2, Together ABS 1, Together ABS 2, Together ABS 3 and Together ABS 4.
- "CABS Securitization" means the series of agreements, dated November 12, 2007, as amended and restated from time to 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 Note Purchasers" means the note purchasers (being certain financial institutions, or conduit vehicles or affiliates of such financial institutions, or institutional investors/asset managers) that purchase notes from the relevant Conduit Securitization SPVs pursuant to the relevant note issuance facility agreements, as described under "*Description of Certain Financing Arrangements—Securitizations—Conduit Securitizations*."

- "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.
- "Group Board" means the Board of Directors of the Company.
- "Guarantors" means Together Financial Services Limited, Blemain Finance Limited, Bridging Finance Limited, Bridgingfinance.Co.uk Limited, Auction Finance Limited, Classic Car Finance Limited, Factfocus Limited, General Allied Properties Limited, Harpmanor Limited, Jerrold Holdings Limited, Jerrold Mortgage Corporation Limited, Spot Finance Limited, Supashow Limited, Together Commercial Finance Limited, Together Personal Finance Limited.
- "HABS Securitization" means the series of agreements, dated June 27, 2018, and amended and restated from time to time, 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 NatWest Markets plc as security agent.
- "Intercreditor Agreement" means the intercreditor agreement dated November 9, 2007, as amended and restated from time to time (most recently on September 18, 2020), 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, 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.

- "Mortgage-Payment Deferral" has the meaning given to it in the section "*Summary—Recent Developments—Mortgage-Payment Deferrals*."
- "Moser Family Shareholders" means Henry Moser and the D.L. Moser 1995 Family Settlement No 1 Trust. See "*Shareholders*."
- "Notes" means the £450,000,000 aggregate principal amount of the Issuer's % Senior Secured Notes due 2027 offered hereby.
- "Notes 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 from the offering of the Notes to the Company on or following the Issue Date. See "*Use of Proceeds*."
- "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 Transactions*."
- "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*."
- "Personal Finance Board" means, collectively, the Boards of Directors of TPFL, BFL and Spot Finance Limited (each of which have common directors).
- "PIK Notes" means the £368.2 million aggregate principal amount of the PIK Note Issuer's 8⅞%/10⅜% Senior PIK Toggle Notes due 2023 issued on September 28, 2018 with an initial principal amount of £350.0 million, which was increased following the payment of PIK Interest in April 2020.
- "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.
- "Rated Notes" means the Rated TABS 1 Notes, the Rated TABS 2 Notes, the Rated TABS 3 Notes and the Rated TABS 4 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 on 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 on Euronext Dublin.
- "Rated TABS 4 Notes" means the rated Class A notes, the Class B notes, the Class C notes, the Class D Notes, the Class E notes and the Class X notes issued by Together ABS 4 pursuant to the TABS 4 Securitization and listed on Euronext Dublin.
- "Revolving Credit Facility" means the £71.9 million, syndicated revolving credit loan facility, dated November 9, 2007, as amended and restated from time to time (most recently on September 18, 2020), between, *inter alios*, the Guarantors and certain lenders, which is currently undrawn.
- "Securitization Vehicles" means Charles Street ABS, Lakeside ABS, Delta ABS 1, Delta ABS 2, Together ABS 1, Together ABS 2, Together ABS 3, Together ABS 4 and Highfield ABS, as appropriate.

- “Securitizations” means the Conduit Securitizations and the Term Securitizations.
- “Security Agent” means NatWest Markets 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 2024 Notes, the 2026 Notes and the Notes, as applicable.
- “Senior Secured Notes Indentures” means, collectively, the 2024 Notes Indenture, the 2026 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.
- “TABS 4 Securitization” means the series of agreements, dated July 23, 2020, among, *inter alios,* the Company, certain of the Company’s subsidiaries and Together ABS 4, 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, the TABS 3 Securitization and the TABS 4 Securitization.
- “Term Securitization SPVs” means Together ABS 1, Together ABS 2, Together ABS 3 and Together ABS 4.
- “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 ABS 4” means Together Asset Backed Securitisation 2020-1 plc, a special purpose vehicle that purchased certain of our mortgage loans pursuant to the TABS 4 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 the UK's leading specialist mortgage and secured loans providers by loan book size, established in 1974, and have successfully operated through several economic cycles during our 46-year history. We pride ourselves on bringing common sense to lending by helping individuals, families, small- and medium-sized enterprises ("SMEs") and other 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, 2020, 64.7% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We differentiate ourselves by offering flexible lending criteria, responding quickly to our customers' needs and underwriting each application on its individual merits, supported by an effective service proposition, thereby 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 mainland United Kingdom, and through our direct sales channels. We underwrite and service all our loans in-house, using a combination of automated processing, external data sources and, where required, manual underwriting to determine credit decisions and to support our dedicated service proposition. In the twelve months ended September 30, 2020, we had Underlying profit before taxation of £118.0 million and generated Underlying EBITDA of £253.3 million. In the twelve months ended September 30, 2020, we advanced £1,290.4 million of new loans (£1,099.8 million of which was attributable to the six months ended March 31, 2020 given our decision on March 24, 2020 to temporarily pause accepting new loan applications (other than fulfilling existing binding commitments to customers) due to uncertainty related to credit risk as a result of the economic impact of Covid-19, with a phased return to accepting new loan applications from July 2020 onwards. See "*—Recent Developments—Pause in Accepting New Loan Applications and Amending Lending Criteria.*" As of September 30, 2020, we had Shareholders' Funds of £858.3 million and total loan assets of £4,000.8 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*."

As of September 30, 2020, 31.3% of our loan portfolio was classified as retail purpose, 23.5% was classified as buy-to-let, 40.3% was classified as commercial purpose and 4.9% of our loan portfolio was classified as development loans, 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 such relevant regulation if the loan had been 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 buy-to-let or other 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. In total, 64.7% of our loans are secured on residential property and

35.3% are secured on commercial property. 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, 2020, 100% of our retail purpose loans, 100% of our buy-to-let loans and 22.1% of our commercial purpose loans (including commercial term loans, bridging loans and development loans) were secured by residential property, with the remainder of our commercial purpose loans secured by commercial 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 a formal committee structure to agree on policy decisions, setting risk appetites and monitoring credit quality and oversight, including by risk, compliance and internal audit teams. Additionally, external loan asset audits have been conducted annually, pursuant to the terms of certain of our financing arrangements.

Prior to the onset of Covid-19 in the UK, our key underwriting metrics remained fairly consistent as of and for the twelve months ended September 30, 2020, as compared with previous years, with the LTVs of our loan portfolio (on a weighted average indexed basis) as of September 30, 2020 at 52.4% (compared with 54.9% as of June 30, 2020, 54.3% as of June 30, 2019 and 55.3% as of June 30, 2018) and the origination LTV on a weighted average basis of new loans underwritten by us for the twelve months ended September 30, 2020 at 57.5%, consisting of 58.0% for the six months ended March 31, 2020 and 53.7% for the six months ended September 30, 2020 (compared with 57.7% for the year ended June 30, 2020, 58.0% for the year ended June 30, 2019 and 58.0% for the year ended June 30, 2018). As of September 30, 2020, 96.9% of our total loan portfolio and 90.1% 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 the past in times of falling property prices and economic downturns, thereby mitigating our levels of provisions and losses. For the year ended June 30, 2018, impairment losses under IAS39 amounted to £11.4 million, and for the years ended June 30, 2019 and June 30, 2020, and the twelve months ended September 30, 2020, impairment losses under IFRS 9 amounted to £15.4 million, £66.9 million (largely reflecting the impact of Covid-19) and £74.7 million (largely reflecting the impact of Covid-19), respectively, representing only 0.44%, 0.46%, 1.70% and 1.90%, respectively, of our average total loan assets for each period.

We have historically primarily reinvested our profits into our business, increasing our reserves and providing a substantial 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 77.2% as of September 30, 2020. 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 borrowings to total loan assets, was 40.4% as of September 30, 2020.

As of September 30, 2020, 6.2% of the group's total loan assets, by value, were MPD Live Loans (which are loans, in respect of which customers have requested Mortgage-Payment Deferrals, that are in active deferral periods). As of the same date, 23.4% of the group's total loan assets, by value, were MPD Total Loans (which include (i) MPD Live Loans, (ii) loans in respect of which customers have requested Mortgage-Deferral Periods where deferral periods have not yet commenced and (iii) loans in respect of which customers have requested Mortgage-Payment Deferrals in respect of which deferral periods were previously active but the relevant customers have since returned to contractually scheduled repayments). As of September 30, 2020, 4.5% and 17.3% of the Borrower Group's total loan assets, by value, were MPD Live Loans and MPD Total Loans, respectively. See "*—Loan Portfolio Characteristics*."

Retail Purpose Lending

As of September 30, 2020, retail purpose loans comprised 31.3% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 48.0% and a weighted average nominal rate of 6.8%, all of which were secured by residential property. As part of our retail purpose lending, we underwrite loans secured on the customer's residential property in which they live, which also includes a small proportion of 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, 2020, CBTL mortgages represented £75.7 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 since grown in volume to represent £95.7 million, being 7.6% of our retail purpose loans or 2.41% of our total loan portfolio as of September 30, 2020. First lien and second lien loans (including CBTL and regulated bridging loans as applicable) represented 56.1% and 43.9% of our retail purpose loans, respectively, calculated by value as of September 30, 2020. Our retail purpose loans are distributed primarily through an established network of mortgage intermediaries, with a small portion sold directly to customers. In the twelve months ended September 30, 2020, we distributed 89.9% 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, 2020, commercial purpose loans comprised 63.8% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 54.0% and a weighted average nominal rate of 8.5%, 36.8% of which are BTL+ loans, 28.3% of which are commercial term loans and 34.9% 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 42.3% is residential and 57.7% 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), 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. 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 65.2% and 34.8% of our BTL+ loans, respectively, 94.9% and 5.1% of our commercial term loans, respectively, and 85.4% and 14.6% of our unregulated bridging loans, respectively, calculated by value as of September 30, 2020. 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 twelve months ended September 30, 2020, we distributed 52.2% 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 47.8% of our unregulated bridging loans through our established network of mortgage intermediaries. In the twelve months ended September 30, 2020, we distributed 70.7% of our BTL+ loans, and 58.3% 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, 2020, development loans comprised 4.9% 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, 10.0% 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, 2020 had a weighted average elapsed term of 16 months. Loans originated since January 1, 2010 that had not been subsequently redeemed as of September 30, 2020 have a weighted average elapsed term of 25 months. For the twelve months ended September 30, 2020, we extended £73.3 million in further advances on loans originated prior to September 30, 2019 and underwrote £63.4 million in new development loans comprised of £28.9 million of initial advances and £34.6 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, 2020 and for the twelve months ended September 30, 2020, as applicable.

	Retail Purpose 31.3%	**Commercial Purpose[(1)] 63.8%**			**Development 4.9%**
		BTL+ 23.5%	**Commercial Term 18.1%**	**Unregulated Bridging 22.3%**	
Specialty	• Loans to individuals	• Loans to SMEs, property investors and high net-worth and other individuals	• Loans to SMEs, property investors and high net-worth and other individuals	• Loans to SMEs, property investors and high net-worth and other individuals	• Loans to SMEs, 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	• £1,253.5 million	• £940.6 million	• £723.4 million	• £891.2 million	• £195.2 million
Number of Loans	• 20,524	• 8,694	• 3,610	• 2,743	• 221
Average Inception Loan Size[(2)]	• £65.7 thousand	• £112.7 thousand	• £211.3 thousand	• £338.5 thousand	• £465.5 thousand
Weighted Average Indexed LTV	• 48.0%	• 55.9%	• 50.4%	• 54.8%	• 59.9%
Weighted Average Nominal Rate	• 6.8%	• 7.1%	• 7.9%	• 10.4%	• 10.5%
% of which are Fixed Rate	• 50.4%	• 7.6%	• 1.3%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 7.6%	• —	• —	• 100.0%	• 98.1%
% of which are MPD Live Loans	• 10.2%	• 5.6%	• 4.3%	• 4.1%	• 0.5%
% of which are MPD Total Loans	• 31.2%	• 23.7%	• 23.4%	• 16.9%	• 2.3%

	Retail Purpose 31.3%	Commercial Purpose[1] 63.8%			Development 4.9%
		BTL+ 23.5%	Commercial Term 18.1%	Unregulated Bridging 22.3%	
Comprising first lien and second lien split as follows:					
First Lien Loan Portfolio					
Loan Portfolio Value	• £702.8 million	• £613.8 million	• £686.2 million	• £761.4 million	• £156.2 million
Number of Loans	• 7,065	• 4,750	• 3,310	• 2,311	• 158
Average Inception Loan Size[2]	• £103.6 thousand	• £135.0 thousand	• £218.5 thousand	• £343.5 thousand	• £570.6 thousand
Weighted Average Indexed LTV	• 46.0%	• 55.5%	• 50.6%	• 53.9%	• 58.2%
Weighted Average Nominal Rate	• 5.9%	• 6.9%	• 7.8%	• 10.3%	• 10.6%
% of which are Fixed Rate	• 70.5%	• 7.9%	• 1.1%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 13.4%	• —	• —	• 100.0%	• 98.4%
% of which are MPD Live Loans	• 8.8%	• 5.0%	• 4.1%	• 4.1%	• 0.5%
% of which are MPD Total Loans	• 29.8%	• 23.2%	• 23.6%	• 14.7%	• 2.8%
Second Lien Loan Portfolio					
Loan Portfolio Value	• £550.7 million	• £326.9 million	• £37.2 million	• £129.9 million	• £39.0 million
Number of Loans	• 13,459	• 3,944	• 300	• 432	• 63
Average Inception Loan Size[2]	• £45.7 thousand	• £85.9 thousand	• £131.9 thousand	• £312.0 thousand	• £201.8 thousand
Weighted Average Indexed LTV	• 50.7%	• 56.6%	• 46.7%	• 60.0%	• 66.6%
Weighted Average Nominal Rate	• 8.0%	• 7.5%	• 8.3%	• 11.3%	• 10.4%
% of which are Fixed Rate	• 24.7%	• 7.2%	• 3.7%	• —	• 0.1%
% with Term less than 24 months Loan Portfolio Value	• 0.3%	• —	• —	• 100.0%	• 96.3%
% of which are MPD Live Loans	• 11.9%	• 6.8%	• 7.9%	• 4.0%	• 0.5%
% of which are MPD Total Loans	• 33.1%	• 24.6%	• 19.1%	• 29.4%	• 0.5%
Total Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £145.5 million)	• £332.9 million	• £188.3 million	• £171.6 million	• £423.3 million	• £28.9 million
Number of Loans	• 3,045	• 1,555	• 635	• 1,743	• 61
Average Inception Loan Size[2]	• £109.3 thousand	• £121.1 thousand	• £270.2 thousand	• £242.8 thousand	• £473.2 thousand
Weighted Average Indexed LTV	• 51.1%	• 61.7%	• 58.6%	• 60.4%	• 53.9%
Weighted Average Nominal Rate	• 6.0%	• 6.6%	• 7.0%	• 9.5%	• 10.1%
% of which are Fixed Rate	• 77.9%	• 15.2%	• 2.5%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 22.6%	• —	• —	• 100.0%	• 94.5%

	Retail Purpose 31.3%	Commercial Purpose(1) 63.8%			Development 4.9%
		BTL+ 23.5%	Commercial Term 18.1%	Unregulated Bridging 22.3%	
Comprising first lien and second lien split as follows:					
First Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £106.0 million)	• £266.1 million	• £130.0 million	• £163.4 million	• £374.2 million	• £18.4 million
Number of Loans	• 2,063	• 951	• 604	• 1,607	• 52
Average Inception Loan Size(2)	• £129.0 thousand	• £136.7 thousand	• £270.6 thousand	• £232.9 thousand	• £354.1 thousand
Weighted Average Indexed LTV	• 49.3%	• 61.2%	• 58.4%	• 60.1%	• 49.6%
Weighted Average Nominal Rate	• 5.7%	• 6.5%	• 7.0%	• 9.4%	• 10.0%
% of which are Fixed Rate	• 85.9%	• 15.3%	• 2.6%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 27.3%	• —	• —	• 100.0%	• 91.4%
Second Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £39.5 million)	• £66.8 million	• £58.3 million	• £8.2 million	• £49.1 million	• £10.5 million
Number of Loans	• 982	• 604	• 31	• 136	• 9
Average Inception Loan Size(2)	• £68.0 thousand	• £96.5 thousand	• £263.0 thousand	• £360.7 thousand	• £1,161.3 thousand
Weighted Average Indexed LTV	• 58.1%	• 62.7%	• 61.0%	• 62.7%	• 61.5%
Weighted Average Nominal Rate	• 6.9%	• 6.9%	• 7.1%	• 10.2%	• 10.5%
% of which are Fixed Rate	• 45.8%	• 14.9%	• —	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 3.8%	• —	• —	• 100.0%	• 100.0%

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 £177.5 thousand.

(2) The aggregate average inception loan size of retail, commercial purpose and development loans is £115.1 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, 2020 of £332.9 million includes £15.7 million of CBTL loans and £75.1 million of regulated bridging loans. Such loans are segmented into first and second lien as appropriate.

(5) The retail loan portfolio value of £1,253.5 million as of September 30, 2020 includes £75.7 million of CBTL loans and £95.7 million regulated bridging loans. Such loans are segmented into first and second lien loans, as appropriate.

Our Sources of Funding

Our principal sources of funds have been cash provided by operations in the form of loan book monthly receipts and redemptions, 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, 2020, our Shareholders' Funds were £858.3 million, including Subordinated Shareholder Funding with a carrying value of £28.8 million. As of September 30, 2020, our total aggregate facilities under the Conduit Securitizations were £2,479.5 million (of which £1,679.6 million was drawn) and we had £909.2 million of Rated Notes outstanding under the Term Securitizations, £785.0 million of Senior Secured Notes outstanding and a Revolving Credit Facility of £71.9 million, which was undrawn.

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 entered into 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. On July 23, 2020, we entered into the TABS 4 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £366.0 million through the issuance of £360.5 million Rated TABS 4 Notes (including £12.8 million Class X 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 purchase 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 applicable to each of the Conduit Securitizations, 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.

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 repurchase such loans or substitute loans that become ineligible loans (including for example, loans which have defaulted 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, 2020, £100.4 million of defaulted loans were repurchased from the Conduit Securitizations compared to £88.8 million in the twelve months ended September 30, 2019. 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, 2020. 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, 2020. Principal losses recognized on defaulted loans repurchased from the HABS Securitization have been £nil since its inception in April 2018 until September 30, 2020. 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, 2020.

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, 2020 amounted to £159.0 million.

The table below provides certain characteristics of our Term Securitizations as of September 30, 2020, unless stated otherwise. For additional information in respect of the Securitizations, see "*Description of Certain Financing Arrangements—Securitizations.*"

	Together ABS 1	**Together ABS 2**	**Together ABS 3**	**Together ABS 4**	**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	• £332.0 million principal balance • £315.4 million Rated TABS 3 Notes • £16.6 million Class Z notes • £8.2 million Class R notes	• £366.0 million principal balance • £360.5 million Rated TABS 4 Notes (including £12.8 million class X Notes) • £18.3 million Class Z notes • £11.0 million Class R notes	• £1,260.0 million principal balance • £1,209.8 million Rated Notes (including £12.8 million class X notes under the TABS 4 Securitization) • £63.1 million Class Z notes • £31.6 million Class R notes
As of September 30, 2020	• £128.9 million principal balance • £113.9 million Rated TABS 1 Notes • £15.0 million Class Z notes • £3.8 million Cash Reserve owed to originators(2)	• £182.7 million principal balance • £168.4 million Rated TABS 2 Notes • £14.3 million Class Z notes • £6.8 million Cash Reserve owed to originators(2)	• £295.3 million principal balance • £278.6 million Rated TABS 3 Notes • £16.6 million Class Z notes • £7.9 million Cash Reserve owed to originators(2)	• £356.8 million principal balance • £348.3 million Rated TABS 4 Notes (including £9.8 million Class X notes) • £18.3 million Class Z notes • £11.0 million Cash Reserve owed to originators(2)	• £963.7 million principal balance • £909.2 million Rated Notes (including £9.8 million Class X notes under the TABS 4 Securitization)(1) • £64.3 million Class Z notes • £29.5 million Cash Reserve owed to originators(2)
Surplus income paid back to the Originators, for the twelve months ended September 30, 2020	• £9.1 million	• £11.1 million(2)	• £1.7 million	• £nil	• £21.9 million

(1) Stated after the allocation of £14.2 million of principal receipts, received during the month of September 2020, for which such receipts are only formally applied to reduce the Rated Notes in the subsequent month. £2.5 million in relation to Together ABS 1, £2.9 million in relation to Together ABS 2, £3.5 million in relation to Together ABS 3, and £5.2 million in relation to Together ABS 4 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.

In May 2020, the relevant originators and each of the note purchasers under the Conduit Securitizations entered into waivers and amendments, which were subsequently extended, of certain documents under each of the Conduit Securitizations in order to support the provision of Mortgage-Payment Deferrals, in line with initial guidance from the FCA. See "*Summary—Recent Developments—Our Sources of Funding*."

The table below provides certain characteristics of our Conduit Securitizations as of September 30, 2020, 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, 2020	• £1,254.5 million	• £500.0 million	• £200.0 million	• £525.0 million	• £2,479.5 million
Total notes outstanding as of September 30, 2020	• £839.6 million	• £265.0 million	• £165.0 million	• £410.0 million	• £1,679.6 million
Principal balance as of September 30, 2020	• £926.6 million	• £313.6 million	• £182.9 million	• £484.6 million	• £1,907.8 million
Cash balance as of September 30, 2020	• £40.7 million	• £27.3 million	• £14.5 million	• £21.8 million	• £104.3 million
Net creditor / (debtor) balance as of September 30, 2020	• £4.2 million	• £3.3 million	• £(1.1) million	• £3.2 million	• £9.6 million
Total subordinated subscription notes outstanding as of September 30, 2020	• £123.4 million	• £72.6 million	• £33.6 million	• £93.2 million	• £322.8 million
Surplus income paid back to the Originators for the year ended September 30, 2020	• £69.3 million	• £26.4 million	• £12.5 million	• £29.0 million	• £137.1 million

Supplemental Cash Flow Information for the Group and Borrower Group

The group is highly cash generative with £1,248.3 million, £1,570.1 million, £1,562.5 million and £377.2 million of Cash Receipts in the years ended June 30, 2018, 2019 and 2020, and the three months ended September 30, 2020, respectively, comprising of £258.8 million, £309.0 million, £315.0 million and £74.5 million of interest and fees, respectively, and £989.5 million, £1,261.1 million, £1,247.5 million and £302.7 million of principal receipts, respectively. Cash Receipts expressed as a percentage of total average loan assets were 48.0%, 47.2% and 39.8% in the years ended June 30, 2018, 2019 and 2020. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30, 2020, were 38.3%.

The Borrower Group generated £610.8 million, £779.5 million, £735.2 million and £184.8 million of Cash Receipts in the years ended June 30, 2018, 2019 and 2020 and three months ended September 30, 2020, respectively, comprising of £77.6 million, £90.3 million, £65.4 million and £16.6 million of interest and fees, respectively, £403.8 million, £540.4 million, £504.5 million and £131.6 million of principal receipts, respectively, and £129.4 million, £148.8 million, £165.3 million and £36.6 million of 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 62.5%, 68.8% and 64.2% in the years ended June 30, 2018, 2019 and 2020, respectively. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30, 2020, were 66.2%.

The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £108.8 million, £116.9 million and £116.5 million in the years ended June 30, 2018, 2019 and 2020, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £1,139.5 million, £1,453.2 million and £1,446.0 million, respectively. The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £22.6 million in the three months ended September 30, 2020, resulting in cash available for debt service, debt repayment or originating new advances of £354.6 million.

The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £108.8 million, £111.8 million and £116.5 million in the years ended June 30, 2018, 2019 and 2020, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £502.0 million,

£667.7 million and £618.7 million, respectively. The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £22.6 million in the three months ended September 30, 2020, resulting in cash available for debt service, debt repayment or originating new advances of £162.2 million.

The group paid interest costs of £78.0 million, £105.1 million and £125.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing), respectively, and debt issuance costs of £8.4 million, £9.1 million and £8.5 million in the years ended June 30, 2018, 2019 and 2020, respectively. The group paid interest costs of £37.0 million and debt issuance costs of £2.0 million in the three months ended September 30, 2020.

The Borrower Group paid interest costs of £34.1 million, £45.7 million and £50.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing), respectively, and debt issuance costs of £8.4 million, £9.1 million and £8.5 million in the years ended June 30, 2018, 2019 and 2020, respectively. The Borrower Group paid interest costs of £20.1 million and debt issuance costs of £2.0 million in the three months ended September 30, 2020.

In addition, the group (and the Borrower Group) paid dividends to its parent company, principally to allow the PIK Notes Issuer to pay interest on the PIK Notes as cash interest, of £22.9 million, £29.9 million and £15.6 million in the years ended June 30, 2018, 2019 and 2020. In connection with the election to pay interest on the PIK Notes as PIK Interest in April 2020, no dividend relating to that interest payment was made. Following the election to pay interest on the PIK Notes as PIK interest in April 2020, the annual cash interest due on the PIK Notes is £32.7 million.

Total cash at September 30, 2020 was £300.5 million, comprising of £147.9 million unrestricted cash and £152.6 million restricted cash (which is cash held by the Securitization Vehicles), compared to £91.6 million, comprising of £16.9 million unrestricted cash and £74.7 million restricted cash at September 30, 2019 and compared to £87.1 million, comprising of £24.1 million unrestricted cash and £63.0 million restricted cash at September 30, 2018.

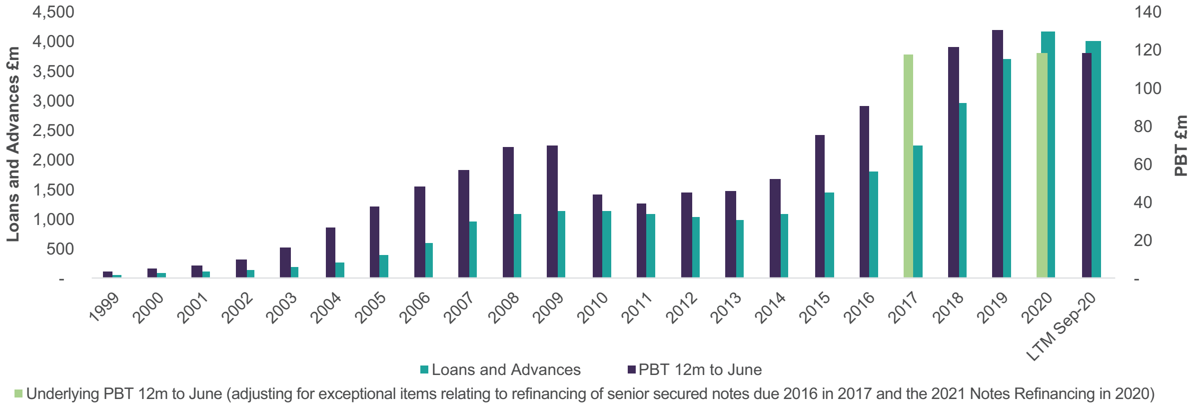
Total Accessible Liquidity at September 30, 2020 was £267.2 million, compared to £70.5 million for September 30, 2019, and compared to £148.2 million for September 30, 2018.

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

Our Strengths

Track record of continuous profitability through multiple business cycles. We have been profitable since our establishment over 46 years ago, including throughout the global financial crisis of 2007/08 and the economic downturn which followed, during which many of our competitors and financial institutions in general suffered significant losses (with a number of our competitors ceasing trading). We remained profitable throughout this recent period following the onset of Covid-19 despite making provisions under IFRS 9 for losses assumed under probability weighted scenarios reflecting the potential economic consequences of a downturn.

The chart below shows the growth of our loan book and our profit before taxation (and, with respect to the years ended June 30, 2017 and 2020, Underlying profit before taxation) in the period from the year ended June 1999 to the year ended June 2020, and our loan book and Underlying profit before taxation as of and for the twelve months ended September 30, 2020. 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, 2020 and for the twelve months ended September 30, 2020 is presented in accordance with IFRS.



For the years ended June 30, 2018, 2019 and 2020 and twelve months ended September 30, 2020, our EBITDA was £219.2 million, £251.5 million, £238.4 million and £237.6 million, respectively. Our Underlying EBITDA for the year ended June 30, 2020 and twelve months to September 30, 2020, was £255.6 million and £253.3 million, respectively.

In the years ended June 30, 2018, 2019 and 2020 and in the twelve months ended September 30, 2020, we had profit before taxation of £121.7 million, £130.3 million, £118.5 million (on an underlying basis) and £118.0 million (on an underlying basis), respectively. Historically, we have primarily reinvested our profits in our business (other than dividends principally used to service cash interest on the PIK Notes and a recently declared additional dividend to our shareholder of £10.0 million), which has supported the growth in our balance sheet and resulted in Shareholders' Funds as of September 30, 2020 of £858.3 million. In the years ended June 30, 2018, 2019 and 2020, we advanced £1,660.1 million, £1,982.9 million and £1,688.3 million of new loans, respectively. In the twelve months ended September 30, 2020, we advanced £1,290.4 million of new loans (£1,099.8 million of which is attributable to the six months ended March 31, 2020, and £190.6 million in the six months ended September 2020, following our decision to temporarily pause accepting new loan applications (other than in relation to existing commitments to customers) due to uncertainty related to credit risk as a result of the economic impact of Covid-19, with a phased return to accepting new loan applications from July 2020 onwards. See "*—Recent Developments—Pause in Accepting New Loan Applications and Amending Lending Criteria.*"

Proven business model focused on building long-term value by helping underserved customers in attractive market segments. We offer a range of secured loans for both retail and commercial purposes, secured on both residential and commercial property, at low LTVs, to employed, self-employed and retired owner occupiers, 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 September 2016 to the twelve months ended September 2020 in terms of value of the annual mortgage originations at a compound annual rate of 3.1%, with increasing levels of available homeowners' and property investors' equity. While growth in property prices has been more modest over the last three years, with some regional variation, according to the UK Finance and the Bank of England, in the twelve months ended September 2020, annual mortgage originations were £246.0 billion, representing a 10.8% decrease 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 their lending needs. Our own research (according to the YouGov survey for Together, which incorporated fieldwork undertaken between May and June 2018, 2,003 people who had enquired about a mortgage but not received an offer) indicated that over half (54%) of people turned down for a mortgage had an application rejected for reasons such as self-employment, multiple income streams, lack of credit history, low credit score or non-standard property types. As a result of economic and regulatory changes 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, offering flexible lending criteria, responding quickly to our customers' needs and underwriting each application on its individual merits. 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 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 with 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.

We consider each application on its own merits taking into account the customer's individual circumstances. Our underwriting process is based on the principles of affordability, sustainability and recoverability, taking into consideration customer history and financial position, in-depth security reviews with valuations comparison, legal reviews, understanding of the repayment strategy, affordability assessments including verification of income and application of default minimums, expenditure levels and stress buffers. By applying automation where possible, supported by manual assessments where required using our extensive lending experience acquired over many years, we are able to carefully assess the relevant 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 diverse product offering, our experience and strong reputation, built over 46 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 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 lending criteria 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 attractive and 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, 2020 was 7.7%. Our net interest margin and underlying net interest margin for the twelve months ended September 30, 2020 were 6.5% and 6.7%, respectively.

Established distribution network, supported by long-standing relationships with mortgage intermediaries and our direct routes to market. Our established distribution channels consist of our network of mortgage intermediaries and our direct channels. We have built long-standing and stable relationships with a wide range of mortgage intermediaries, which has been the focal point of our business model over the last 46 years. Prior to the onset of Covid-19 in the UK, we continued to strengthen our relationships with mortgage intermediaries and to widen our reach into mortgage clubs and networks. 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. Following the decision to temporarily pause accepting new loan applications in March 2020 due to Covid-19 in the UK, we have maintained and sought to protect our relationships with our key partners in the Together+ offering, and which forms part of our return to lending strategy (albeit on a reduced scale compared to prior to the onset of Covid-19).

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 twelve months ended September 30, 2020, 64.3% were sourced from mortgage intermediaries and 35.7% were sourced from our direct channels. During the twelve months ended September 30, 2020, we originated loans through 800 mortgage intermediaries (an increase from 205 mortgage intermediaries following the global financial crisis of 2007/08 and the resulting economic downturn in the year ended June 30, 2012 and a decrease from 1,002 in the twelve months ended September 30, 2019), 186 of which each generated new advances in excess of £0.5 million (an increase from 40 such mortgage intermediaries following the global financial crisis of 2007/08 and the following economic downturn in the year ended June 30, 2012 and a decrease from 255 in the twelve months ended September 30, 2019). For the twelve months ended September 30, 2020, 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 35.5% and 48.8% of aggregate mortgage intermediary advances, respectively. In the twelve months ended September 30, 2020, our largest mortgage intermediary in commercial purpose and retail purpose lending accounted for 14.9% of total commercial purpose mortgage intermediary advances and 4.7% 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 strengthening our existing long-standing relationships with our direct customers, professional introducers and mortgage intermediaries.

As part of our direct lending initiatives, in 2019, we 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 loan book with strong asset backing and robust credit performance. Together has a significant and well-balanced loan portfolio of £4.0 billion as of September 30, 2020, 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 46 years of experience, including through various economic and property cycles, remaining profitable throughout. As of September 30, 2020, 64.7% 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 to us. 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 was 52.4% and the weighted average indexed LTV of the Borrower Group's loan portfolio was 54.8%, in each case as of September 30, 2020. As of September 30, 2020, 98.2% of our loan portfolio and 94.1% 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 years ended June 30, 2018, 2019 and 2020 and twelve months ended September 30, 2020, was 58.0%, 58.0%, 57.7% and 57.5%, respectively, with 1.6%, 3.3%, 3.2% and 3.2% of new loans underwritten having an LTV in excess of 80.0%, respectively, and for the three months ended September 30, 2019 and September 30, 2020, the weighted average origination LTV of new loans underwritten for such period was 58.1% and 56.4%, respectively, with 2.8% and 0.8% 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 global financial crisis of 2007/08) of 65.6% and 65.8%, respectively.

In stress testing our loan portfolio, as of September 30, 2020, when comparing our loan balances, prior to the netting of allowances for impairment, to the respective indexed valuations of the properties, an assumed 10%, 20% and 30% decline to indexed valuations on a loan by loan basis would result in an additional negative equity exposure of £7.0 million, £23.3 million and £76.4 million, respectively. In stress testing the Borrower Group's loan portfolio, as of September 30, 2020, when comparing loan balances, prior to the netting of allowances for impairment, to the respective indexed valuations of the properties, an assumed 10%, 20% and 30% decline to indexed valuations on a loan by loan basis would result in an additional negative equity exposure of £6.9 million, £22.5 million and £57.6 million, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis—Loss Sensitivities of the Total Loan Portfolio*."

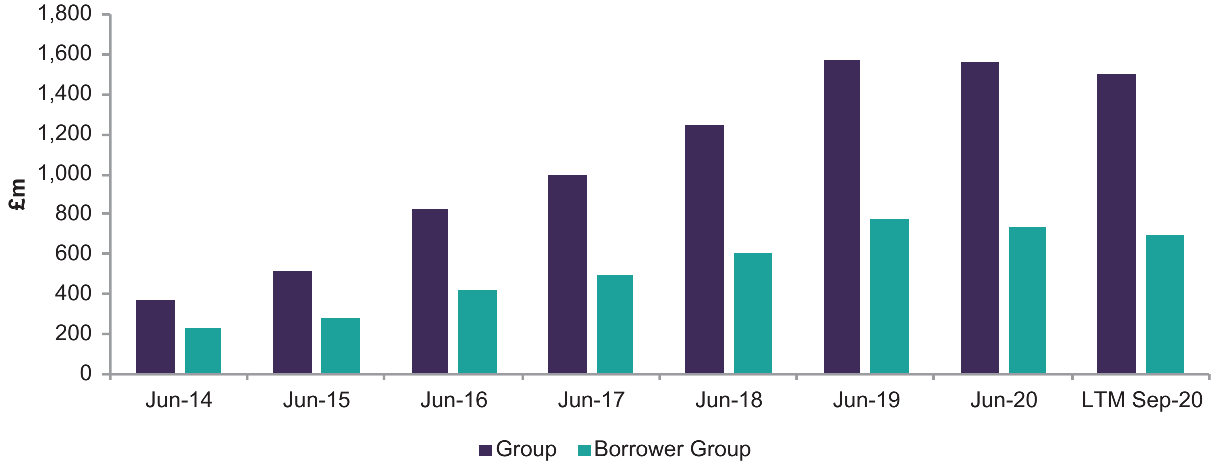
Strong and diversified sources of funding with depth of maturity. Our business model is supported by a diversified and flexible funding structure consisting of cash from operations, the Conduit Securitizations, the

Term Securitizations, the Revolving Credit Facility, the 2026 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 joined certain of these facilities. In the past four years, we have increased the amounts committed under our Conduit Securitizations from £1,255.0 million as of June 30, 2016 to £2,479.5 million as of September 30, 2020. We have also successfully issued four public residential mortgage backed securitizations in the form of TABS 1 Securitization in September 2017, the TABS 2 Securitization in November 2018, the TABS 3 Securitization in October 2019 and the TABS 4 Securitization in July 2020, issuing £261.3 million, £272.6 million, £315.4 million and £360.5 million of Rated Notes (in the case of the TABS 4 Securitization, including £12.8 million Class X 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 £785 million.

We have a track record of successfully extending maturity, increasing the size and generally enhancing the terms of our financing arrangements in line with our growth and maturity and, where necessary, taking action and working in conjunction with our lenders/investors to amend facilities in response to external factors (such as the recent waivers and amendments we entered into in respect of the Conduit Securitizations in line with government guidance. See "*—Recent Developments.*" 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, 2020 was 19.9%. We adopt a policy of regularly extending maturity of our sources of financing, and we believe that the weighted average maturity profile of such facilities provides for a level of continuity through a short economically challenging period. Our weighted average maturity profile of our drawn facilities was 3.1 years as of September 30, 2020. Our diverse funding structure has allowed us to reduce our all-in costs of third-party borrowing (including advisory fees, transaction fees, transaction expenses and non-utilization fees) from 6.5% for the year ended June 30, 2015 to 3.9% for the twelve months ended September 30, 2020.

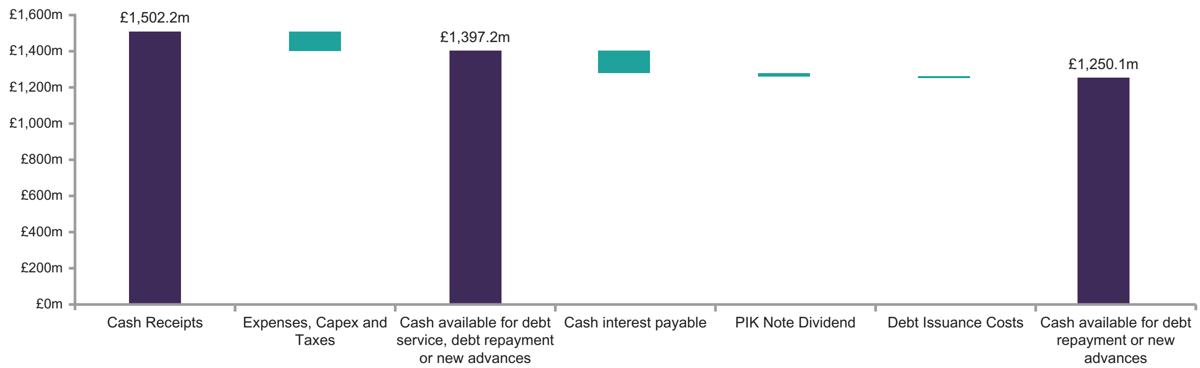
Highly cash generative. The group benefits from significant cash generation and had £1,502.2 million of Cash Receipts for the twelve months ended September 30, 2020 (of which £824.5 million was generated in the six months ended March 31, 2020 before the onset of Covid-19 in the UK, and £677.6 million in the six months ended September 30, 2020), comprising £307.2 million of interest and fees and £1,194.9 million of principal receipts. As of September 30, 2020, our total loan assets were £4,000.8 million. Prior to the onset of Covid-19 in the UK, cash generation has generally increased 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%, 39.8% and 38.1% in the years ended June 30, 2018, 2019 and 2020 and the twelve months ended September 30, 2020, respectively. The Borrower Group generated £698.7 million of Cash Receipts in the twelve months ended September 30, 2020 (of which £362.9 million was generated in the six months ended March 31, 2020 before the onset of Covid-19 in the UK, and £335.8 million in the six months ended September 30, 2020) comprised of £59.6 million in interest and fees, £480.1 million in principal receipts and £159.0 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%, 64.2% and 60.4% in the years ended June 30, 2018, 2019 and 2020 and twelve months ended September 30, 2020, respectively. The group and Borrower Group each had cash outflow related to overheads and expenses, tax, and capital expenditure of £104.9 million in the twelve months ended September 30, 2020, resulting in cash available for debt service, debt repayment or originating new advances of £1,397.2 million for the group and £593.8 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 as demonstrated since the onset of Covid-19 in the UK, when we temporarily paused accepting new loan applications, which had the effect of increasing the cash position as we closely monitored the impact of the economic consequences of Covid-19 on redemption levels. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Assets Cash Flow Metrics—Supplemental Cash Flow Information*."

The graph below sets forth Cash Receipts by the group and the Borrower Group for the years ended June 30, 2014 to 2020 and for the twelve months ended September 30, 2020.

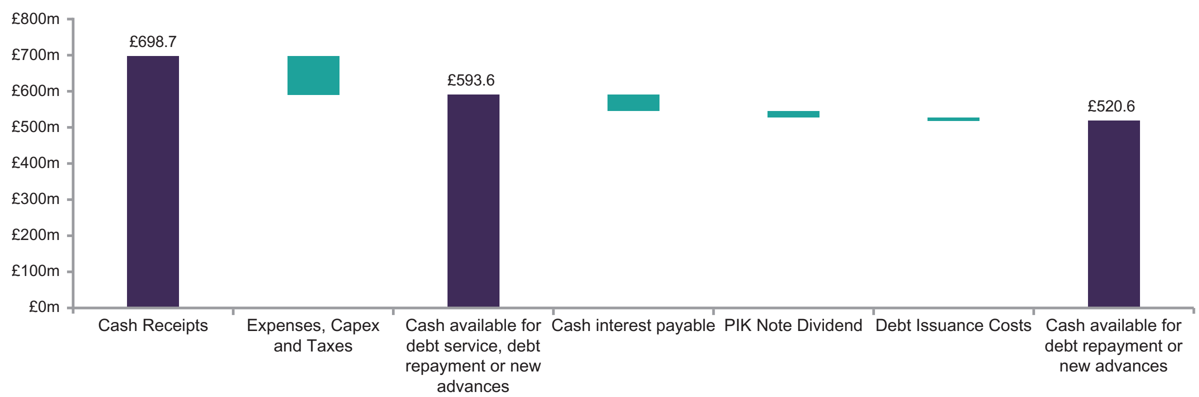


The graphs below set forth the paid interest costs and debt issuance costs for the group and the Borrower Group for the twelve months ended September 30, 2020.

Group Cash Flow



Borrower Group Cash Flow



For the twelve months ended September 30, 2020, cash available for debt repayments and originating new advances was £1,259.9 million (representing cash available for debt service, debt repayment or originating new advances of £1,397.2 million less cash interest payable of £121.7 million (including £5.9 million of exceptional items paid in connection with the 2021 Refinancing) and payment of a dividend related to the servicing of cash interest on the PIK Notes of £15.6 million but before debt issuance costs of £9.8 million). For a reconciliation of cash available for debt service, debt repayment or originating new advances to the nearest IFRS measure, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Assets Cash*

Flow Metrics—Supplemental Cash Flow Information." Cash available for debt repayments and originating new advances are equivalent to 93.7% of total Cash Receipts of £1,502.2 million. For the twelve months ended September 30, 2020, loan advances required to maintain the size of the loan book equivalent to the size of the loan book as of September 30, 2019 are estimated to be approximately £1,108.4 million with associated debt issuance costs of £8.4 million, assuming a ratio of 0.8% debt issuance costs to loan advances.

For the twelve months ended September 30, 2020, cash flows available for debt repayments and originating new advances were 5.0 times Underlying EBITDA.

Active and effective in-house arrears and collections management. We actively manage our level of arrears by engaging with our customers to understand the reason for any arrears and employing a variety of forbearance measures and 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 year ended June 30, 2018 the impairment losses pursuant to IAS 39, amounted to 0.44%, and for the years ended June 30, 2019 and 2020, and the twelve months ended September 30, 2020, the impairment losses pursuant to IFRS 9 amounted to 0.46%, 1.70% and 1.90%, of our total average total loan assets, with the year ended June 30, 2020, and twelve months ended September 30, 2020, impairment losses, which were partially impacted by adverse forward-looking macroeconomic assumptions applied as a result of Covid-19 in the UK. 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, reduced payment plans, payment deferrals, reduced interest rates and assisted sale schemes. We continuously invest in developing our customer relationship management information technology ("IT") platform in our customer services and collections area, which we use to improve the effectiveness and efficiency of our loan servicing 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 a supportive and open customer dialogue. Following the onset of Covid-19, as well as offering Mortgage-Payment Deferrals to borrowers covered by the FCA's criteria, we offered Mortgage-Payment Deferrals to certain other customers selected according to our own internal criteria. We have been actively managing cases where customers have requested Mortgage-Payment Deferrals, consistent with our usual approach for loans in arrears. See "*—Recent Developments—Mortgage-Payment Deferrals.*" As we progress through Covid-19, we intend to continue to have a supportive and open dialogue with customers who request Mortgage-Payment Deferrals. We intend to appropriately support customers throughout Covid-19 and, as customers transition out of Mortgage-Payment Deferral periods, we aim to work with them to understand their circumstances and identify the most appropriate forbearance tools to support them as needed with a view to actively managing arrears. See "*—Overview—Loan Portfolio Characteristics*."

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 (until the recent onset of Covid-19), annual vintage delinquency rates decreased from 4.4% for loans funded in the year ended December 31, 2009 to 0.9% for loans funded in the twelve months ended, September 30, 2019. We believe that our close management of accounts in arrears supports many customers making regular payments in line with agreed payment plans. As of September 30, 2020, of our contractual arrears greater than one month's contractual installment, which represented 8.1% of our loan portfolio and 21.6% 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 installment is due), calculated by value, of which 64.1% and 51.9% 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 installments or within the last three months, 90% or more of contractual installments had been received.

Strong governance structure, risk and compliance control. Together has a unique culture that has been shaped by our 46-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. Since the onset of Covid-19, we have enhanced our customer support through the redeployment of colleagues into customer contact roles to assist with increased customer engagement and to support the application of Mortgage-Payment Deferrals and their consequential impact on the relevant customer's account. 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 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 Head of Enterprise Risk Management in the last twelve months to support the Group Chief Risk Officer and the Group Risk function.

Experienced and proven senior management team, combining long-serving colleagues and distinguished recent hires. Our business was co-founded by our current Group Chief Executive Officer, Henry Moser, in 1974. Three out of six executive members of the Group Board, which was most recently expanded through the appointment of Gerald Grimes as Group CEO Designate, have served on the Group Board for over 19 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 various board of directors 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 grown in recent years, in line with an overall upward movement in UK property prices along with record low unemployment, prior to the recent onset of Covid-19. In addition, there has been a reduction in the number of products offered by mainstream lenders since the global financial crisis of 2007/08, in response to regulatory and economic trends, and certain customer segments are no longer serviced by these lenders. While it remains too early to reliably estimate the full economic impact of Covid-19 and Brexit on the UK economy, as national and local measures continue to be updated to control the spread of Covid-19, the UK has left the European Union, we expect conditions to remain challenging for some time and, with unemployment rising and government stimulus packages set to terminate over the coming months, many people will find themselves in a very different financial position compared to how they entered the Covid-19-related crisis. We are shaping our business to meet customers' evolving needs and to help us play our part in supporting the UK's economic recovery. Following an initial pause to accepting new loan applications, we have cautiously resumed lending on a phased approach with stricter lending criteria, taking the opportunity to simplify our product range and deliver application process improvements to enhance the customer journey and reduce costs. As we gain more certainty around credit risk, we will expand the supply of our offering, leveraging our distribution capabilities and supporting this by reinvesting our reserves and further increasing and diversifying our sources of funding.

In March 2020, we took the decision to temporarily pause accepting new loan applications. In May 2020, we took the decision to cancel certain non-binding commitments and temporarily suspended new intermediary registrations. See "*—Recent Developments—Pause in Accepting New Loan Applications and Amending Lending Criteria*." During the period since March 2020, we have been working closely with our intermediary partners, clubs and networks and packagers to ensure that they are aware of the rationale behind these decisions and are kept informed about our progress in resuming accepting loan applications for certain products through a phased approach thereby supporting strong engagement with our intermediaries. Maintaining good relationships with our partners provides us with confidence that we will be able to satisfy our lending appetite going forward. We have since recommenced accepting new applications on a phased basis initially using a selected panel of intermediaries from our well-established distribution network and using stricter underwriting criteria. As part of our return to lending strategy we have, and will further, develop application process improvements to improve the customer journey and reduce costs together with fostering a balanced mix of direct and intermediary originations.

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.

Deliver positive outcomes by putting customers at the heart of our business, providing flexible, simple products, experienced underwriters, high levels of service and constantly seeking to improve the customer journey. We aim to deliver positive outcomes by applying a common sense approach to lending in order to help our customers to achieve their ambitions. We will continue to offer a more individualized service to accommodate customers who are not served by mainstream lenders ensuring that we underwrite each application based on the individual customer's circumstances. Our high levels of service are informed by a recognition that customers may need to move quickly to realize opportunities and we will strive to move in line with their timescales.

We have begun a process of modernization and transformation to take advantage of technological enablers to help to further improve the customers' and brokers' journey in terms of consistency, user input and speed. We are committed to using technology to do what technology does best and our people to do what people do best by automating processes and easy decisions, while manually underwriting more complex cases. Investing in and utilizing the right technologies will help us evolve and enhance our business. We are integrating new technologies through incremental change, which will enable us to efficiently scale and introduce additional IT solutions gradually as technology advances and our customers' needs evolve. We are automating certain manual stages of the lending journey, for example, with our recent introduction of e-files as part of the mortgage underwriting process and online conveyancing. In addition, we recently introduced the Together app for our Commercial Finance direct customers. The app allows our customers to track the status of their application and interact with our colleagues through secure texts. Throughout our modernization process, we will continue to learn from our customers, taking regular 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 feedback or complaints. Our vision is for the group to be recognized as a modern, technology enabled, rapidly scalable lender that blends automation, flexibility, service and expertise to make finance work to help our customers and intermediaries to realize their ambitions.

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, and were also 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 of providing them 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 as is managing any new-found risk in the current climate. We will continue to provide secured loans, focusing on prudent underwriting policies and LTV's, with appropriate affordability assessment and delivering appropriate risk adjusted margins, thereby enabling us to achieve efficient and sustainable returns. Over the past ten years, we have implemented more stringent affordability metrics which, combined with enhancements to our service collections activity, has supported a significant decrease in the number of our customers who are unable to service their loans, contributing to a significant decline in annual vintage delinquency rates from 4.4% for loans funded in the twelve months ended December 31, 2009 to 0.9% for loans funded in the twelve months ended September 30, 2019. We have historically targeted an average origination LTV of between 55% and 65% for new loans secured primarily on properties in England, Wales and Scotland and continue to operate with appropriate caution in the current climate.

Our business model is based on creating long-term sustainable value. 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 our focus on both divisions.

Increase depth and diversity of funding and reinvest profits to support future growth ambitions. Together's business model is underpinned by an established, diverse and flexible funding structure, comprised of our Senior Secured Notes, Revolving Credit Facility, 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 our diversified loan book and the products we offer, providing a deep maturity profile and strong levels of liquidity. Our diverse funding sources enhance 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. Having multiple funding facilities also permits us to compare relative funding terms, supporting our negotiation of terms, including pricing and structure efficiency, on both refinancing of existing and raising of new facilities, including in the public markets. 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 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, and to match our range of products to those funding structures which best suit the relevant product characteristics.

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 loan book. We will seek to continue to extend and refinance our existing funding channels as appropriate, while also exploring alternative sources of funding to give comfort that our funding structure continues to be robust and supports sustainable planned growth in our lending products.

Trading Update

We originated a monthly average of £74.4 million of loans in the three months ended December 31, 2020, compared to a monthly average of £43.6 million for the three months ended September 30, 2020, a monthly average of £20.0 million for the three months ended June 30, 2020, and a monthly average of £160.8 million for the three months ended March 31, 2020 (before the first UK national lockdown), compared to £205.8 million, £176.2 million, £181.9 million and £169.7 million for the comparable periods in 2019, respectively.

We received average monthly cash receipts of £142.2 million in the three months ended December 31, 2020, compared to a monthly average of £125.7 million for the three months ended September 30, 2020, a monthly average of £100.1 million for the three months ended June 30, 2020, and a monthly average of £130.7 million for the three months ended March 31, 2020, compared to £144.2 million, £145.9 million, £138.6 million and £125.6 million for the comparable periods in 2019, respectively.

Total Accessible Liquidity at December 31, 2020 (which is based on the preliminary draft position pending the finalization of the net loan book for December 2020) was £299.8 million, compared to £267.2 million for September 30, 2020, £144.7 million for June 30, 2020 and £82.5 million for March 31, 2020. See "*Presentation of Financial and Other Information*."

As of December 31, 2020, amounts available and undrawn under our Revolving Credit Facility and the Securitizations were £996.9 million, compared to £236.1 million as of March 31, 2020.

Total cash at December 31, 2020 was £269.3 million, comprising of £153.1 million restricted cash and £116.2 million unrestricted cash, compared to £300.5 million, comprising of £152.6 million restricted cash and £147.9 million unrestricted cash at September 30, 2020 and compared to £252.5 million, comprising of £139.6 million restricted cash and £112.9 million unrestricted cash at June 30, 2020.

As of December 31, 2020, 1.9% and 23.1% of the group's total loan assets, by value, were MPD Live Loans and MPD Total Loans, respectively, compared to 6.2% and 23.4%, respectively, as of September 30, 2020, and compared to 15.1% and 22.2%, respectively, as of June 30, 2020. As of December 31, 2020, 1.4% and 16.0% of the Borrower Group's total loan assets, by value, were MPD Live Loans and MPD Total Loans, respectively, compared to 4.5% and 17.3%, respectively, as of September 30, 2020, and compared to 9.3% and 14.6%, respectively, as of June 30, 2020. The percentage of the group's and the Borrower Group's total loan assets, by number, were broadly in line with these trends. See "*Presentation of Financial and Other Information*."

After September 30, 2020, we have made £135.0 million of debt repayments of the Conduit Securitizations, which included £40.0 million under the CABS Securitization, £30.0 million under the DABS 2 Securitization, £10.0 million under the HABS Securitization and £55.0 million under the LABS Securitization.

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 2024 Notes for the entire principal amount of the 2024 Notes and intends to use a portion of the proceeds from the Offering to redeem in full the 2024 Notes on or about the Issue Date (the "Refinancing"). See "*Use of Proceeds*." As of the date of this offering memorandum, £350.0 million aggregate principal amount of the 2024 Notes remain outstanding.

Recent Developments

Outbreak of Covid-19

In December 2019, a novel strain of coronavirus SARS-CoV-2, causing a disease referred to as Covid-19 ("Covid-19"), was reported in Wuhan, China. Covid-19 has since spread, and infections have been found in the vast majority of countries around the world, including throughout the United Kingdom. In March 2020, the World Health Organization recognized Covid-19 as a pandemic based on the global spread of the disease, the severity of illnesses it causes and its effects on society. In response to Covid-19, the governments of many countries, states and cities have taken preventative or protective actions aimed at slowing the spread of Covid-19, such as imposing restrictions on travel and business operations, and advising or requiring individuals to limit or forego time spent outside of their homes. Accordingly, Covid-19 has severely restricted the level of economic activity in many countries, including in the United Kingdom, and continues to adversely impact global economic activity and has contributed to significant volatility in financial markets and disruptions to our business. For a discussion of the impact of Covid-19 on our results for the year ended June 30, 2020, and three months ended September 30, 2020, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year Ended June 30, 2019 Compared with the Year Ended June 30, 2020*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Three Months Ended September 30, 2019 Compared with the Three Months Ended September 30, 2020*." See "*Risk Factors—Risks Relating to Our Business—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured*."

Mortgage-Payment Deferrals

In March 2020, the FCA announced that all mortgage lenders should grant payment deferrals, meaning arrangements under which a firm permits the customer to make reduced or no payments, to certain regulated borrowers facing short-term liquidity issues and requesting assistance as a result of Covid-19 ("Mortgage-Payment Deferrals"). The deferrals were originally for three months, and the scheme was also available to buy-to-let borrowers as a means of extending relief to tenants. In June 2020, the FCA allowed borrowers to extend the deferral period by up to a further three months where necessary, while encouraging those able to resume payments to do so. The window for requesting deferral applications was extended until October 31, 2020 in parallel with the UK Government's Coronavirus Job Retention Scheme for companies to furlough their staff.

In addition to Mortgage-Payment Deferrals, the UK Government also introduced a moratorium on mortgage lenders initiating court action to repossess the properties of borrowers in default, also to October 31, 2020 (subsequently extended to January 31, 2021). The FCA subsequently extended the deferral period, with effect from November 20, 2020, allowing some deferrals to extend to July 31, 2021. We have offered Mortgage-Payment Deferrals not only to borrowers covered by the FCA's criteria but also to certain other customers (in line with our internal criteria), including some commercial-purpose borrowers, where appropriate. It is not possible to predict the total number of our customers that will ultimately request Mortgage-Payment Deferrals. Following an initial peak (during which approximately 15.6% of the group's total loan assets, by value, were MPD Live Loans) in May 2020, we have observed a gradual and steady decline in the number of loans which were subject to Mortgage-Payment Deferrals. Between November 20, 2020 (the effective date of the most recent extension of the deferral period by the FCA) and December 31, 2020, we received approximately 371 Mortgage-Payment Deferral requests from customers and we estimate that, as of December 31, 2020, we have granted Mortgage-Payment Deferrals to approximately 7,500 customers. See "*—Trading Update*." For more detail on Mortgage-Payment Deferrals and the recent moratorium, see "*Regulation—Recent Regulatory Changes.*"

As of December 31, 2020, of the accounts that have exited their Mortgage-Payment Deferral period and subsequently had a scheduled installment fall due: (i) 78.3% resumed payments (resulting in the arrears position in respect of such loans, as of December 31, 2020, increasing by less than 5.0% of the latest contractual monthly installment), (ii) 16.7% made partial payments (resulting in the arrears position in respect of such loans, as of December 31, 2020, increasing by more than 5% of the most latest contractual monthly installment) and (iii) 5.0% have not made payments.

We have provided our customers with four options for how to treat the deferred interest accrued during the relevant Mortgage-Payment Deferral period: (i) increase the contractual monthly installment for the remainder of the loan to incorporate the accrued interest in the Mortgage-Payment Deferral period; (ii) increase the contractual monthly installment for an agreed period of time before returning to the previous contractual monthly installment; (iii) the customer makes a specific one-off payment at the end of the Mortgage-Payment Deferral that ensures the remaining contractual monthly installments are not adjusted; and (iv) extend the term of the loan while keeping the contractual monthly installment the same throughout the remaining period. We continue to have an open dialogue with customers who request Mortgage-Payment Deferrals and we are actively managing customers' cases consistent with our usual approach for loans in arrears. We intend to support customers throughout Covid-19 and as customers transition out of Mortgage-Payment Deferral periods, we aim to work with them to understand their circumstances and identify the most appropriate options to support them as needed. If none of these options are suitable for the customer, we intend to work with the customer using our existing forbearance options to recover the principal amounts and accrued interest not received during this period with the aim to bring the loan back in line with the scheduled term. Where the contractual monthly installment has been amended by any of these options, this has been reflected in the respective monthly arrears position, which is calculated by reference to the most recent contractual monthly installment for that period. See "*Risk Factors—Risks Relating to Our Business—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured*."

Pause in Accepting New Loan Applications and Amending Lending Criteria

In response to Covid-19, including as a result of the introduction of Mortgage-Payment Deferrals, on March 24, 2020, we announced the decision to temporarily pause accepting new loan applications, other than for existing commitments to our pipeline customers. Our focus was on supporting existing customers, managing our existing pipeline, maintaining the health of the current mortgage books, and retaining liquidity and capital buffers within the group, during a time when risks for new lending were also difficult to evaluate. We have since recommenced accepting new applications on a phased basis initially using a selected panel of intermediaries from our well-established distribution network and using stricter underwriting criteria than that adopted prior to the onset of Covid-19. We advanced £482.5 million, £59.9 million, £130.7 million and £223.2 million of new lending in the three months ended March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020, respectively. In May 2020, we also took the decision to cancel certain non-binding commitments and temporarily suspended new intermediary registrations. The origination LTV on a weighted average basis of new loans underwritten by us for the three months ended March 31, 2020, June 30, 2020, September 30, 2020 and December 31, 2020 was 58.0%, 46.9%, 56.4% and 58.5%, respectively.

Consultation Process

Prompted by the severity of Covid-19 and its impact on our business, we accelerated the implementation of some of our modernization and transformation programs to shape our business for the future. As part of such initiatives, the group recently made the difficult decision to launch an employee consultation process on proposals to reduce colleague numbers reflecting the anticipated future levels of lending activity (which we do not expect to return to levels seen before Covid-19 in the short term) and efficiencies in a revised operating structure (as our transformation projects have been accelerated and as we shape our business for the future). This employee consultation process ended on September 7, 2020, resulting in 191 roles being removed, for which 175 colleagues were made redundant as part of the process. As a result of the consultation process, we expect to achieve approximately £8.4 million of run rate cost savings on an annualized basis (taking into account the relevant gross salary, bonuses, allowances, employer contributions and employer national insurance costs). In connection with the consultation process, we incurred approximately £1.5 million of exceptional costs during the twelve months ended September 30, 2020. See "*Risk Factors—Risks Relating to Our Business—The loss of a number of our senior management or employees and our ability to attract and retain qualified personnel could have a material adverse effect on our business and the effectiveness of our governance*." As a result of our pause in the acceptance of new loan applications, we deemed it appropriate to ultimately furlough approximately 300 colleagues in total. We also took the decision to continue to support our furloughed colleagues during these challenging times, topping up salaries to 100% of their original base salary for lower-paid employees and to 80% for all other employees. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Description of Statement of Comprehensive Income Items—Other Income.*"

Our Sources of Funding

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 ("PIK Interest"). In April 2020, the PIK Notes Issuer elected to pay interest on the PIK Notes as PIK Interest, resulting in an increase in the aggregate principal amount of the PIK Notes from £350.0 million to £368.2 million. See "*Description of Certain Financing Arrangements—Senior PIK Toggle Notes.*" Therefore, the Company did not pay a dividend to its parent company to fund any cash interest payment on the PIK Notes in April 2020. On October 9, 2020, the Company paid a dividend of £26.4 million to Midco2 and in turn the PIK Notes Issuer to fund the cash interest payment on the PIK Notes with respect to the October 15, 2020 interest payment date and pay a dividend to its shareholder. The dividend paid on October 9, 2020 was declared on September 30, 2020, and, as such, the shareholder equity position decreased by £26.4 million as of September 30, 2020, with a corresponding liability within the statement of financial position.

In May 2020, the relevant originators and each of the note purchasers under the Conduit Securitizations entered into waivers and amendments of certain documents under the Conduit Securitizations in order to support the provision of Mortgage-Payment Deferrals, in line with initial guidance from the FCA. Following the FCA's announcement on May 22, 2020 to extend Mortgage-Payment Deferrals, further modifications to the waivers for the Conduit Securitizations were entered into between June 2020 and September 2020. See "*Description of Certain Financing Arrangements—Securitizations*."

On July 23, 2020, the TABS 4 Securitization, our fourth and largest public residential mortgage-backed securitization was established. See "*Description of Certain Financing Arrangements—Securitizations*."

In September 2020, we extended the maturity date on our undrawn £71.9 million Revolving Credit Facility from June 2021 to June 2023. As of the date of this offering memorandum, the Revolving Credit Facility is undrawn. See "*Description of Certain Financing Arrangements—Revolving Credit Facility*."

Directorate Change

On September 30, 2020, former Group Finance Director, John Lowe, left Together to seek new opportunities closer to his home. Chris Adams (previously the Group Financial Controller) has been appointed as Interim Group Finance Director while a formal search for his successor is undertaken.

The Issuer

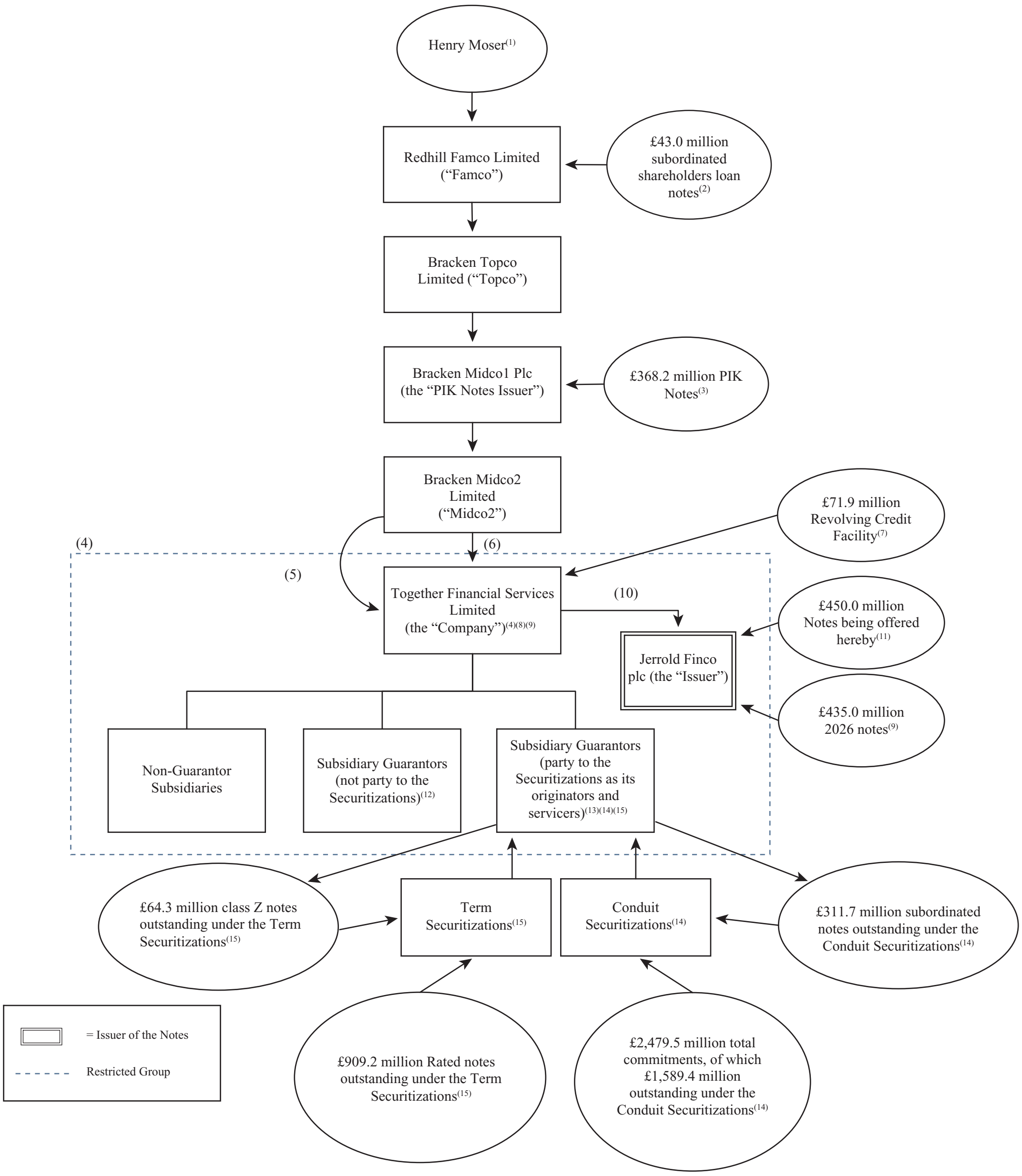
The Issuer, Jerrold FinCo plc, registration number 04949914, was formed on October 31, 2003 under the laws of England and Wales as a private limited company and was re-registered on March 13, 2013 as a public limited company under the laws of England and Wales. The Issuer's registered office is located 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 registration 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, 2020, after giving *pro forma* effect to the Offering. See "*Summary—Recent Developments—Our Sources of Funding*." 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) Henry Moser, our Group Chief Executive Officer, indirectly holds (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 £350.0 million Senior PIK Toggle Notes due 2023 (the "PIK Notes"). 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 ("PIK Interest"). Neither the Company nor any of its subsidiaries, including the Issuer, provide any credit support for the PIK Notes. In April 2020, the PIK Notes Issuer elected to pay interest on the PIK Notes as PIK Interest, resulting in an increase in the aggregate principal amount of the PIK Notes from £350.0 million to £368.2 million. On October 9, 2020, the Company paid a dividend of £26.4 million to Midco2 and in turn the PIK Notes Issuer to fund the cash interest payment on the PIK Notes with respect to the October 15, 2020 interest payment date and pay a dividend to its shareholder. The dividend paid on October 9, 2020, was declared on September 30, 2020, and, as such, the shareholder equity position decreased by £26.4 million as of September 30, 2020, with a corresponding liability within the statement of financial position. See "*Overview—Recent Developments—Our Sources of Funding*" and "*Description of Certain Financing Arrangements—Senior PIK Toggle Notes.*"

(4) As of September 30, 2020, as adjusted to give pro forma effect to the Offering, the Company and its subsidiaries would have had gross senior secured borrowings of £3,397.7 million (excluding the reduction of drawn balances under the Conduit Securitizations of £135.0 million since October 1, 2020), £885.0 million of which was secured indebtedness under the Notes, the 2026 Notes and the Revolving Credit Facility. See "*Summary—Trading Update*" and "*Use of Proceeds*"

(5) 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*."

(6) 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*."

(7) The total commitments available under the Revolving Credit Facility are £71.9 million. As, at the date of this offering memorandum, the Revolving Credit Facility remains undrawn. 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 2026 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.*"

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

(9) On February 10, 2020, the Issuer issued £435.0 million aggregate principal amount of 2026 Notes. The £435.0 million aggregate principal amount of the 2026 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) The proceeds of the Offering will be on-lent by the Issuer to the Company pursuant to the Notes Proceeds Loan in the amount equal to the gross proceeds from the Offering. See "*Use of Proceeds*." The rights of the Issuer under the Notes Proceeds Loan will be assigned by way of security to the Security Agent, and the rights of the Issuer under the Notes Proceeds Loan will comprise part of the collateral securing the Notes.

(11) The Issuer is hereby offering £450.0 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 2026 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 2026 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*."

(12) All of the Company's subsidiaries other than the Issuer and certain dormant and non-material subsidiaries guarantee the 2026 Notes and will guarantee the Notes. The Securitization Vehicles do not guarantee the 2026 Notes and will not guarantee the Notes. As of September 30, 2020, the Adjusted EBITDA (which is EBITDA of Together Financial Services less 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 £164.4 million and £450.6 million, respectively, representing 68.9% and 52.5% of our EBITDA and Shareholders' Funds, respectively. As of and for the twelve months ended September 30, 2020, 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 our 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 2026 Notes, and will not guarantee the Notes.

(13) 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 previously 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*."

(14) 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. These purchases are funded through the issuance of notes under note issuance facilities. As of September 30, 2020, under the CABS Securitization note issuance facility, total commitments were £1,254.5 million, total notes outstanding were £839.6 million, and £123.4 million in subordinated shareholder subscription notes were outstanding. As of September 30, 2020, under the LABS Securitization note issuance facility, total commitments were £500.0 million, total notes outstanding were £265.0 million and £72.6 million in subordinated shareholder subscription notes were outstanding. As of September 30, 2020, under the DABS 2 Securitization note issuance facility, total commitments were £200.0 million,

total loan amount outstanding was £165.0 million and £33.6 million in subordinated shareholder subscription notes were outstanding. As of September 30, 2020, under the HABS Securitization note issuance facility, total commitments were £525.0 million, total notes outstanding were £410.0 million and £93.2 million in subordinated shareholder subscription notes were outstanding. Following the offering of the Notes, we intend to repurchase assets from Charles Street ABS in the amount of £101.4 million (as of January 9, 2021) and the amounts in the diagram are adjusted to give effect to such repurchase, resulting in a £90.2 million reduction in notes outstanding under the relevant note issuance agreement and a £11.0 million reduction in subordinated notes outstanding under the relevant subordinated note subscription agreement. The amounts included in the diagram exclude £40.0 of notes repaid under the CABS Securitization, £55.0 million of notes repaid under the LABS Securitization, £30.0 million of notes repaid under the DABS 2 Securitization and £10.0 million of notes repaid under the HABS Securitization after September 30, 2020. See "*Description of Certain Financing Arrangements—Conduit Securitizations*."

(15) In connection with the Term Securitizations, Together ABS 1, Together ABS 2, Together ABS 3 and Together ABS 4, 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, an aggregate principal balance of £286.9 million mortgage loans on November 8, 2018, an aggregate principal balance of £322.0 million mortgage loans on October 10, 2019, and an aggregate principal balance of £366.0 million mortgage loans on July 23, 2020, respectively, from certain of our operating subsidiaries. Together ABS 1, Together ABS 2, Together ABS 3 and Together ABS 4 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, Together ABS 2, Together ABS 3 and Together ABS 4 do not have recourse to the assets of the subsidiaries of the Company within the Borrower Group. As of September 30, 2020, total Rated TABS 1 Notes outstanding were £113.9 million (after the allocation of £2.5 million of principal receipts received in September 2020), total Rated TABS 2 Notes outstanding were £168.4 million (after the allocation of £2.9 million of principal receipts received in September 2020) and total Rated TABS 3 Notes outstanding were £278.6 million (after the allocation of £3.5 million of principal receipts received in September 2020), respectively and total Rated TABS 4 Notes outstanding were £348.3 million (of which £9.8 million were Class X notes under the TABS 4 Securitization) (after the allocation of £5.2 million of principal receipts received in September 2020). The amounts included in the diagram exclude the reduction of Rated Notes outstanding in the Term Securitizations after September 30, 2020 (which occurs as a result of the application of the proceeds of the redemption of loan assets within the Term Securitizations).

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	£450,000,000 aggregate principal amount % Senior Secured Notes due 2027.
Issue Date	The Notes will be issued on , 2021.
Issue Price	% plus accrued interest, if any, from the Issue Date.
Maturity Date	2027.
Interest Rate	Interest will accrue at a rate of % per annum.
Interest Payment Dates	Semi-annually in arrears on each and , commencing , 2021.
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 2026 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 2026 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 2026 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 2026 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 2026 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 2026 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 Notes Proceeds Loan and the 2026 Notes 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, and laws relating to preference, transactions at an undervalue, misfeasance and corporate benefit may adversely affect the validity and enforceability of payment under the senior guarantee and pledge of security of the Notes by the Issuer, the Company and the other Guarantors.*" The assets securing the Notes and the guarantees of the Notes will also secure the 2026 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 are expected to be £450.0 million. The proceeds of the Offering, together with cash on balance sheet, will be on-lent by the Issuer to the Company pursuant to the Notes Proceeds Loan. The Issuer intends to use the proceeds from the offering of the Notes (i) to redeem the 2024 Notes, (ii) to reduce the drawn balances under the CABS Securitization by £90.2 million through the repurchase of mortgage loans from Charles Street ABS with a principal balance of £101.4 million (as a result of the advance rate, which is the rate at which the assets sold to the CABS Securitization are funded by the CABS Securitization note purchasers) and (iii) to pay fees and expenses in connection with the Offering. As of the date of this offering memorandum, as adjusted for the Offering and as adjusted for the net repayments under the Conduit Securitizations after September 30, 2020, we would have had an aggregate amount of £1,025.1 million undrawn available commitments under our Conduit Securitizations. In addition, as of the date of this offering memorandum, the total commitments available under the Revolving Credit Facility are £71.9 million and the Revolving Credit Facility is undrawn.
Optional Redemption	At any time prior to , 2023, 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 , 2023, at the redemption prices described under "*Description of Notes—Optional Redemption*."
	Prior to , 2023, 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 % 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 (or applicable Guarantor) 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 to The Irish Stock Exchange plc (trading as Euronext Dublin) (the "Exchange") for the Notes to be admitted to listing on the Official List of the Exchange and to trading on its Global Exchange Market.
Original Issue Discount	The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes. In that event, U.S. holders (as defined below in "*Certain Tax Considerations—U.S. Federal Income Tax Considerations*") generally will be required to include OID in gross income (as ordinary income) on an annual basis under a constant yield accrual method, regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders generally will include any OID in income in advance of the receipt of cash attributable to such income. For more information, see "*Certain Tax Considerations—U.S. Federal Income Tax Considerations.*"
Trustee	Deutsche Trustee Company Limited
Security Agent	NatWest Markets 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 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, 2018, 2019 and 2020 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 data 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 classification of restricted cash (which is cash held by the Securitization Vehicles) from borrowings to cash and cash equivalents.

The statement of financial position data as of June 30, 2019 was derived from the comparative data presented in the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, restated therein to report provisions for liabilities and charges as a separate line item, previously included within other liabilities.

The statement of cash flow data as of June 30, 2019 was derived from the comparative data presented in the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, which reflected the refinement of the classification of elements of the statement of cash flows as of June 30, 2019 to better reflect the Company's operating model, which was accounted for as a change in accounting policy under IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Unless otherwise indicated, (i) the financial information as of and for the year ended June 30, 2018 included in this offering memorandum is derived from the consolidated financial statements of the Company as of and for the year ended June 30, 2019 and (ii) the financial information as of and for the year ended June 30, 2019 included in this offering memorandum was derived from the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020.

The summary financial data presented below as of and for the three months ended September 30, 2019 and 2020 have been derived from the unaudited consolidated interim financial statements of Together Financial Services as of and for the three months ended September 30, 2020, 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 and 2020 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, 2020 has been calculated by adding together (1) the audited consolidated financial information for the year ended June 30, 2020, and (2) the unaudited consolidated interim financial information for the three months ended September 30, 2020, and then subtracting (3) the unaudited consolidated interim financial information for the three months ended September 30, 2019.

The financial information for the twelve months ended September 30, 2020 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.

The financial data presented as of and for the year ended June 30, 2020 and as of and for the twelve months ended September 30, 2020 includes the impact of adopting IFRS 16, which came into effect on July 1, 2019 for the Company. Financial information presented herein for periods ending prior to July 1, 2019 has not been adjusted to reflect the 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 year ended June 30, 2020 and as of and for the twelve months ended September 30, 2020 is not directly comparable to the financial information for prior periods.

We have included in this offering memorandum certain unaudited *pro forma* consolidated financial information of the group and the Borrower Group as of and for the twelve months ended September 30, 2020 to give *pro forma* effect to the Offering and the 2021 Notes Refinancing as if they had occurred on October 1, 2019, or September 30, 2020, as applicable. 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 of the group or the Borrower Group that would have been reported had the Offering and the 2021 Notes Refinancing been completed as of October 1, 2019 for the purpose of the calculation of interest payable and other metrics derived from the group's statement of comprehensive income data and cash flow statement data and the consolidated financial position that the group would have reported had the Offering been completed as of September 30, 2020 for purposes of the calculation of net borrowings and other metrics derived from the group's financial position data and should not be taken as indicative of the group's or the Borrower Group's future consolidated results of operations or financial position.

In addition, we have included in this offering memorandum, unaudited *pro forma* Borrower Group loan analysis data to give pro forma effect to the repurchase of £101.4 million principal balance of assets from Charles Street ABS with part of the proceeds of the offering of the Notes as if it had occurred on September 30, 2020.

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 the 2026 Notes and (ii) exclusion of the interest that would no longer have been payable on the 2021 Notes and amounts partly repaid on the Revolving Credit Facility through proceeds of the 2026 Notes and drawn balances under the CABS Securitization partly repaid and the 2024 Notes redeemed in full with the proceeds of the offering of the Notes as if the 2021 Notes Refinancing and the Offering had each taken place on October 1, 2019. For the purposes of metrics related to our *pro forma* Underlying Adjusted EBITDA we give effect to the exclusion of interest that would no longer have been payable in relation to the Conduit Securitizations as if the Offering had taken place on October 1, 2019.

For purposes of metrics related to *pro forma* borrowings, *pro forma* total loan assets, 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, 2020. 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 consolidated financial statements and the notes thereto for Together Financial Services as of and for the years ended June 30, 2018, 2019 and 2020 included in this offering memorandum and the unaudited consolidated interim financial statements as of and for the three months ended September 30, 2020, 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,
	2018	2019	2020	2019	2020	2020
				(£ in millions)		
Statement of comprehensive income:						
Continuing operations:						
Interest receivable and similar income	292.2	343.1	388.4	92.5	95.3	391.2
Interest payable and similar charges	(92.8)	(116.8)	(137.1)	(31.8)	(30.1)	(135.4)
Net interest income	**199.4**	**226.3**	**251.3**	**60.7**	**65.2**	**255.8**
Fees and commission income	4.7	4.4	4.5	1.1	0.7	4.1
Fees and commission expense	(2.1)	(2.3)	(2.9)	(0.6)	(0.2)	(2.5)
Other income	0.4	0.1	1.4	(0.3)	1.3	3.0
Operating Income	**202.4**	**228.5**	**254.2**	**(61.0)**	**67.1**	**260.3**
Administrative expenses (excluding depreciation and amortization)	(64.6)	(78.4)	(86.2)	(22.6)	(20.0)	(83.5)
Depreciation and amortization	(4.7)	(4.4)	(6.6)	(1.3)	(1.4)	(6.7)
Operating profit	**133.1**	**145.7**	**161.5**	**37.0**	**45.8**	**170.3**
Impairment losses	(11.4)	(15.4)	(66.9)	(5.6)	(13.4)	(74.7)
Profit before taxation	**121.7**	**130.3**	**94.6**	**31.5**	**32.4**	**95.5**
Income tax	(15.3)	(18.6)	(10.5)	(4.4)	(4.5)	(10.6)
Profit after taxation	**106.4**	**111.7**	**84.1**	**27.1**	**27.9**	**84.9**

Financial data of the Borrower Group:

	As of June 30,			As of September 30,	
	2018	2019	2020	2019	2020
			(£ in millions)		
Statement of financial position:					
***Assets*:**					
Cash and cash equivalents[(1)]	74.3	120.2	252.5	91.6	300.5
Loans and advances to customers	2,958.2	3,694.5	4,162.2	3,878.4	4,000.8
Derivative assets held for risk management	—	0.1	—	0.0	
Inventories	0.6	0.6	0.6	0.6	0.6
Other assets	4.3	4.8	6.3	4.9	4.4
Investments	0.1	0.1	0.1	0.1	0.1
Property, plant and equipment	6.3	5.4	13.9	13.6	14.4
Intangible assets	8.3	8.8	8.1	9.1	8.0
Current tax asset	—	—	3.2	0.0	1.4
Deferred tax asset	1.4	7.5	7.6	7.8	7.6
Total assets	**3,053.5**	**3,842.0**	**4,454.5**	**4,006.1**	**4,337.8**
Liabilities					
Borrowings	2,291.1	3,015.7	3,550.1	3,164.8	3,413.9
Derivative liabilities held for risk management	—	—	2.9	1.6	2.4
Other liabilities[(2)]	44.2	50.6	51.2	40.9	70.2
Provisions for liabilities and charges[(2)]	—	4.2	22.3	8.9	21.8
Current tax liabilities	6.3	8.7	—	2.6	
Total liabilities	**2,341.6**	**3,079.2**	**3,626.5**	**3,218.8**	**3,508.3**
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	1.1	1.3	1.1
Subordinated Shareholder Funding reserve	43.0	41.0	39.7	40.5	39.3
Share-based payment reserve	1.6	1.6	1.6	1.6	1.6
Cashflow-hedging reserve	—	—	(2.7)	(1.3)	(2.6)
Cost of hedging reserve	—	(0.2)	(0.1)	(0.2)	(0.2)
Retained earnings	648.3	701.4	770.7	727.7	772.6
Total equity	**711.9**	**762.8**	**828.0**	**787.2**	**829.5**
Total equity and liabilities	**3,053.5**	**3,842.0**	**4,454.5**	**4,006.0**	**4,337.8**

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2018	2019	2020	2019	2020	2020
				(£ in millions)		
Statement of cash flows:						
Net cash (outflow)/inflow from operating activities[(3)]	(598.4)	(520.9)	(235.6)	(134.0)	225.4	123.7
Net cash outflow from investing activities	(9.1)	(4.1)	(3.7)	(1.3)	(0.5)	(2.9)
Net cash (outflow)/inflow from financing activities[(3)]	590.2	570.9	371.6	106.7	(176.9)	88.1
Net (decrease) /increase in cash and cash equivalents[(1)(3)]	**(17.3)**	**45.9**	**132.3**	**(28.6)**	**48.0**	**208.9**

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2018	2019	2020	2019	2020	2020
	(£ in millions except percentages and ratios)					
Statistical and other financial data of Together Financial Services:						
Total loan assets[(4)]	2,958.2	3,694.5	4,162.2	3,878.4	4,000.8	4,000.8
Interest payable and similar charges	92.8	116.8	137.1	31.8	30.1	135.4
Interest payable and similar charges (adjusted for exceptional items related to the 2021 Notes Refinancing)[(5)]	N/A	N/A	130.4	N/A	N/A	128.7
Net interest margin[(6)]	7.7%	6.8%	6.6%	6.4%	6.4%	6.7%
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)[(7)(25)]	57.4%	58.0%	58.4%	58.2%	58.3%	58.3%
LTV of loan portfolio (on a weighted average indexed basis)[(25)]	55.3%	54.3%	54.9%	55.0%	52.4%	52.4%
EBITDA[(8)]	219.1	251.5	238.4	64.6	63.8	237.6
EBITDA margin[(9)]	73.8%	72.4%	60.7%	69.0%	66.5%	60.1%
Ratio of EBITDA to interest payable and similar charges[(8)]	2.4x	2.2x	1.7x	2.0x	2.1x	1.8x
Underlying EBITDA[(8)]	N/A	N/A	255.6	67.6	65.3	253.3
Underlying EBITDA margin[(9)]	N/A	N/A	65.1%	72.2%	68.0%	64.1%
Ratio of underlying EBITDA to interest payable and similar charges (adjusted for exceptional items related to the 2021 Notes Refinancing)[(5)(8)]	N/A	N/A	2.0x	2.1x	2.2x	2.0x
Underlying profit before taxation[(10)]	N/A	N/A	118.5	34.5	33.9	118.0
Senior secured borrowings[(11)]	2,282.4	3,001.7	3,524.7	3,139.0	3,387.9	3,387.9
Net senior secured borrowings[(1)(11)]	2,208.1	2,881.4	3,272.2	3,047.4	3,087.4	3,087.4
Ratio of net senior secured borrowings to total loan assets[(4)(11)]	74.6%	78.0%	78.6%	78.6%	77.2%	77.2%
Ratio of net senior secured borrowings to value of total underlying security[(12)]	41.3%	42.3%	43.1%	43.2%	40.4%	40.4%
Tangible equity[(13)]	728.7	781.1	848.3	805.8	850.5	850.5
Tangible assets[(13)]	2,971.0	3,833.2	4,446.3	3,997.0	4,329.8	4,329.8
Ratio of tangible equity to tangible assets[(13)]	24.5%	20.4%	19.1%	20.2%	19.6%	19.6%

	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,
	2018	2019	2020	2019	2020	2020
	(£ in millions except percentages and ratios)					
Statistical and other financial data of the Borrower Group:						
Total loan assets[14]	1,077.2	1,189.3	1,102.0	1,183.0	1,132.3	1,132.3
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)[7][25]	58.7%	58.3%	60.7%	59.9%	60.6%	60.6%
LTV of loan portfolio (on a weighted average indexed basis)[7][25]	58.8%	55.9%	57.4%	58.0%	54.8%	54.8%
Cash interest payable[15]	40.2	46.3	45.8	11.8	10.8	44.8
Adjusted EBITDA[8]	175.8	189.7	163.8	46.9	47.4	164.4
Adjusted EBITDA margin[9]	69.4%	66.4%	51.5%	61.8%	59.6%	51.0%
Underlying Adjusted EBITDA[8]	N/A	N/A	181.1	49.9	48.9	180.1
Underlying Adjusted EBITDA margin[9]	N/A	N/A	56.9%	65.8%	61.4%	55.9%
Ratio of Adjusted EBITDA to cash interest payable[8][15]	4.4x	4.1x	3.6x	4.0x	4.4x	3.7x
Ratio of Underlying Adjusted EBITDA to cash interest payable[8][15]	N/A	N/A	4.0x	4.2x	4.5x	4.0x
Senior secured borrowings[16]	755.7	780.0	795.0	780.0	785.0	785.0
Net senior secured borrowings[16]	755.7	757.3	682.1	763.1	637.1	637.1
Ratio of senior secured borrowings to total loan assets[14][16]	70.2%	65.6%	72.1%	65.9%	69.3%	69.3%
Ratio of net senior secured borrowings to total loan assets[14][16]	70.2%	63.7%	61.9%	64.5%	56.3%	56.3%
Ratio of net senior secured borrowings to value of total underlying security[17]	41.2%	35.6%	35.5%	37.4%	30.8%	30.8%

	As of and for the year ended September 30, 2020
	(£ in millions, except percentages and ratios)
***Pro forma* financial data:**	
Pro forma cash interest payable[18]	
Pro forma senior secured borrowings[19]	3,397.7
Pro forma net senior secured borrowings[1][19]	3,097.4
Ratio of Underlying EBITDA to *pro forma* cash interest payable[8][18]	x
Ratio of *pro forma* net senior secured borrowings to total loan assets[4][19]	77.4%
Ratio of *pro forma* net senior secured borrowings to the value of total underlying security[12][19]	40.6%
***Pro forma* financial data of the Borrower Group:**	
Pro forma Underlying Adjusted EBITDA[20]	181.6
Pro forma cash interest payable[21]	
Pro forma total loan assets[22]	1,233.6
Pro forma senior secured borrowings[23]	885.0
Pro forma net senior secured borrowings[23]	735.9
Pro forma LTV of loan portfolio (on a weighted average indexed basis)[24]	54.8%
Ratio of *pro forma* Underlying Adjusted EBITDA to *pro forma* cash interest payable[21]	x
Ratio of *pro forma* senior secured borrowings to *pro forma* total loan assets[22][23]	71.7%
Ratio of *pro forma* net senior secured borrowings to *pro forma* total loan assets[22][23]	59.7%
Ratio of *pro forma* net senior secured borrowings to *pro forma* value of total underlying security[22][24][26]	32.7%
Ratio of *pro forma* net senior secured borrowings to *pro forma* Underlying Adjusted EBITDA[20][23]	4.1x

(1) Cash and cash equivalents as of June 30, 2019 and each reporting period after such date reflects 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. This reclassification is also reflected as of June 30, 2018 in the comparative column of our June 30, 2019 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 2020 and as September 30, 2019 and 2020, the restricted cash, which is cash held by the Securitization Vehicles was £97.6 million, £139.6 million, £74.7 million and £152.6 million, respectively, and unrestricted cash was £22.6 million, £112.9 million, £16.9 million and £147.9 million, respectively. Cash and cash equivalents does not include the effect of the payment by the Company of a dividend on October 9, 2020 of £26.4 to Midco2 and in turn the PIK Notes Issuer to fund the cash interest payment on the PIK Notes with respect to the October 15, 2020 interest payment date and pay a dividend to its shareholder. Net (decrease) / increase in cash and cash equivalents for the years ended June 30, 2019 and 2020, three months ended September 30, 2019 and 2020, and twelve months September 30, 2020, respectively, are not directly comparable with Net (decrease) / increase in cash and cash equivalents for the year ended June 30, 2018 as the former includes movements in restricted cash (being cash held by the Securitization Vehicles). For the year ended June 30, 2018, such movements in restricted cash were included within Net cash inflow from financing activities.

(2) In the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, the statement of financial position data was restated to report provisions for liabilities and charges, which was previously included within other liabilities, as a separate line item. For the year ended June 30, 2018, Other liabilities included Provisions for liabilities and charges of £3.4 million. These provisions are reported as a separate category within the audited consolidated financial statements as of and for the year ended June 30, 2020, including for the year ended June 30, 2019 presented in the comparative column of these financial statements and within the unaudited consolidated financial statements as of and for the three months ended September 30, 2019 and 2020. For the year ended June 30, 2020, the line item Other liabilities included within the consolidated statement of financial position includes £26.4 million dividend declared but unpaid, subsequently paid on October 9, 2020.

(3) In the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, the classification of elements of the statement of cash flows as of June 30, 2019 was refined to better reflect the Company's operating model. This has been accounted for as a change in accounting policy under IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, following which interest and debt issuance costs are consolidated into the line item Net cash (outflow)/inflow from financing activities.

(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 2021 Notes Refinancing)" represents interest payable and similar charges as adjusted to exclude £6.7 million in respect of the year ended June 30, 2020 and twelve months ended September 30, 2020, respectively, related to the redemption cost of the 2021 Notes. The adjustments related to the 2021 Notes Refinancing consist of £5.9 million call premium with respect to the early redemption of the 2021 Notes and £0.8 million related to the release of remaining debt issuance costs in relation to the 2021 Notes.

(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, 2020 and twelve months ended September 30, 2020, respectively, interest payable and similar charges have been adjusted to exclude exceptional interest payable and similar costs related to the 2021 Notes Refinancing as set out in note (5) 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 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" are calculated as EBITDA for Together Financial Services and Adjusted EBITDA, respectively (i) for the year ended June 30, 2020, excluding the effect of exceptional items related to the provisions in respect of forbearance and customer communication remediation in the amount of £17.2 million; (ii) for the three months ended September 30, 2019, excluding the effects of exceptional items related to the provisions in respect of forbearance and customer communication remediation in the amount of £3.0 million; (iii) for the three months ended September 30, 2020, excluding the effect of exceptional items related to the exceptional redundancy costs of £1.5 million; and (iv) for the twelve months ended September 30, 2020, excluding the effect of exceptional items related to the provisions in respect of forbearance and customer communication remediation and exceptional redundancy costs in the amounts of £14.2 million and £1.5 million, respectively.

We adopted IFRS 16 for all financial periods ending on or after July 1, 2019. Consequently, our EBITDA, Underlying EBITDA, Adjusted EBITDA and Underlying Adjusted EBITDA for the year ended June 30, 2020, three months ended September 30, 2019 and 2020, and twelve months ended September 30, 2020, respectively, reflect the effect of IFRS 16 on interest payable and similar charges. As a result, our EBITDA-based measures for the year ended June 30, 2020, three months ended September 30, 2019 and 2020, and twelve months ended September 30, 2020, respectively, may not be directly comparable to those for the years ended June 30, 2018 and 2019 or any prior period. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—IFRS 16 "Leases."*

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
	2018	2019	2020	2019	2020	2020
	(£ in millions)					
Profit after taxation	106.4	111.7	84.1	27.1	27.9	84.9
Add back:						
Interest payable and similar charges(a)	92.8	116.8	137.1	31.8	30.1	135.4
Income tax	15.3	18.6	10.5	4.4	4.5	10.6
Depreciation and amortization	4.7	4.4	6.6	1.3	1.4	6.7
EBITDA	**219.2**	**251.5**	**238.4**	**64.6**	**63.8**	**237.6**
Exceptional items(a)	—	N/A	17.2	3.0	1.5	15.7
Underlying EBITDA	**N/A**	**N/A**	**255.6**	**67.6**	**65.3**	**253.3**
EBITDA	219.2	251.5	238.4	64.6	63.8	237.6
Securitization interest(b)	(43.4)	(61.8)	(74.6)	(17.7)	(16.4)	(73.2)
Adjusted EBITDA	**175.8**	**189.7**	**163.8**	**46.9**	**47.4**	**164.4**
Exceptional items(a)	N/A	N/A	17.2	3.0	1.5	15.7
Underlying Adjusted EBITDA	**N/A**	**N/A**	**181.1**	**49.9**	**48.9**	**180.1**

(a) "Exceptional items" in respect of the year ended June 30, 2020 represents provisions in respect of forbearance and customer communication remediation of £17.2 million. See "*Business—Regulatory Proceedings*" and note 23 to our consolidated financial statements for the year ended June 30, 2020. "Exceptional items" in respect of the three months ended September 30, 2019 represents provisions in respect of forbearance and customer communication remediation of £3.0 million. "*Business—Regulatory Proceedings*" and note 15 to our unaudited consolidated interim financial statements for the three months ended September 30, 2019. "Exceptional items" in respect of the three months ended September 30, 2020 represents exceptional costs in respect of redundancy costs in relation to the consultation process completed in the quarter of £1.5 million. See "*Summary—Recent Developments—Consultation Process*" and "*Risk Factors—Risks Relating to Our Business—The loss of a number of our senior management or employees and our ability to attract and retain qualified personnel could have a material adverse effect on our business and the effectiveness of our governance.*"

(b) "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 2021 Notes Refinancing, provisions in respect of forbearance and customer communication remediation and exceptional redundancy costs:

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2018	2019	2020	2019	2020	2020
	(£ in millions)					
Profit before taxation	121.7	130.3	94.6	31.5	32.4	95.5
Exceptional items relating to the 2021 Notes Refinancing[(a)]	—	—	6.7	—	—	6.7
Exceptional items relating to provisions in respect of forbearance and customer communication remediation[(b)]	—	—	17.2	3.0	—	14.2
Exceptional items relating to redundancy costs[(c)]	—	—	—	—	1.5	1.5
Underlying profit before taxation	**121.7**	**130.3**	**118.5**	**34.5**	**33.9**	**118.0**

(a) Exceptional items relating to the 2021 Notes Refinancing represents adjustments related to the redemption cost of the 2021 Notes and of the release of residual deferred debt issuance costs associated with the issuance of the 2021 Notes, as detailed in (5) above.

(b) Exceptional items relating to provisions in respect of forbearance and customer communication remediation 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*," note 23 to our consolidated financial statements for the year ended June 30, 2020 and note 15 to our unaudited consolidated interim financial statements for the three months ended September 30, 2019.

(c) Exceptional items relating to redundancy costs represents exceptional costs in respect of redundancy costs in relation to the consultation process completed. See "*Summary—Recent Developments—Consultation Process*" and "*Risk Factors—Risks Relating to Our Business—The loss of a number of our senior management or employees and our ability to attract and retain qualified personnel could have a material adverse effect on our business and the effectiveness of our governance*."

(11) "Senior secured borrowings" represent total indebtedness, which is calculated as the amounts outstanding under the 2024 Notes (excluding the unamortized element of the £1.1 million issue premium related to the 2024 Additional Notes), the 2026 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 a 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 and reporting periods thereafter, such leases recognized within borrowing following the adoption of IFRS 16), include the carrying value of the Subordinated Shareholder Funding, include the unamortized issue premium in relation to the 2024 Additional Notes. Senior secured borrowings excludes £135.0 million of borrowings repaid under the Conduit Securitization note issuance facilities since September 30, 2020 and excludes reductions in the Rated Notes outstanding under the Term Securitizations applying the proceeds from redemptions of loan assets held within the Term Securitizations. "Net senior secured borrowings" represent senior secured borrowings less cash and cash equivalents.

(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 2021 Notes 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 leases (including in respect of the year ended June 30, 2020, three months ended September 30, 2019 and 2020, and the twelve months ended September 30, 2020, respectively, 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, the amortization of the fair value discount on the Subordinated Shareholder funding and the interest on derivatives held for risk management, as applicable to each relevant period.

(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.

(18) "*Pro forma* cash interest payable" is calculated as interest payable and similar charges as adjusted to give effect to the Offering and the 2021 Notes Refinancing as described under "*Use of Proceeds*," as though they had taken place on July 1, 2019, and includes *pro forma*

interest based on the balances for the Notes, 2026 Notes, the Revolving Credit Facility and *pro forma* 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 the 2021 Notes Refinancing) and interest payable on leases. It also does not include any unwinding of the issue premium received on the issue of 2024 Additional Notes, the amortization of the fair value discount on the Subordinated Shareholder funding and the interest on derivatives held for risk management.

(19) "*Pro forma* senior secured borrowings" represent senior secured borrowings adjusted to give effect to the Offering and the 2021 Notes Refinancing 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*." See "*Summary—Recent Developments—Our Sources of Funding*" and the footnotes under "*Capitalization*."

(20) "*Pro forma* Underlying Adjusted EBITDA" is calculated as Underlying Adjusted EBITDA excluding the £1.5 million of Conduit Securitization interest that would no longer have been payable had the Offering taken place on October 1, 2019. See "*Use of Proceeds*."

(21) 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*" and the 2021 Notes Refinancing, as though each had taken place on October 1, 2019. *Pro forma* cash interest payable for the Borrower Group does not include the amortization of debt issuance costs (associated with the Offering and the 2021 Notes Refinancing).

(22) "*Pro forma* total loan assets" is calculated as total loan assets of the Borrower Group adjusted to reflect the Offering (which includes the repurchasing of assets from Charles Street ABS with a principal balance of £101.4 million via the reduction of drawn balances from the CABS Securitization).

(23) 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, including financial advisory, professional and initial purchasers' fees and other transaction costs in connection therewith.

(24) In the case of the Borrower Group, "*pro forma* LTV of loan portfolio (on a weighted average indexed basis)" is calculated as the LTV of loan portfolio (on a weighted average indexed basis) of the Borrower Group adjusted to give effect to the repurchase of assets from Charles Street ABS with the proceeds of the Offering, based on an LTV (on a weighted average indexed basis) of 55.4%,being the LTV of the principal balance of assets to be repurchased from Charles Street ABS. See "*Management Discussion and Analysis of Financial Condition and Results of Operations—Borrower Group Loan Analysis.*"

(25) 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*."

(26) In the case of the Borrower Group "Ratio of *pro forma* net senior secured borrowings to *pro forma* value of total underlying security" is calculated as the *pro forma* 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 *pro forma* total loan assets of the Borrower Group.

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) and the ongoing uncertainty surrounding Covid-19, resulting in increased unemployment rates, loss of earnings, increased short- and long-term interest rates, consumer and commercial bankruptcy filings, a decline in the strength of the global economy, national and local economies, inflation and other results that negatively impact household and business incomes could decrease demand for our loans, decrease loan redemption levels and decrease monthly payments, increase loan delinquency rates and increase loan losses which could adversely affect our profitability. Adverse economic conditions could also 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 exit from the European Union may adversely impact our business, results of operations and financial condition*" and "*—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured*."

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. The current uncertainty surrounding Covid-19 has increased the risk that our customers may be unable to pay their debts, as they face redundancies, reductions in income and/or are placed on furlough schemes, all of which may cause our customers to seek forbearance options (including Mortgage-Payment Deferrals) and could impact our level of arrears. The long-term impact of Covid-19 and the UK Government's response to an economic downturn as a result of Covid-19 cannot be fully predicted at this stage. See *"—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*."

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. Conversely, a decrease in interest rates may not directly benefit our customers as our funding costs are not directly or fully correlated to the Bank of England base rate. If loan servicing costs exceed what they can afford, it may result in customers being unable to meet obligations under their loans and result in credit losses for lenders. This could be exacerbated if, for example, interest rates increase faster than expected by customers (particularly following periods of low interest rates, which initially make borrowing more affordable and may lead to increases in property prices). See *"—Interest rate fluctuations may have a material adverse effect on our business, results of operations and financial condition*."

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, some of our customers may be more vulnerable to an economic downturn and also may be more prone to insolvency. Even if we are able to develop tailored payment plans, provide forbearance options (including Mortgage-Payment Deferrals) 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 could adversely affect our cash flows and 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 reduced property transactions and 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 or lenders tightening their lending criteria resulting in 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, or during, an economic downturn, it may become increasingly difficult to raise funding to fund additional loan origination or to refinance our existing facilities.

Our business is also 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 policy on interest rates, 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. Changes in the wider economic environment, including tightening of monetary policy, could affect availability and pricing terms of our sources of wholesale funding. 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. See "*—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*."

Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured.

Covid-19, identified in China in late 2019, has spread rapidly throughout the world. On March 11, 2020, the World Health Organization confirmed that its spread and severity had escalated to the point that it was deemed a pandemic. Covid-19 has resulted in authorities worldwide, including those in the United Kingdom, implementing numerous measures to try to contain the virus, such as travel bans and restrictions, curfews, lockdowns, quarantines and shutdowns of businesses and workplaces. There is no certainty that such measures will be sufficient to mitigate the risks posed by Covid-19. Both Covid-19 and the related countermeasures have led to materially increased volatility in financial markets, declines in financial markets and significant worsening of the macroeconomic environment and its outlook. Given the unprecedented nature of the actions taken by governments following the onset of Covid-19, it is difficult to assess or predict the ultimate impact of Covid-19 and these countermeasures on the economy. For example, there is a risk that measures taken have delayed but not materially mitigated the impact of Covid-19 and that economic measures taken in response to Covid-19 (including the introduction by the UK Government of its Coronavirus Job Retention Scheme for companies to furlough their staff, its Coronavirus Business Interruption Loan Scheme to provide financial support to small businesses and Mortgage-Payment Deferrals) may be concealing a more serious underlying deterioration in the economy and our customers' circumstances.

As part of the measures implemented by the UK Government in response to Covid-19, in March 2020, the FCA announced that mortgage lenders should grant Mortgage-Payment Deferrals to residential borrowers facing short-term liquidity issues and requesting assistance and a moratorium on mortgage lenders initiating court action to repossess the properties of borrowers in default was introduced. The introduction of Mortgage-Payment Deferrals required us to enter into waivers and amendments in connection with our Conduit Securitizations such that Mortgage-Payment Deferrals and extensions thereto would not be classified as payment arrears under such loan facility documentation and in line with government guidance. See "*Summary—Recent Developments—Our Sources of Funding*." The provision of Mortgage-Payment Deferrals results in lower cash received by the Borrower Group and lower excess spread available from the Securitizations. Given the novel nature of the Mortgage-Payment Deferrals, wider economic conditions and other measures such as furlough schemes, there can be no assurance that upon completion or withdrawal of such forbearance schemes, customers will return to their historical payment behaviors and that the provision of Mortgage-Payment Deferrals, other forbearance measures or any subsequent similar measures, will not have a material adverse effect on our business, results of operations and financial condition. 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 or property markets in the United Kingdom may materially adversely affect our business*."

The total number of customers who may request a Mortgage-Payment Deferral cannot be predicted. As of September 30, 2020, 6.2% and 23.4% of the group's total loan assets, by value, were MPD Live Loans and MPD Total Loans, respectively, and 4.5% and 17.3% of the Borrower Group's total loan assets, by value, were MPD Live Loans and MPD Total Loans, respectively. We cannot predict how many customers currently benefitting from Mortgage-Payment Deferrals will resume mortgage payments when the Mortgage-Payment Deferral period comes to an end. We also cannot predict how many customers who have received help from the UK Government schemes, such as furlough payments or business grants, will continue to make payments on their mortgages when such schemes come to an end. Our exposure to customers whose financial position has deteriorated due to Covid-19 but who have been able to temporarily mitigate the impact of such deterioration as a result of UK Government schemes may result in our arrears increasing or our income declining once such UK Government schemes are withdrawn or completed. Additionally, the UK Government implemented a moratorium on repossessions until January 31, 2021 which may result in an increased level of arrears because such route to recovery is temporarily removed. On March 24, 2020, we took the decision, similar to some other mortgage lenders, to temporarily pause accepting new loan applications. Though this allowed us to focus on our existing customers, it may have longer-term negative implications for our business, including damage to our reputation, a slowdown in growth in our loan portfolio and corresponding reduction in income, as well as damage to our relationships with our mortgage intermediaries, professional networks and other distribution channels. 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*."

In addition, as a result of Covid-19, many financial institutions and other organizations (including our business, surveyors, property conveyances, valuers, courts, other government agencies and service providers) have had to implement new policies regarding their employees, working arrangements (including working remotely or from home) and services provided. The success of any such new arrangements are dependent upon a number of factors such as communications, internet connectivity and the proper functioning of information technology systems, all of which can vary from organization to organization. As a result, such new arrangements may lead to delays or disruptions in otherwise routine functions, which may lead to operational inefficiencies or delays for our business. Moreover, third parties with which we interact may not be able to perform obligations under the agreements to which they are a party as a result of factors outside of their control, including disruptions as a result of technical difficulties and/or other local, national and/or global macroeconomic factors. In the event that any such third parties were to fail to perform their obligations under the respective agreements to which they are a party (including any failure arising from circumstances beyond their control, such as epidemics and/or pandemics) our business could be adversely affected. In addition, to the extent that courts and other government agencies are closed or operate on a limited basis, registration, enforcement and similar activities may not be processed in a timely manner, and may be further delayed as such offices and courts address any backlogs of such actions that accumulated during the period of closure, and the duration of such backlogs is impossible to predict at this time. This may impact our ability to recover on loans through repossession or obtain court orders in respect of loan enforcement, which may ultimately impair our ability to recover on loans and may delay or prevent our loan origination process.

Increased volatility in the global financial markets as a result of Covid-19 and the uncertainties that exist 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 impact of Covid-19 on the UK economy is currently difficult to measure, however, certain industries and sectors have been more severely affected than others given that limitation on individuals' ability to leave their homes and travel restrictions both within and outside the United Kingdom affect certain industries and sectors more severely than others. As a result, industries and sectors such as the high street retail, travel and hospitality sectors have been particularly severely affected by the economic consequences of Covid-19. To the extent that we are exposed to customers who rely on making an income in these industries and sectors, our arrears may increase and our income may decline, which may have an adverse effect on our business, results of operations and financial condition.

The degree to which Covid-19 impacts our results of operations, liquidity, access to funding and financial position will depend on future developments, which are still highly uncertain and cannot be predicted. These developments may include, but are not limited to, the duration and spread of Covid-19, its severity, any mutation of the virus, actions taken to contain Covid-19 (including further lockdowns or restrictions) or treat its impact, the timeliness and success of vaccinations, the timeliness, extent and effectiveness of economic stimulus taken to mitigate the economic impact of Covid-19 and to what extent normal economic and business activity can resume.

Moreover, once Covid-19 subsides, we may continue to face material adverse impacts on our business as a result of its economic impact, including any recession, economic slowdown, increases in unemployment levels, increase in interest rates or increases in taxes (as a result of UK government debt) that have occurred or may occur in the future. Any future epidemics or natural disasters may also have similar, or more severe, effects on global economic activity and on our business, results of operations or financial condition.

Measures relating to Covid-19 have impacted the regular and ordinary performance of our business activities.

Covid-19 has caused us to take measures that impact the regular and ordinary performance of our business activities, such as working from home or remotely. The spread of Covid-19 has led us to modify our operational practices, and we may take further actions required by authorities or that we determine are in the best interests of our employees, customers and other stakeholders. There is no certainty that such measures will be sufficient to mitigate the risks posed by Covid-19, and the implementation of such measures (or their insufficiency) could harm our ability to perform some of our critical functions and serve our customers. As a result of Covid-19, we implemented certain cost cutting measures, including making 175 colleagues redundant. A rise in collections activity (including as a result of exiting Mortgage-Payment Deferrals), combined with changed operational practices, such as working from home measures and a reduced workforce, may present challenges in dealing with our customers and may increase the risk that we might fail to act proactively with delinquent borrowers and treat them fairly or that we might fail to deal with customers in line with regulatory expectations. We may also face challenges with changing our operational practices and realizing efficiencies to respond to increased levels of business, which may result in an increased risk that we fail to deal with customers and delinquent borrowers in line with regulatory requirements, we may be unable to grow our business as quickly as would otherwise have been possible or we may fail to deliver the service levels that our customers expect.

The United Kingdom's 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 a formal two-year process (although this has subsequently been extended three times) of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the European Union (the "Article 50 Withdrawal Agreement").

Under the terms of the ratified Article 50 Withdrawal Agreement, a transition period until December 31, 2020 was agreed. During this period, most European Union rules and regulations continued to apply to and within the UK.

On December 24, 2020 the UK and EU agreed to a trade deal (the "Trade and Cooperation Agreement") which was ratified by the UK on December 30, 2020. There are still a number of areas of uncertainty in connection with the future of the UK and its relationship with the EU and the application and interpretation of the Trade and Cooperation Agreement, and Brexit-related matters may take several years to be clarified and resolved. In particular, the Trade and Cooperation Agreement only covers the trade of goods and, therefore, uncertainly remains over the UK's long-term trading of services relationship with the EU. The UK may still face barriers to trade and commerce (including the provision of financial and other services) with the Member States of the EU and may still lose its present rights to the global trade deals negotiated by the EU on behalf of its members, which may in turn diminish overall economic activity between the UK and the EU and the UK and its global trade partners. Given this uncertainty and the range of possible outcomes, it is currently impossible to determine the impact that Brexit, the Trade and Cooperation Agreement and the nature and extent of UK 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.

A decline in trade between the UK 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. Uncertainty also remains over the Bank of England's monetary policy response to Brexit-related economic challenges, such as a material change in the sterling exchange rate. The Bank of England may tighten monetary policy in the near term and also raise 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, which have a historical high correlation with movements in the Bank of England base rates, and we may therefore be 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. As a consequence of Brexit, some or all of our regulatory framework may be amended or modified. To minimize any negative impact of Brexit, the United Kingdom has been carrying out 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 "*—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 or property markets in the United Kingdom may materially adversely affect our business.

We specialize in providing mortgage loans. Current and 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 in both the net worth of property owners as well as property values (including as a result of Covid-19 or other pandemics, Brexit or Brexit-related political instability). The outlook could be further adversely affected by the risk of a greater push for independence by Scotland and/or Northern Ireland as a result of an increased constitutional tension within the UK following Brexit. Moreover, certain regions in which we operate, certain types of property that we lend against (including commercial properties or higher value properties) and certain customers we lend to (by reason of the sector in which they are employed or the nature of their business, in the case of commercial customers) may be particularly affected by market conditions and economic downturns or experience greater variation in both the ability of customers to repay and net worth of property owners, as well as property values, which may result in a material change in credit risk within our loan portfolio and within certain concentrations of our portfolio. For example, recent economic uncertainty surrounding Covid-19 has the capacity to impact certain regions more than others (due to local lockdowns) and has had a negative impact on certain sectors (such as those related to, including but not limited to, travel, hospitality and retail). As a result, we may experience lower redemption rates (by value and volume) in regions and sectors most affected by Covid-19, increasing arrears and disproportionately increasing our loan portfolio exposures to those types of customers.

Changes to UK Government tax policy could also affect the property market. A new 2% stamp duty land tax surcharge for overseas buyers, which has been announced as part of the 2020 UK budget and would come into effect for purchases from April 1, 2021, may also depress demand from such buyers and negatively affect property values and the number of mortgages sought by overseas buyers in the UK. The UK Government's decision in July 2020 to reduce stamp duty land tax between July 2020 and March 2021 has stimulated additional property activity in the short term, but this could result in lower property activity following the end of the scheme.

The longer term impact of Covid-19 on property prices has also yet to be seen in light of government measures. Covid-19 may also affect segments of consumer preferences, which may affect the property markets (for example, a reduction in apartments or city living as people want outdoor spaces). Additionally, the current moratorium on mortgage lenders initiating court action to repossess the properties of borrowers in default impacts current property prices, as forced sale prices (which would be lower) are not reflected in the market overall.

A deterioration in the property or 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), resulting in a reduced ability to refinance their loans, or to use the sale of their property as an exit strategy for their mortgage.

Moreover, if the amount of equity that mortgage borrowers hold in their properties decreases, 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, and developers may be less incentivized to finish work on development loans or speculative purchases, which we refer to as strategic defaults. The London property market has been particularly affected by recent macroeconomic and political uncertainty, including Covid-19, 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, 2020, approximately 27% of our loans are secured against properties located in London. 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. 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 existing or prospective borrowers may decrease. An 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 partly 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 of their loans this could also lead to further loans to the same borrower (or related borrowers) becoming 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 historically 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 unfavorable 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 or property markets 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 (including, in particular, in light of the recent uncertainty surrounding the effect of Covid-19 and related Mortgage-Payment Deferrals) will effectively predict such losses or that our allowances for impairment will be sufficient to cover any 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 and servicing 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 (currently 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 a property price index. In the majority of cases, we conduct full interior and exterior valuations. In the case of loans secured on residential properties and below certain loan values or LTV levels, our valuations may consist making use of automated valuation models or performing “drive by” exterior examinations. Moreover, following the onset of Covid-19, RICS released an update (updated on July 10, 2020) stating that valuations will be subject to ‘material valuation uncertainty’ (as set out in VPS3 and VPGA of the RICS Valuation – Global Standards) where there is a shortage of market evidence for comparison purposes, and that consequently less certainty and a higher degree of caution should be attached to valuations more generally. To the extent that we are exposed to ‘material valuation uncertainty,’ we may not be able to accurately value assets and properties. 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, 2020, we had a total of £195.2 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. A material reduction in the volume of property transactions (including as a result of the current moratorium on mortgage lenders initiating court action to repossess the properties of borrowers in default) and/or dated information could also hinder our ability to accurately estimate the value of properties.

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.

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), their income and expenses (to assess their affordability) and the nature and value of the underlying property (to assess the security supporting the loan). Such data is used in our underwriting and servicing assessments 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 or servicing 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 also rely partly on manual processing and input from our personnel. While we have certain controls in place (including the introduction of a data governance framework) 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. Input or classification errors may result in improper monitoring of certain metrics, including in connection with regulatory returns and 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, modification or servicing 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 complete our regulatory returns accurately, or 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 review and test the implementation of system updates and amendments, the speed and scale of challenges presented by Covid-19 has required us to make such changes at pace and as such there may be a higher risk of errors in collecting, recording and reporting data and compliance with laws, regulation and contractual requirements. For example, as a result of Covid-19, we have had to rapidly adapt our systems to react to the introduction of Mortgage-Payment Deferrals. Our systems were not designed to accommodate the introduction of Mortgage-Payment Deferrals and related consequences such as non-recording of arrears during the Mortgage-Payment Deferral period (in line with UK Government guidance). The shift to working from home has also presented us with new challenges and operating risks, such as a potentially weakened control environment, making it more difficult to ensure colleagues are following correct processes and procedures, are treating customers consistently and are following security protocols and protecting data correctly. See "*—Measures relating to Covid-19 have impacted the regular and ordinary performance of our business activities*."

Although we have controls and processes designed to help us identify misrepresented or incorrect information in our loan origination and servicing processes, including know-your-customer ("KYC") checks, financial crime checks, underwriting checks and for non-direct loan applications, generally 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. See *"We depend on operational processes, effective controls, third party systems and data accuracy and completeness to identify and detect financial crime and failure to do so could have material consequences including damage to our reputation, data loss, financial loss, remediation and fines all of which could adversely affect our business, results and reporting of our operations and financial condition."*

We depend on operational processes, effective controls, third party systems and data accuracy and completeness to identify and detect financial crime and failure to do so could have material consequences including damage to our reputation, data loss, financial loss, remediation and fines all of which could adversely affect our business, results and reporting of our operations and financial condition.

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. 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*." Additionally, on May 6, 2020, the FCA noted that criminals have been capitalizing on Covid-19 to carry out fraud and money-laundering and reminded firms to remain vigilant and to carefully risk-assess any changes to their financial crime controls that are necessitated by Covid-19 (for example, those related to the increased prevalence of remote working) and to report material concerns about the effectiveness of their financial crime controls to the FCA. The FCA also provided guidance to firms on the nature of KYC measures they may consider in the current circumstances. 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. We continue to invest in technology to help support our financial crime protection architecture, implement new data governance frameworks and have first and second line of defense functions dedicated to financial crime. Despite such investment, 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. Failure of our financial crime prevention controls and other information processes could result in a breach of applicable regulation and harm to 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 a 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 treating our 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. For example, as a measure dealing with Covid-19, the UK Government imposed on UK lenders a requirement to offer Mortgage-Payment Deferrals to their customers. As customers' Mortgage-Payment Deferrals are phased out, our default position will be to capitalize the deferred amounts as principal and then adjust the customers payments such that the mortgage will be repaid over the same period of time, but we wil1 also offer our customers the option of repaying the deferred amount as a lump sum either immediately or over a shorter term or extending the term of the mortgage. In addition, in line with our regulatory obligations, we will be required to offer forbearance support to those customers who will continue to require additional help for a longer period. Overall, regulators are increasingly guiding lenders to exercise appropriate forbearance. In determining the most appropriate course of action, including which forbearance options may be appropriate, signs of vulnerability of such customers must be assessed and taken into account. If we fail to manage delinquent loans appropriately, then the number of delinquent mortgage loans could increase eventually going into default and repossession, 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, reputation, 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*," "*—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*," "*Regulation—Mortgage Repossession*" and "*Regulation—Recent Regulatory Changes*."

As a result of Covid-19, a significant increase in the numbers of our customers are experiencing financial difficulties. In line with regulatory requirements, we began offering our customers Mortgage-Payment Deferrals where they requested them. Should we see a significant increase in the number of customers experiencing financial difficulties, for example, when the UK Government's Coronavirus Job Retention Scheme ends, there is a risk that we may not have the capacity in our operational practices to consistently apply our collections strategies. This may lead to us failing to treat customers in arrears fairly, failure to meet our regulatory obligations or failure to collect appropriately. See "*Recent Developments*."

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 a 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, 2020, 67.6% of the loans (by value) we extended were referred to us by mortgage intermediaries. We originate loans 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. Our relationships with brokers were affected as a result of Covid-19. In March 2020, we temporarily paused accepting new loan applications and amended our lending criteria for existing applications. See "*Summary—Recent Developments—Pause in Accepting New Loan Applications and Amending Lending Criteria*." In addition, while we started accepting new applications again in August 2020, we are undertaking such activity pursuant to a phased approach both in terms of products and intermediaries with origination levels expected to remain below pre-Covid-19 originations levels for some time. These actions may negatively impact our reputation and our relationships with such 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 be below our expectations and ultimately our business, results of operations and financial condition could be materially adversely affected. Moreover, notwithstanding any due diligence or KYC checks that we conduct, we do not have full control over whether the mortgage intermediaries through whom we distribute our loans fully 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. In certain situations 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. See "*Regulation—FCA Regime*" and "*Regulation—Regulation of Residential Mortgages*."

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

Competition in the mortgage loan industry can take many forms, including the levels of the 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 is expected to increase given changes in customer characteristics and higher levels of credit risk due to Covid-19 and the entering into a recession, many of our competitors may look to increase or protect their market share by offering loans to our markets. Over recent years, new competitors have emerged in our market segments, which has resulted in some margin compression. Emerging competition includes "peer-to-peer" lenders, "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 has increased 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 materially 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. After a period of likely decrease in demand and reduced competition due to Covid-19, we may experience a growth in competition. If we are unable to compete successfully in our markets either by identifying new lending trends of which we can take a commercial advantage, being able to access funding at competitive rates 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 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 (including the SM&CR, as further detailed below) 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, stress or inconvenience 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") (within eight weeks from our final response), 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 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 the EU

Mortgage Credit Directive (the "MCD", Directive 2014/17/EU of the European Parliament and of the Counsel of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010), 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. 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 or are adjudged to have in the past failed 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, public censure, substantial fines or remediation actions, as well as potential associated redress costs including for any distress or inconvenience caused, which 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. From January 10, 2020, we have also been subject to the European Union's Fifth Anti Money Laundering Directive, which was transposed by the United Kingdom via the Money Laundering and Terrorist Financing (Amendment) Regulations 2019. The Fifth Money Laundering Directive introduced a number of key amendments, for example, requiring firms, when entering into a new business relationship with a company or trust, 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 personal data that we collect and retain*."

We cannot predict the manner in which existing or past laws or guidance 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.

In addition, as a result of extraordinary events such as Covid-19, the FCA has and may in the future introduce rapid and extensive changes to the regulatory environment, which may affect our business. See "*Regulation—Recent Regulatory Changes.*" Any such actions taken by the FCA or other regulators may, *inter alia*, impact our ordinary course of business as well as result in a material reduction of funding sources available to us in the future as well as an adverse impact on the Securitizations, the terms of which do not necessarily cater for such extensive changes. The introduction of Mortgage-Payment Deferrals, for example, caused our loans to experience an unexpected dramatic increase in levels of payment deferrals, for which we sought waivers from certain lenders from the terms of the Securitizations. See "*Summary—Recent Developments—Our Sources of Funding*."

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 Enterprise Risk Management Framework relies on our three lines of defense, consisting of our business unit employees and quality assurance controls and processes, and our group risk department, including our compliance function, and risk committees and our 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, along with amending our policies and processes and performing additional training. Similarly, an internal audit of our compliance framework in June 2018, and our Enterprise Risk Management Framework in April 2020, identified certain areas for improvement in our compliance and risk systems and procedures. Although actions relating to these findings have been substantially completed, we cannot assure you that such actions will ultimately be successful or that other similar areas for improvement will not be identified by future internal audits or by our Enterprise Risk Management Framework.

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 identified certain past failing and made certain redress payments to our customers, along with identifying 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 we find further failings in our systems, procedures or conduct, past or current, we may be faced with further redress or repayment obligations and any failure or delay in identifying such failings may lead to more severe redress or repayment obligations, sanctions or fines. 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 a result of undertaking internal reviews within the regulated division during the twelve months ended June 30, 2019, we identified instances in which, for certain customers in arrears, the outcome may have been improved if different forbearance tools had been applied. In addition, we identified that some of our past written communications with customers should have been clearer and more complete, including in instances where balances are not expected to be repaid by the customer by the contractual maturity date, using their current repayment schedule. We notified the FCA of such findings in line with our breach reporting processes and obligations. We are still in the process of addressing such findings pursuant to a phased approach. The bulk of the 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 populations in order to expedite the review, with more individual reviews being undertaken on a smaller segment of the population. 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. As of June 30, 2020, a provision in respect of forbearance and customer communication remediation was estimated at £15.9 million and, as of September 30, 2020, this provision was estimated at £14.8 million. Depending on the outcome of further testing and the selection of certain judgments and assumptions, the total financial impact is estimated to be within the range between £9.0 million and £17.0 million. In addition, a further £1.2 million provision has been estimated for administrative expenses relating to the remediation. There can be no assurance that such amounts (including costs, fines or penalties) may not result in a higher overall amount when subsequent remediation phases are taken into account. The calculation of the provisions in respect of forbearance and customer communication remediation and the estimated ranges of impacts contains significant limitations, judgments and estimates, including, *inter alia*, judgments related to the circumstances where customers may have been disadvantaged, the estimated amounts for customer redress due, judgments about the extent of the customer population included, the assumed timing of remediation activities, the extent of any overlap between remediation activities, and the assumed timing of remediation activities.

Due to Covid-19, remediation activities have been extended with material completion expected in the second half of the fiscal year ending June 30, 2021. There can be no assurance that the amount of the provision will remain sufficient and it is expected that the estimate may be refined further during the remediation exercise.

While the FCA, as of the date of this offering memorandum, has not taken any action with respect to the above 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, skilled person reviews or other sanctions. 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 certain 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 remain the most effective 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 will 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 have assessed 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 amount of £2.8 million in line with our proposed remediation actions which has been agreed with the FCA, 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 such 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 funders 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 Enterprise Risk Management Framework, including 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.

Calculation and application of interest and fees in certain segments of our industry has formed part of regulatory reviews in recent years.

There has been significant focus within our industry on mortgage prisoners and customers of lenders who are paying higher interest rates compared to those designed for high street customers. In view of the financial challenges facing many mortgage customers because of Covid-19, the FCA has written to closed book lenders and those lenders who are deemed to be charging high interest rates to existing customers to review and justify the appropriateness of these rates as a matter of urgency.

The FCA has also been concentrating on the second charge market in order to gain a better understanding of the complexity of the interest and fee charging structures. For example, in 2019, they conducted the thematic review into long-term arrears. One of the findings from this review showed that firms generally allow customers to remain in their home; however, the total amount which customers who fall into arrears may have to pay over the term of the loan can significantly exceed the amount originally due under the mortgage. Interest rates charged in the second charge market are often high relative to first charge mortgages. Where default interest is charged, this is typically applied on a compound basis. These factors may lead to the total debt escalating significantly compared to the size of the original loan and cause customers to struggle to repay the total amount owed.

A number of our customers have escalating balances, primarily caused by accounts in arrears, which has caused additional interest and fees. While we have a number of workstreams to identify this population of customers to understand the specific circumstances and offer appropriate solutions for those customers to recover from this position, there can be no assurance that our workstreams will be sufficient to address future regulatory concerns or result in additional costs or burden for our business.

While we have been transparent with the FCA on our plans and methodology of any remedial activities in relation to higher mortgage balances and have committed to a number of actions to resolve this on a go forward basis, many of which have already been implemented, we cannot assure you that such work will be sufficient to align to regulatory expectations and any failing could result in further remedial action or regulatory scrutiny or censure which could have a material adverse effect on our business, results of operations, liquidity and financial condition.

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 that we have made appropriate redress payments and/or made adequate provisions in line with accounting standards in our financial statements for any exposure to such matters, there can be no assurance that our provisions are or will be sufficient to meet any remaining or future redress payment obligations. 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 (as amended and/or supplemented from time to time, 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 for any of our remediation workstreams or any future remediation workstreams, 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 result in complaints, claims, fines and customer remediation and/or redress, 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 stability of the financial services sector within the UK or 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, prudential 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.

On October 26, 2018, the Treasury Select Committee published a report on SME Finance which supported including SME lending within the regulatory perimeter, as well as recommending the establishment of a tribunal to deal with disputes arising from SME lending. In October 2019, then Chief Executive of the FCA, Andrew Bailey, spoke publicly about the strength of the case for including SME lending within the regulatory perimeter. There have also been various statements of support from Members of Parliament for the regulation of commercial lending. In September 2020, the FCA published its 2019/20 Perimeter Report. The Perimeter Report noted that while only loans of under £25,000 to sole traders and relevant recipients of credit are regulated by the FCA, the FCA still expects banks that lend to SMEs to treat borrowers fairly. Additionally, the Perimeter Report acknowledged that SME lending has been a long-standing perimeter issue. These factors, taken together, demonstrate that there is a risk that SME lending may be brought within the regulatory perimeter in the future, which will present us with risks including, but not limited to, increased operational costs associated with compliance, the possibility of regulatory sanction and the denial, or subsequent limitation or withdrawal, of any future regulatory permissions associated with SME lending.

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 June 30, 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 twelve months ended September 30, 2020, the number of first lien regulated contract originations (excluding regulated bridging and CBTL originations) was £184.1 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 6% per month of total mortgages advanced for the twelve months ended September 30, 2020. 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. Increasingly, the FCA has been demonstrating an active interest in regulating the specific pricing policies applied by firms. For example, on July 1, 2020, the FCA made a statement on excessive overdraft charges and stated its intention to monitor pricing data provided by banks, and on September 22, 2020 the FCA published a final report in connection with home and motor insurance, accompanied by a consultation paper (CP20/19), which proposed a series of interventions seeking to ensure fair value and transparency for customers. Both of these demonstrate an increasing willingness for the FCA to intervene in pricing in a manner that could affect how we run our business and price our products in the future.

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 SMEs. 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. 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 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 global financial crisis of 2007/08, 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 three further mortgage related consultations, "CP19/14: Mortgage customers: proposed changes to responsible lending rules and guidance" and 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 global financial crisis of 2007/08 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 have reviewed 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. The FCA's consultation paper (CP20/13) addressed further deficiencies identified in the mortgage market study, which proposed further measures to make it easier for customers in closed mortgage books to switch to new products. Additionally, the FCA wrote to closed book lenders on May 1, 2020 asking them to review and consider reducing the rates charged to customers with higher rate mortgages as a matter of urgency in response to the additional pressure placed on many borrowers as a result of Covid-19. In response to the FCA letter, we have undertaken a review of customers with higher mortgage rates and are in the process of adjusting rates for certain customers. There can be no certainty that our review will be deemed sufficient and in line with FCA expectations. See "*Regulation—FCA Regime*."

The SM&CR for FCA solo-regulated firms came into effect on December 9, 2019. Following successful initial implementation and embedding of the regime and the associated policies and procedures that ensure the firm meets its ongoing regulatory obligations with the SM&CR, we have now moved into a "business as usual" state. See "*Regulation—FCA Regime—Senior Managers and Certification Regime ("SM&CR")*." While reasonable steps are taken to ensure compliance, there can be no assurance that all or any of our regulated entities will continue to be compliant with the SM&CR at all times. Following the introduction of the regime, the SM&CR Office was created to manage the activities of those captured by the regime, to provide first-line oversight over their activities, and to measure and assess by using monthly dashboards, Management Information and other controls to identify how the entities are meeting the requirements of the regime. Non-compliance with the SM&CR may result in fines and other penalties which may be material. We, or individuals in breach of the SM&CR regulatory regime, may be subject to fines, penalties or criminal charges. If any of our colleagues that are subject to SM&CR approvals are revoked, we may be required to take corrective action. During Covid-19, there has been a focus on ensuring that the firm's senior manager (as defined in the SM&CR) population are taking 'reasonable steps' in relation to significant activities, such as the furloughing of colleagues, the move to working from home, the implementation of Mortgage-Payment Deferrals and the consultation process. There can be no assurance that the senior manager population have discharged their duties in line with the requirements of the regime at all times, particularly during Covid-19, and that any Covid-19-related required changes to the firm's SM&CR artefacts will at all times be carried out in the correct way and in a timely fashion. See "*—The loss of a number of our senior management or employees and our ability to attract and retain qualified personnel could have a material adverse effect on our business and the effectiveness of our governance.*"

While we have not adopted the new modified assessment rules from PS19/27, nor are we required to at present, should we choose to, or become required to, adopt these 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 PS20/1 Mortgage advice and selling standards: feedback to CP19/17 and final rules, which contain details for changes to its mortgage advice and selling standards to address harms identified through the mortgage market study. The changes include amendments to the Perimeter Guidance on mortgage advice to: (i) make clear that tools that allow search and filtering based on objective criteria are not necessarily giving advice; and (ii) more closely align with the regulator's approach with recently updated guidance on advising on retail investments as well as permitting more customer interaction before firms are required to give advice. These changes will prevent consumers from being diverted to advice where the interaction does not influence purchasing decisions and encourages firms to make execution-only sales channels easier to use. Additionally, the requirement for advisers to explain why they have not recommended the cheapest suitable mortgage allows consumers to understand how price and other factors are considered in the recommendation they receive, giving them an opportunity to challenge that recommendation.

On April 7, 2020, the FCA published its 2020/2021 Business Plan in which it outlined its key priorities. It heavily focuses on the challenges presented by Covid-19, while also highlighting a number of areas of focus including protecting the most vulnerable and ensuring the fair treatment of consumers. The compliance function monitors all regulatory developments, including the matters identified by the FCA in their business plan.

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 the 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. We have been part of the FCA's second charge long-term forbearance review culminating in some negative findings, which were both industry-wide and firm specific and which we are required to address (and which will entail additional costs). In particular, the key concerns of the FCA relate to primarily (i) mortgage balances that significantly exceed the amounts originally due; (ii) lack of diverse forbearance options (as discussed in the context of the SUP 15 notification); (iii) clarity of communication; (iv) vulnerable customers policy and (vi) policies and processes related to such topics. While we have responded to the FCA's findings, many of which were already identified internally and previously reported to the FCA, and have already completed actions to resolve some of the findings with other actions currently being addressed by management, which has unfortunately been delayed due to Covid-19. Any failure to address the FCA's concerns (in a timely manner or at all) may result in further scrutiny, which, in turn, could result in sanctions, substantial fines or remediation that may have a material adverse effect on our reputation, results of operations and financial condition. 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 business 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, 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 planned to issue a second phase to the consultation in the first half of 2020, which was temporarily put on hold as a result of Covid-19. On July 23, 2020, the FCA published the second phase of their consultation on best practice guidance for managing consumer vulnerability (GC20/3). GC20/3 includes feedback from firms, trade bodies and consumer groups who provided feedback following the first phase of consultation (GC19/3) which was released in July 2019. The consultation period under GC20/3 closed on September 30, 2020. While a gap analysis has been completed of our internal processes against the guidance consultation and an action plan has been created (which sets out any areas identified where improvement or enhancement may be required or beneficial to implement in our business) and agreed with the accountable SMFs (as defined under "*Regulation—FCA Regime—Senior Managers and Certification Regime ("SM&CR")*"), we cannot assure you that such actions will be sufficient to meet regulatory standards expected.

The finalized guidance is expected to be published in the first quarter of 2021. The aim of the guidance is to ensure that vulnerable consumers experience outcomes as good as those for other consumers and receive consistently fair treatment across the sectors regulated by the FCA. See "*Regulation—Vulnerable Customers*." Including, but not limited to, as a result of changing guidance, there can be no assurance that our current or future approaches in respect of identifying and treating vulnerable customers or our ability to ensure that our products, policies and processes are inclusive of such customers are or will be 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, among 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—FCA Regime*." On March 20, 2020, the FCA published a guidance for, *inter alia*, mortgage lenders and administrators, entitled 'Mortgages and coronavirus: our guidance for firms', in connection with Covid-19 in the UK. This guidance was updated on June 4, 2020 and again on June 16, 2020 and provided for payment deferrals for mortgage customers affected by the economic effects of Covid-19. The guidance was supplemented by FS20/14 in September 2020. See "*Summary—Recent Developments—Mortgage-Payment Deferrals*" and "*Regulation—Recent Regulatory Changes*."

On July 14, 2020, following an initial proposal made in August 2019, HM Treasury published the draft The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020. The proposed regulations provide for qualifying individuals who take professional debt advice to benefit from a 60-day moratorium. See "*Regulation—Breathing Space*." The Regulations may affect our ability to enforce certain debts expeditiously.

In recent years, the UK 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 may involve a focus on a principles-based approach or prescriptive rules, or a mix of both), which could affect our business and increase our compliance costs. For example, in May 2020, the EBA published EBA/GL/2020/06: Final Report: Guidelines on loan origination and monitoring. The guidelines introduce reporting requirements, governance requirements as well as measures for assessing the creditworthiness of customers, processes related to credit decisions and the features of loan agreements. The FCA has not commented on EBA/GL/2020/06 and it is unclear whether they will take a similar approach. 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. As a consequence of Brexit, some or all of our regulatory framework may be amended or modified. See "*—The United Kingdom's 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.

We are subject to the GDPR relating to 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, a directly effective EU regulation, which entered into force on May 24, 2016 and came into effect in all Member States on May 25, 2018. In the UK, the GDPR is supplemented by the UK Data Protection Act 2018 (the "UKDPA"). As a consequence of Brexit, a UK-specific form of the GDPR will continue to be in force alongside the UKDPA. The GDPR imposed a substantially higher compliance burden on us and materially increased the maximum level of fines for compliance failures compared to previous European data protection legislation. 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 (while supported with explanatory guidance) relatively new and principle based and 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 were in breach of certain aspects of the applicable legislation relating to response times. We communicated such breaches to the ICO, together with our remediation plans, which are now complete. There can be no assurance that we will not in the future receive bulk requests that lead to future breaches. 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, control failures or financial crime, including 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.*"

On July 16, 2020, the Court of Justice of the EU (the "CJEU") issued its judgment in Data Protection Commissioner v Facebook Ireland Limited, Maximillian Schrems (Case C-311/18, "Schrems II"). This judgment completely invalidated the EU-US Privacy Shield, which had previously been relied upon to legitimize transfers of personal data from the EEA to the United States. The judgment clarified that the EU Commission Standard Contractual Clauses ("SCCs") remain valid, subject to certain conditions. However, these conditions are not explicitly described and so it is not clear how satisfactory compliance should be achieved. We anticipate that further guidance clarifying the conditions required to be met to export personal data to the United States in reliance on the SCCs will ultimately be published by either the European Data Protection Board (the "EDPB") or individual data protection authorities (in the case of the UK, the Information Commissioner's Office (the "ICO")). So far, the ICO has urged UK controllers to take stock of the international transfers made by them and react promptly as guidance and advice becomes available. In addition, the EDPB has recommended that a risk assessment should be undertaken as to whether SCCs provide enough protection within the local legal framework of the receiving entity, whether the transfer is to the United States or elsewhere.

Any failure to implement and comply with the GDPR or other data protection and information security regulations, including due to breaches of our security measures, could significantly affect our reputation and relationships with our customers, and result in civil and, in some jurisdictions, criminal liabilities for the infringement of data protection rules which 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, including the EU Benchmark Regulation (Regulation (EU) 2016/1011), while others are still to be implemented. 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. The FCA also announced in 2017 that LIBOR in its current form will cease when the FCA will no longer compel panel banks to submit data for LIBOR calculations from December 31, 2021. Recent statements from both the FCA and the administrator of LIBOR, ICE Benchmark Administration, indicate that there may be different cessation dates for different LIBOR currencies and tenors, and the FCA may exercise new powers currently passing through the UK Parliament to direct the administration of a 'synthetic' LIBOR for a period of time, however, as of the date of this offering memorandum the position is unclear and may be subject to change. 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. 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) when 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 then with the issuance of SONIA-linked Residential Mortgage-Backed Security). Since then the Working Group has continued to update the market on the transition away from LIBOR and on the adoption of SONIA as an alternative, including in the loans market during September 2020 making a series of recommendations on SONIA adoption and setting milestones for LIBOR transition. Some of our financings refer, or may in the 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 market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term) and SONIA compounded in arrears in relation to which the Working Group has made a series of recommendations. As a result, the market, or a significant part thereof, may adopt an application of SONIA that differs significantly from that set out in the terms and conditions of our Securitization facilities (which, as of the date of this offering memorandum, is linked to LIBOR).

The initiatives of the UK Government related to the buy-to-let market may adversely affect our business, results of operations 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 which were phased in between April 2017 and April 2020. A new 2% stamp duty land tax surcharge for overseas buyers has been announced as part of the 2020 UK budget which would come into effect for purchases from April 1, 2021. This increased cost may also depress demand from non-resident buy-to-let owners. 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 operations 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 experienced 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 future.

We believe our operations may be the subject of specific targeting by certain claims management companies and law firms, which has resulted in an increased number of claims being brought against us principally in respect of historic practices. We believe that we may experience in the future increased claims from such claims management companies as the industry continues to increase in scale and develop under tighter regulations (including higher principal and rule-based standards) and expected levels of conduct, which could result in an increase in existing claims or "new" types of claims related to current or past practices (which may have been commonly placed at the time and which were not subject of claims previously). 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 such claims 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 such existing claims or any future claims on the same matters or other matters 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 operations. See "*Business—Legal Proceedings*."

The loss of a number of our senior management or employees and our ability to attract and retain qualified personnel could have a material adverse effect on our business and the effectiveness of our governance.

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. The loss of a number of our senior management or a significant number of our underwriters, account executives, sales personnel or other key 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, and effectively manage our employee base, could also have a material adverse effect on our business, the effectiveness of our governance and our ability to comply with the SM&CR.

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. Likewise, the loss of a significant number of our underwriters, account executives, or introducer facing or client facing employees or other key 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. In response to reduced origination levels as a result of Covid-19 as well as the introduction and proposed introduction in the near term of technology improving process efficiencies, we initiated a cost review and commenced an employee consultation process in July 2020. The employee consultation was completed on September 7, 2020 and 175 colleagues were made redundant. See "*Summary—Recent Developments—Consultation Process*." The wellbeing challenges faced by our employees as a result of Covid-19 (including the requirement to work from home) and our inability to engage with them as effectively as we could in an office environment along with the impact of the consultation process and resulting redundancy program could affect our corporate culture, negatively impacting the morale and productivity of our employees, who may also become more likely to resign in the future either due to wellbeing concerns, concerns over job security or preferences over homeworking or reduced or flexible working hours. The change in working practices and the impact of the redundancy program has required and will require continued management attention. There can be no assurance that we will make the necessary changes to working practices sufficient to ensure that we retain our employees or that such changes that are made will not affect productivity going forward. In addition, there can be no assurances that the redundancy program will achieve management's goals, including whether the program correctly estimated the optimal level of resource for our future business levels. We also face risk of reputational damage from the redundancy program with respect to future hires. Furthermore, we may receive claims in respect of the implementation of the redundancy program increasing costs higher than originally estimated by management. Lastly, our smaller employee base may prevent us from capitalizing on future opportunities and may reduce our capacity to advance new loans and grow our loan book in the future.

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, internet-based services 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, offsite server capacity and remote working capacity). While we operated in a remote working environment during the UK lockdowns in 2020, and we have previously carried out testing of our disaster recovery site, there can be no assurance that in the event of a disruption, disaster or further lockdown caused by Covid-19 or any other pandemic, that our operations 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 electronic processing providers, 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 income assessments by certain data providers, the provision of automated valuations by electronic valuation providers, the provision of certain software by software providers (e.g. anti-virus software). Although enhanced monitoring of key suppliers has been in place since April 2020, 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, controls and processes 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 ICO. For example, our systems identified an instance of an employee emailing to a private email address a file containing sensitive sales data. While we identified such breach within hours, notified the police and the ICO and obtained confirmation that the data had been destroyed, there can be no assurance that we will be able to identify such breaches in the future. 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 and provide service administration. 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, undertake automated valuations and affordability assessments (including the use of application programming interfaces that enable open banking, i.e. access to the customer's data by third parties based on such customer's preferences) and provide online process status updates and other borrower and mortgage intermediary-expected conveniences. Our management also relies on receiving information through our third-party information systems that is timely and sufficient to manage risks or to plan for, and respond to, changes in customers' circumstances and 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 and used by our peers.

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 (including the rapid changes brought about by social distancing and working from home measures due to Covid-19) could adversely affect the reliability and effectiveness of our systems and/or the information sources from those systems which, in turn, could affect our ability to remain competitive and, to take advantage of opportunities in the market, thereby adversely affecting our business, results of operations and financial condition. We also face the risk that we cannot adapt our use of technology and systems to respond quickly enough to regulatory changes (such as the recent introduction of Mortgage-Payment Deferrals). 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.*"

Maintenance, improvement and upgrading of our IT infrastructure, particularly in the form of significant or complex 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, unintended consequences, delays, costs or complications and adversely affect our "business as usual" operations all of 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 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. For example, the Bank of England has acted to maintain a credit supply to the economy, including the provision of liquidity to banks to support lending, but this support is not available to us as a non-bank lender. 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, 2020, our various Term Securitizations provided us with £909.2 million and our Conduit Securitizations provided us with £1,679.6 million in drawn funding. The end maturities of our Conduit Securitizations are staggered between 2022 and 2023. Our Conduit Securitizations include eligibility criteria and portfolio covenants that, if breached, may require us to buy back certain loans if they no longer comply with certain parameters, or inject capital (which could place stress on our liquidity position) or exchange certain assets (which may have an adverse effect on the asset pool within the borrower group). 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, as well as the loan performance in an economic downturn may lead to deterioration that causes a default in our Conduit Securitizations or leaves the loan asset as ineligible and also deplete our stock of assets available to exchange, to allow us to effectively utilize such facilities and we may increasingly decide to take certain measures to protect access to such facilities (including but not limited to, buying back certain loan assets that fail to meet the relevant eligibility criteria or performance covenants under the terms of the Conduit Securitizations, which could deteriorate the borrower group asset pool and place stress on our liquidity position), both of which may have a material adverse effect on our business, results of operations and financial condition. Alternatively, breaches of certain covenants (or failure to cure certain breaches, where relevant) could result in the Conduit Securitizations beginning to amortize, which would result in the removal of facility headroom and deferral of receipts from such Conduit Securitizations.

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 2024 Additional Notes. In February 2020, we issued an aggregate amount of £435.0 million of 2026 Notes. In addition, we have in place a £71.9 million Revolving Credit Facility which is undrawn as of the date of this offering memorandum). Our ability to originate mortgage loans depends in part upon our ability to secure and maintain such financings on acceptable terms. Changes to the wholesale funding market could impact our ability to secure and maintain (and, as appropriate, refinance) our various financing arrangements. For example, adverse market conditions as a result of events outside of our control, including but not limited to Covid-19, Brexit and heightened geopolitical tensions might limit our access to funding sources, in particular if any such conditions are prolonged. Additionally, adverse conditions in particular funding markets may mean that we can only access a particular type of financing (such as the residential mortgage-backed securities funding market), which might present a risk over the ability of the business to grow using only one type of financing and which might make the commercial terms of other available financing options less favorable. 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 Senior Secured Notes could not be refinanced in whole or in part or we could no longer access the residential mortgage-backed securities market, we may be unable to find replacement financing on commercially favorable terms, or at all, and as a result we could default on our funding arrangement, thereby facing reduced, or zero, ability to originate mortgage loans and could also result in reduced cash inflows available to the Borrower Group if any of the facilities under the Securitizations became fully amortizing under their terms, which could have a material adverse effect on our business, results of operations and financial condition.

We recently entered into waivers and amendments of certain documents under each of the Conduit Securitizations in order to support the provision of Mortgage-Payment Deferrals, and subsequently entered into further modifications to such waivers. See "*Summary—Recent Developments—Our Sources of Funding*." There can be no assurance that we will not require further waivers (or amendments to existing waivers) or amendments to documents under the Securitizations or that we will be able to enter into such amendments or waivers, or extend or amend any such arrangements, on commercially acceptable terms or at all. We also cannot assure you that any waivers and amendments obtained to date, as well as any obtained in the future, are or will be sufficient in preventing defaults or acceleration, or breaches of covenants, under the Conduit Securitizations. Future waivers may require us to increase capital within our Conduit Securitizations or to introduce other structural changes in order to mitigate against potential arrears emergence. In particular, any further extensions to Mortgage-Payment Deferrals as may be stipulated by the UK Government as well as our general regulatory obligations may require us to seek further waivers and/or amendments.

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 Companies Regulations") provides a special corporation tax regime for securitization companies that meet certain qualifying conditions. If the Securitization Companies 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, subject to further recognition and disallowance of certain amounts 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. In particular, 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 or is in a maturing fixed rate period.

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, which could include redress and compensation, disciplinary action, public censures, fines, the imposition of other penalties or requirements to change our policies and terms going forward, which could adversely affect our business, results of operations and financial condition.

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 the 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.

Although we hedge, in part, our exposure to fixed-rate loans from potential interest rate increases in our cost of funds within certain of our Securitizations, 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 pattern of the 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 pattern of the maturity profile of our loan portfolio may change over time reflecting the macro-economic environment existing at that time as well as other factors and 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 Henry Moser. 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 judgment 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. Such volatility is exacerbated by the effects of Covid-19. As a result of IFRS 9 comprising such key estimates and judgments, 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—Critical Accounting Policies—IFRS 9—including impairment of financial assets—applicable since July 1, 2018*." The implementation of IFRS 9 and the use of new models for impairment involves a high degree of complexity and judgment and the making of a number of assumptions, which may prove to be incorrect, including due to the unprecedented economic effects due to Covid-19. Given the complexity and sensitivity of our IFRS 9 models, including a high degree of sensitivity to judgments and assumptions, including with respect to economic conditions (which could change quickly in an uncertain economic climate caused by Brexit, Covid-19 or other factors), the outputs from such models, which determine the level of required provisions, could change materially and therefore could materially adversely affect our business, our results of operations and financial condition, including the level of our reserves and our leverage ratios.

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 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 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 2026 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 2026 Notes Proceeds Loan and the Notes Proceeds Loan and its guarantee of the Notes. Applicable law imposes certain restrictions upon our ability to access the 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, 2020, on a pro forma basis after giving effect to the Offering, we would have had an aggregate principal amount of £3,397.7 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, 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, the margin on the Rated TABS 3 Notes will increase following their optional redemption date in September 2023 and the margin on the Rated TABS 4 Notes will increase following their optional redemption date in June 2024. 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, 2023. 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 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 80% and, in any event, up to £115.0 million of indebtedness. Subject to the terms of the Intercreditor Agreement, secured indebtedness under the Revolving Credit Facility up to the Super Senior Debt Limit (as defined in the Intercreditor Agreement) 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, 2023, and we may choose to cancel the Revolving Credit Facility in its entirety prior to that date. 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 2026 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 the Conduit Securitizations and the Revolving Credit Facility), require us to maintain certain ratios with respect to aspects of certain of our assets. Our Conduit Securitizations also include eligibility criteria and portfolio covenants that, if breached, may require us to buy back certain loans if they no longer comply with certain parameters, or inject capital, or exchange certain 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 characteristics 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 or a potential breach of any of those obligations, covenants, ratios, tests or restrictions could result, subject to cure periods (if applicable) and any limitations on acceleration and enforcement, in an early amortization event, sale demand event or event of default under the Conduit Securitizations or the Revolving Credit Facility (as applicable), which, in the case of the Conduit Securitizations, could also result in a decrease, or removal, of any excess spread provided to the Borrower Group and our creditors could under certain conditions cancel the availability of any facility headroom 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 certain of our other existing or future financing arrangements may 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, if applicable, to repay the Notes in full or in part.

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., ("Investment Grade Status") 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 achieve Investment Grade Status, or that if they achieve Investment Grade Status, that the Notes will maintain Investment Grade Status. 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 higher 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 2026 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 Midco1 plc, has issued 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 2026 Notes, the Notes and the Revolving Credit Facility.

Our indirect parent company, Bracken Midco1 plc, has issued a total aggregate principal amount of £368.2 million of Senior PIK Toggle Notes (increased from the initial principal amount of £350.0 million following the payment of PIK Interest in April 2020), which mature on October 15, 2023. Bracken Midco1 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 Midco1 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 the 2026 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 on 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 2026 Notes, the Revolving Credit Facility and certain hedging arrangements. Pursuant to the Intercreditor Agreement, lenders under the Revolving Credit Facility (up to the Super Senior Debt Limit, as defined in the Intercreditor Agreement) 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 2026 Notes and the Notes. In addition, the lenders under the Revolving Credit Facility (up to the Super Senior Debt Limit, as defined in the Intercreditor Agreement) 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 2026 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 (to the extent such obligation constitute Super Senior Debt) 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 constituting Super Senior Debt), the 2026 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 2026 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 2026 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 2026 Notes Indenture, the 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 as well as creditors under certain other future indebtedness that are secured by the collateral. 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 2026 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, or it may not be possible to sell the collateral at all. 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 in the time taken to obtain such consents and foreclose on the security.

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 2026 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 2026 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. Holders of the Notes may only take enforcement action 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 is continuing or 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, Highfield ABS, Together ABS 1, Together ABS 2, Together ABS 3 and Together ABS 4, 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.

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Each of the Issuer and Guarantors (each an "English Obligor") has been duly incorporated or formed and is validly existing under the laws of England and Wales.

Applicable legal framework and jurisdiction of the English courts

While the United Kingdom ("UK") was a member state of the European Union ("EU"), insolvency processes opened in the UK were subject to both EU and applicable UK domestic legislation. Following the UK's departure from the EU on January 31, 2020 and the expiry of the subsequent transition period (the "Transition Period") on December 31, 2020, in accordance with the European Union (Withdrawal) Act 2018 (as amended by the European Union (Withdrawal Agreement) Act 2020) EU law as directly applicable in the UK at the end of the Transition Period (subject to certain exceptions) was transposed into UK domestic law subject to significant amendments. The Insolvency (Amendment) (EU Exit) Regulations 2019 (SI 2019/146) (as amended) effected key amendments to both EU insolvency laws previously directly applicable in the UK, including the Insolvency Regulation 2000 and EC Regulation No. 2015/848 on Insolvency Proceedings (the "Recast Insolvency Regulation"), and domestic insolvency laws, including the Insolvency Act 1986 (the "Insolvency Act"), the Insolvency (England and Wales) Rules 2016 (SI 2016/1024) (the "Insolvency Rules") and the Cross-Border Insolvency Regulations 2006 (SI 2006/1030) (the "Cross-Border Insolvency Regulations").

Insolvency proceedings and certain related proceedings opened prior to the expiry of the Transition Period are governed by the unmodified Recast Insolvency Regulation and related EU insolvency legislation. Insolvency proceedings in respect of an English Obligor opened after the expiry of the Transition Period would likely proceed under, and be governed by, English insolvency laws in force at the time of commencement of the relevant proceedings. However, to the extent that an English Obligor has its center of main interests ("COMI") in a member state of the EU, insolvency proceedings could, pursuant to the Recast Insolvency Regulation and subject to certain exceptions, be opened in the relevant EU member state and be subject to the laws of that EU member state. 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."

In addition, several jurisdictions, including the UK and the United States, have adopted the UNCITRAL Model Law on Cross Border Insolvency (the "Model Law"). Under national law implementing the Model Law certain foreign courts may recognize certain UK insolvency proceedings as either foreign main proceedings (if COMI of the relevant debtor is determined to be in the UK) or foreign non-main proceedings (if COMI is determined to be in another jurisdiction but the debtor has an establishment in the UK). An "establishment" is defined to mean "any place of operations where the debtor carries out a non-transitory economic activity with human means and assets or services." The Cross Border Insolvency Regulations implement the Model Law in Great Britain and apply to foreign insolvency proceedings (subject to certain exceptions) anywhere in the world without any condition of reciprocity. The Cross Border Insolvency Regulations 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. As such, should an English Obligor have its COMI in a country other than the UK, 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).

Although the scope of the English courts' jurisdiction varies for the different insolvency proceedings available in England and Wales, English courts generally have jurisdiction to open insolvency proceedings in respect of any company which has its COMI in the UK or which has its COMI in an EU member state (other than Denmark) and an "establishment" in the UK. While this allows English courts to assume jurisdiction over certain foreign companies in respect of certain insolvency proceedings, the efficacy of such proceedings will significantly depend on the likelihood and extent of subsequent recognition of such proceedings in relevant other jurisdictions.

The recognition of English courts' jurisdiction and orders in respect of schemes of arrangement and restructuring plan processes, which are restructuring rather than insolvency proceedings, will be subject to treaties regarding matters relating to the jurisdiction of courts in civil proceedings and the enforcement of civil judgments such as the Hague Convention on Choice of Court Agreements 2005 and the Lugano Convention 2007 (subject to the UK's pending accession to the latter) where these apply.

Recognition in the EU

Following the UK's departure from the EU and the expiry of the Transition Period, UK proceedings no longer benefit from automatic and guaranteed recognition in EU member states. As the trade and cooperation terms agreed between the EU and the UK do not include a replacement regime for the current automatic recognition of UK insolvency procedures across the EU (and vice versa) or otherwise address insolvency matters, cross-border insolvencies involving the UK and one or more EU member states will be subject to a degree of uncertainty and increased complexity.

As a result, following the end of the Transition Period, it is likely to be more problematic for UK restructuring and insolvency proceedings to be recognized in EU member states and for UK office holders to effectively deal with assets located in EU member states than it was during and prior to the Transition Period. The general position outlined above will apply and recognition will depend on the private international law rules adopted in the relevant EU member state and the need may well arise to open parallel proceedings, increasing the element of risk as well as costs. In particular in cases where the appointment of a UK office holder is made in reliance on a UK domestic approach rather than COMI rules, it is much less certain that such appointment will be recognized in other EU member states.

As a consequence, the recognition of English insolvency and restructuring proceedings across the EU member states may be different from what investors may have experienced in the past when the UK was a member state of the EU or during the Transition Period. It is not possible to predict with certainty if and to what extent proceedings will be recognized and whether investors may adversely affected as a result.

England and Wales

Each English Obligor is a company incorporated under the laws of England and Wales.

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 an English Obligor and any English law collateral, and other limitations imposed by English insolvency laws 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 an English Obligor. A summary of these processes is set out below.

Formal Insolvency Processes

Under 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, 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 English courts have jurisdiction to make an administration order in respect of, among others, (i) a company registered under the Companies Act 2006 in England and Wales or Scotland, (ii) a company incorporated in a member state of the European Economic Area (iii) a company not incorporated in a member state of the European Economic Area but having its centre of main interests in an EU member state (other than Denmark) or in the UK (iv) a company with COMI in the UK and (v) a company with COMI in an EU member state (other than Denmark) where there is an establishment in the UK.

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" (although this requirement does not apply if the applicant is a holder of a "qualifying floating charge" (see "*—Administrative Receivership and Receivership*" as to what constitutes a qualifying floating charge)) and that the administration order is reasonably likely to achieve the stated purpose of the administration. In addition, upon the application of the holder of a qualifying floating charge (see "—*Administrative Receivership and Receivership*" as to what constitutes 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"). 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* and Receivership" 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 appointment 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 they think 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 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 of Claims*").

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 or a guarantee over the company's property except with the consent of the administrator or leave of the court (although a demand for payment could be made under a guarantee granted by the company). 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 an English Obligor were to enter into administration, the collateral granted by it could not be enforced by the Security Agent while the English Obligor 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, while 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 authorized 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 any security interest created or otherwise arising under a 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 (SI 2003/3226) (as amended) (the "Financial Collateral Regulations"). See "—*Financial Collateral Regulations.*" If an English Obligor were to enter administration, it is possible that, to the extent such security is not a financial collateral arrangement, the security granted by them would not be able to be enforced while they are in administration without leave of the court or consent of the administrator.

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 of the company to which they are appointed 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 or with the consent of the secured creditor. 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 and Wales grants security constituting 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. A floating charge qualifies if it is 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. Please note that it is a matter of fact whether the extent of the security granted relates to 'the whole or substantially the whole' of the property of a company and there is no statutory guidance as to what percentage of a company's assets should be charged to satisfy this test. 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's and, typically, a receiver's primary duty is to realize 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)). They do, 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 created or otherwise arising under a financial collateral arrangement, as per Reg. 8(4) of 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 of Claims*" 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"). The difference between the latter two proceedings is the solvency of the company in question; in an MVL, the directors of the company swear a statutory declaration as to the company's solvency over the following twelve months. 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, with their COMI in an EU member state (other than Denmark) and an "establishment" in England and Wales or which have a "sufficient connection" with England and Wales to justify the court exercising its jurisdiction 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 an EU 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 (as of the date of this offering memorandum, subject to certain temporary restrictions recently enacted by way of CIGA (as defined below) as described below under "*—Temporary Measures*"). 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. However, this will not apply to any property or security interest subject to a disposition or created or otherwise arising under a financial collateral arrangement under the Financial Collateral Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms. 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 and subject to such terms as the court may impose 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 member's 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 to prevent the continuation of legal proceedings and enforcement of security.

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 favor 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.

Fixed versus Floating Charges

There are a number of ways in which fixed charge security has advantages over floating charge security.

Until floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge.

On an insolvency of a charging company: (a) a fixed charge, even if created after the date of a floating charge, may have priority as against a floating charge over the same charged assets (provided that the floating charge has not crystallized at the time the fixed charge was granted); (b) general costs and expenses (including the remuneration of the insolvency officeholders and the costs of continuing to operate the business of the charging company while in administration) properly incurred in an insolvency process are generally payable out of the assets of the charging company (including the assets (including cash) that are the subject of the floating charge) and insolvency officeholders appointed to a charging company can convert floating charge assets to cash and use such cash to meet such general costs and expenses in priority to the claims of the floating charge holder; (c) an administrator may dispose of or take action relating to property subject to a floating charge without the prior consent of the charge holder or court, although the floating charge holder retains the same priority in respect of the proceeds from the disposal of the assets subject to the floating charge; (d) where the floating charge is not created or otherwise arising under a "financial collateral arrangement" (generally, a charge over cash or financial instruments such as shares, bonds or tradeable capital market debt instruments and credit claims) under the Financial Collateral Regulations, assets subject to floating charge security are subject to the claims of certain preferential creditors and the ring-fencing of the Prescribed Part for unsecured creditors (see *"—Priority of Claims*"); and (e) there are particular insolvency "clawback" risks in relation to floating charge security.

Please note, however, that with prior approval of the court, an administrator may also deal with property subject to a fixed charge, provided that disposing of the property is likely to promote the purpose of the administration and that the administrator applies the net proceeds from the disposal of the property in question towards discharging the obligations of the company to the charge holder.

There is a possibility under English law that a court could find that some or all of the fixed security interests expressed to be created by the security documents governed by English law properly take effect as floating charges as the description given to them as fixed charges is not determinative. Whether the purported fixed security interests will be upheld as fixed security interests rather than recharacterized as floating security interests will depend, among other things, on whether the secured party has the requisite degree of control over the charging company's ability to deal with the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the security holder in practice. Where the charging 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 and as described above, adversely impact the returns of the holder of the charge in an administration, liquidation or administrative receivership (see *"—Priority of Claims*") and prevent the holder relying on that charge to appoint a receiver.

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 or (iii) if the company is not incorporated in a member state of the European Economic Area but has its COMI in a member state of the European Union (other than Denmark) or in the UK. 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 (i.e. a majority in excess of 75% in value of creditors who respond in the decision procedure) and provided that those voting against the proposal do not include more than 50% in value of creditors who are unconnected with the company whose claims are admitted for voting, a CVA will bind all unsecured creditors of a company who were entitled to vote on the proposal or who would have been entitled to vote if they had had notice of the decision procedure. 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 but whether or not they vote in favor, the CVA will be implemented if the requisite majority of creditors approve the proposal.

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 from the relevant act, including the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to a company, the administrator or liquidator may challenge the validity of the security or guarantee given, or certain transactions entered into, by that company and, as such, it cannot be certain that, in the event that the onset of a company's insolvency (as described below) is within any of the requisite time periods, the grant of a security interest or a guarantee in respect of the Notes would not be challenged or that a court would uphold the transaction as valid.

Relevant Time

Whether a transaction at an undervalue was entered into, a preference was given or an invalid floating charge was granted will depend in part on whether that action took place at the "relevant time."

In the case of a preference or a transaction at an undervalue, the relevant time is deemed to be:

- if the preference was in favor of a connected person (other than solely by reason of being an employee of the company), and in the case of all transactions at an undervalue, the period of two years ending with the onset of the company's insolvency (as defined below);
- if the preference is not given in favor of a connected person, the period of 6 months ending with the onset of the company's insolvency;
- at a time between the making of an administration application in respect of the company and the making of an administration order on that application; or
- at a time between the filing of a notice of intention to appoint an administrator and the making of an appointment,

provided that at the time the transaction at an undervalue was entered into or the preference was given the company was unable to pay its debts or the company became unable to pay its debts as a result of the transaction at an undervalue or the transaction in respect of which the preference was given. If the transaction at an undervalue is entered into in favor of a connected party, there is a presumption of insolvency and the connected person must demonstrate that the company was not unable to pay its debts at the time of the transaction or became unable to do so as a consequence of the transaction.

In the case of an invalid floating charge, the relevant time is deemed to be:

- if the floating charge is created in favor of a connected person, the period of two years ending with the onset of the company's insolvency (as defined below);
- if the charge is not created in favor of a connected person, the period of twelve months ending with the onset of the company's insolvency;
- at a time between the making of an administration application in respect of the company and the making of an administration order on that application; or
- at a time between the filing of a notice of intention to appoint an administrator and the making of an appointment,

provided that at the time the charge was granted the company was unable to pay its debts or became unable to pay its debts as a result of the transaction in respect of which the floating charge was granted.

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below), depends on the insolvency procedure in question.

In administration, the "onset of insolvency" is the date on which: (a) the court application for an administration order is issued; (b) the notice of intention to appoint an administrator is filed at court; or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding up resolution. Where liquidation follows administration, the onset of insolvency will be the same as the initial administration.

Connected Persons

If a given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person", then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences or invalid floating charges is a party who is: (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow director; or (d) an associate of the relevant company.

The term "associate" is very widely defined; key "associates" are defined below (as set out in section 435 of the Insolvency Act).

A party is an associate of an individual if they are: (a) a relative of the individual; (b) the individual's husband, wife or civil partner; (c) a relative of the individual's husband, wife or civil partner; (d) the husband, wife or civil partner of a relative of the individual; or (e) the husband, wife or civil partner of a relative of the individual's husband, wife or civil partner.

A person is an associate of any person with whom he is in partnership and of the husband, wife or civil partner or relative of any individual with whom he is in partnership.

A party is associated with a company if they are employed by that company (and in this case directors of a company are treated as employees of that company). A person is also an associate of any person whom he employs. A company is an associate of another person if that person has control of it or if that person and persons who are his associates together have control of it.

A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

A person is to be taken as having control of a company if the directors of the company or of another company which has control of it (or any of them) are accustomed to act in accordance with his directions or instructions, or he is entitled to exercise, or control the exercise of, one third or more of the voting power at any general meeting of the company or of another company which has control of it. Where two or more persons together satisfy either of these conditions, they are to be taken as having control of the company.

The potential grounds for challenge available under English law 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 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. A transaction will only be a transaction at an undervalue if at the time of the transaction or as a consequence 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).

A transaction may be set aside as a transaction at an undervalue if the company made a gift to a person, if the company received no consideration or if the company received consideration of significantly less value, in money or money's worth, than the consideration given by such company in return. 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 (see "Connected Persons" above), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the company in such proceedings. The transaction must also have occurred at the "relevant time" (see "*—Relevant Time*").

A court will not generally set aside a transaction 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 the company. 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 payments the creation of a security interest or a guarantee (or grant other relief) where such payment, creation of security interest or guarantee constituted a preference under Section 239 of the Insolvency Act. A transaction will only be a preference if at the time of the transaction or as a consequence 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).

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). The transaction must also have occurred at a "relevant time" (see "*—Relevant Time*").

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 prefer the counterparty to the transaction, unless the beneficiary of the transaction was a connected person (other than solely by reason of being an employee of the company), in which case there is a presumption that the company was influenced by a desire to prefer and the connected person must demonstrate in such proceedings that there was no such desire. 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 or setting aside the relevant Notes, Guarantees and collateral (although there is certain protection (as described below) 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 use of the provision is therefore not limited to liquidators or administrators and, subject to certain conditions, the FCA, the PRA 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" (see "*—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:

- 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;
- 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
- 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 floating charge created or otherwise arising under a security 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.

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 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 subject to any enactment or rule of law requiring directors, in certain circumstances, to consider or act in the interests of creditors of the company. 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 with the company, 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) and subject to certain circumstances in which super priority is afforded to moratorium debts and priority pre-moratorium debts in accordance with Section 174A of the Insolvency Act and paragraph 64A of Schedule B1 of the Insolvency Act (see "*—Corporate Insolvency and Governance Act 2020*"):

- **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**: 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 (iv) 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 rank for payment after the discharge of ordinary preferential debts and include (a) bank and building deposits eligible for compensation under the FSCS to the extent that claims exceed the statutory limit, and (b) with respect to all insolvencies commencing on or after December 1, 2020, claims by HMRC in respect of certain taxes including VAT, PAYE income tax (including student loan repayments), employee NI contributions and Construction Industry Scheme deductions but excluding corporation tax and employers' NI contributions which are held by the company on behalf of employees and customers, 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 (as defined below) to such secured creditors unless the Prescribed Part (as defined below) 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 £800,000 (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before April 6, 2020, in which case the maximum aggregate cap is £600,000). 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 (Part 26)

Although it is not an insolvency proceeding, pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction a scheme of arrangement (a "Scheme") that effects a compromise or arrangement between a company and its creditors (or any class of them), 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 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 the 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.

Unlike an administration proceeding, the commencement of a Scheme does not trigger a moratorium of claims or proceedings.

Restructuring Plan (Part 26A)

CIGA (as defined below) introduced a new type of restructuring procedure (a "Restructuring Plan"), which is available under Part 26A of the Companies Act and which is similar to a Scheme under Part 26 of the Companies Act but with a few key differences, including an ability for a cross-class cramdown to bind dissenting stakeholders to the proposed Restructuring Plan.

Like a Scheme, a Restructuring Plan is available to any company that is liable to be wound up under the Insolvency Act, excluding certain financial market participants and any other company excluded by the Secretary of State. The company must: (i) have encountered, or be likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern; and (ii) a compromise or arrangement must be proposed between the company and its creditors or members (or any class of them) for the purpose of eliminating, reducing, preventing or mitigating the effect of such financial difficulties. There is no financial eligibility criteria, thereby making it available to both solvent and insolvent companies (in the latter case, the plan would be proposed by the incumbent insolvency practitioner). Where a convening application is made before the end of the period of twelve weeks beginning with the day after the end of any moratorium process under CIGA (as defined below), any creditors in respect of "moratorium debts" and "priority pre-moratorium debts" may not participate in the vote and may not be compromised under the Restructuring Plan without their consent.

The overall Restructuring Plan process closely resembles that for a Scheme. As an initial step, the company will seek leave of the court to convene meetings of the relevant classes of its creditors or members (as applicable). Creditors and members whose rights against the Company would be affected by the Restructuring Plan must be permitted to participate in a convening meeting ordered by the court, provided that this will not apply in relation to a class of creditors or members of the company if the court is satisfied that none of the members of that class has a genuine economic interest in the company.

At the relevant class meetings, the Restructuring Plan will be approved if a number representing 75% in value of the creditors or class of creditors or members or class of members (as applicable) present and voting vote in favor of it. In contrast to a Scheme, there is no requirement that a majority in number must also vote in favor of the Restructuring Plan. Following the creditors' or members' meeting(s), a sanction hearing will be held. Here, the court will consider if the necessary plan requirements have been met, review the fairness of the Restructuring Plan and consider whether it is reasonable and decide whether to sanction the Restructuring Plan. The court has discretion to sanction a Restructuring Plan, even if one or more classes of creditors or members did not vote in favor of it, thereby "cramming-down" dissenting classes, if: (i) the court is satisfied that none of the members of the dissenting class would be any worse off under the Restructuring Plan than they would be in the event of the "relevant alternative" (i.e. whatever the court considers would be most likely to occur in relation to the company if the Restructuring Plan were not sanctioned); and (ii) the Restructuring Plan has been approved by a number representing 75% in value of a class of creditors or members (as applicable), present and voting, who would receive a payment, or have a genuine economic interest in the company, in the event of the relevant alternative referred to in (i) above. A Restructuring Plan sanctioned by the court will be binding on all affected parties, whether they initially voted in favor of it or not.

Financial Collateral Regulations

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 and "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 officeholder 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 the 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.

Corporate Insolvency and Governance Act 2020

On June 26, 2020, the Corporate Insolvency and Governance Act 2020 (as amended, "CIGA") came into force. CIGA introduced some additional restructuring and insolvency procedures, including the Restructuring Plan (as described above), and also made some temporary amendments to existing procedures.

Moratorium

CIGA introduced a moratorium procedure, which is available under Part A1 of the Insolvency Act to, among others, registered UK companies and unregistered UK companies liable to be wound up under Part 5 of the Insolvency Act, subject to certain exclusions. The moratorium's initial duration will be for a period of 20 business days beginning with the business day after the day on which the moratorium comes into force, but this can be extended (i) by the directors, for a period of a further 20 business days, (ii) with creditor consent, for a total period of a year (including the initial 20 business day period), and (iii) by the court, for an unlimited period.

To obtain the benefit of the moratorium, a director of an eligible UK company must (provided that the company is not already subject to a winding up petition, in which case the directors must apply to court for an order for the moratorium) file certain documents at court to certify that, in their view, the debtor is or is likely to become unable to pay its debts and a licensed insolvency practitioner (the "Monitor") must certify that, in their view, a moratorium would be likely to result in the rescue of the company as a going concern. Despite the existence of a "payment holiday" in respect of certain pre-moratorium debts (i.e. any debt or other liability of the company that has fallen due prior to the commencement of the moratorium or which becomes due during the moratorium but under an obligation incurred by the company prior to the commencement of the moratorium) which exists throughout the moratorium, the company will still be expected to pay certain categories of pre-moratorium debts (known as "priority pre-moratorium debts"), including the costs of goods and services, employees and rent, together with all amounts falling due under loan agreements and other financial services contracts.

If proceedings for the winding-up of the company are commenced within the period of twelve weeks following the end of the moratorium, all moratorium debts (i.e. any debt or other liability that the company becomes subject to during the moratorium (other than by reason of an obligation entered into prior to the moratorium) or to which the company may become subject after the end of the moratorium because of an obligation incurred during the moratorium) and priority pre-moratorium debts will have enhanced priority in the winding-up, ranking ahead of the claims of preferential creditors, the holders of floating charge security and unsecured creditors.

The moratorium is not available to companies which, on the date of filing, are party to an agreement which is or forms part of a capital market arrangement (whereby the company has incurred or, when the agreement was entered into, was expected to incur a debt of at least £10,000,000 under the arrangement (at any time during the life of the capital market arrangement) and the arrangement involves the issue of a capital market investment) as detailed in Schedule ZA1 to the Insolvency Act. The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The Secretary of State may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

Temporary Measures

CIGA also introduced certain temporary measures to mitigate the economic consequences of Covid-19 and allow companies necessary breathing space in order to survive the pandemic. Such temporary measures include a prevention, at any point on or after April 27, 2020, of the presentation of a winding-up petition based on a statutory demand that was served between March 1, 2020 and March 31, 2021.

In addition, CIGA provides that a creditor cannot present a winding-up petition between April 27, 2020 and March 31, 2021 based on the company's inability to pay its debts as they fall due unless that creditor has reasonable grounds for believing that (a) Covid-19 has not had a financial effect on the company or (b) the company would be unable to pay its debts even if Covid-19 had not had a financial effect on the company.

While these temporary measures have been implemented for a specified period, it cannot be ruled out that such measures will be extended beyond March 31, 2021.

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 judgments based on the Notes in the United States.

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. Although the Issuer and the Guarantors will agree to accept service of process in the United States in relation to certain transaction documents by an agent designated for such purpose, it may not be possible for investors: (i) to effect service of process in the United States upon the Issuer or the Guarantors or their respective directors and officers or (ii) to enforce against either the Issuer or the Guarantors or their respective directors and officers, judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal or state securities laws of the United States.

The United States and the United Kingdom 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. To the extent that recognition and enforcement is necessary elsewhere, you should consult with your own advisers in any relevant jurisdictions.

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 and Wales. In order to enforce any such U.S. judgment in England and Wales, 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 (or a non-U.S. court) between the same parties; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing investors may be able to enforce in England and Wales 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 and Wales. 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 Exchange and to trading on the Global Exchange Market thereof, 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 Exchange, failure to be approved for listing or the delisting of the Notes, as applicable, from the Official List of the 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. Any investor in the Notes must be prepared to hold their Notes for an indefinite period of time or until the final maturity date or, alternatively, be prepared that they may only be able to sell the Notes at a discount to the original purchase price of those Notes.

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 or, 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 through which you own your interest. 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 or, if applicable, from a participant through which you own your interest. 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 Auditors*" for a description of the reports of the independent auditors of Together Financial Services 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 auditors' 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 auditors' work was undertaken so that the independent auditors 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 auditors do not accept or assume responsibility to anyone other than Together Financial Services and its members as a body for their audit work or the opinions they have formed. The independent auditors' reports for the years ended June 30, 2018, 2019 and 2020 were unqualified. The independent auditors' reports for

Together Financial Services for the years ended June 30, 2018, 2019 and 2020 are included on pages F-190, F-132 and F-57, respectively, of this offering memorandum.

Investors in the Notes should understand that in making these statements, each of the independent auditors 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 auditors' 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 auditors based on their report or the consolidated financial statements to which it relates could be limited.

The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes.

The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes. In that event, U.S. holders generally will be required to include OID in gross income (as ordinary income) on an annual basis under a constant accrual method, regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders generally will include any OID in income in advance of the receipt of cash attributable to such income. For more information, see "*Certain Tax Considerations—U.S. Federal Income Tax Considerations*."

USE OF PROCEEDS

The gross proceeds from the offering of the Notes are expected to be £450.0 million. Such proceeds are intended to 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]	450.0	Redemption of the 2024 Notes[2]	350.0
Cash on balance sheet	0.2	Reduce drawn balances under the CABS Securitization[3]	90.2
		2024 Notes redemption costs[4]	6.0
		Estimated fees and expenses[5]	4.0
Total Sources	**450.2**	**Total Uses**	**450.2**

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

(2) Represents the estimated total costs of redeeming the £350.0 million in aggregate principal amount of the 2024 Notes (excluding payment of accrued and unpaid interest since the last interest payment date to the assumed redemption date).

(3) The reduction of drawn balances under the CABS Securitization of £90.2 million corresponds to a repurchase of assets from Charles Street ABS with a principal balance of £101.4 million as a result of the advance rate, which is the rate at which the assets sold to the CABS Securitization are funded by the CABS Securitization note purchasers. See "*Description of Certain Financing Arrangements—Securitizations—Conduit Securitizations—The CABS Securitization.*" To the extent any of the loan assets pre-selected for repurchase are redeemed or prepaid between January 8, 2021 and the Issue Date, there shall be a reduction in use of proceeds of the Offering to reduce drawn balances under the CABS Securitization and a corresponding increase in use of proceeds of the Offering as cash on balance sheet.

(4) Represents the optional redemption call premium of 1.53% for the aggregate principal amount of the 2024 Notes and £0.7 million of accrued and unpaid interest in respect of the 2024 Notes from their last interest payment date to the assumed redemption date.

(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, 2020 on a historical consolidated basis and on an adjusted basis to give *pro forma* effect to the Offering.

The historical information has been derived from the unaudited consolidated financial statements of the Company as of and for the three months ended September 30, 2020, 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, 2020.

	As of September 30, 2020		
	Actual	**Adjustments**	**As adjusted**
		(£ in millions)	
Cash and cash equivalents:(1)			
Unrestricted cash(2)	147.9	1.2	149.1
Restricted cash(2)	152.6	(1.4)	151.2
Total cash	300.5	—	300.3
Debt, including current portion:(3)			
CABS Securitization(4)	839.6	(90.2)	749.4
LABS Securitization(5)	265.0	—	265.0
DABS 2 Securitization(6)	165.0	—	165.0
HABS Securitization(7)	410.0	—	410.0
TABS 1 Securitization(8)	116.4	—	116.4
TABS 2 Securitization(9)	171.3	—	171.3
TABS 3 Securitization(10)	282.2	—	282.2
TABS 4 Securitization(11)	353.5	—	353.5
Revolving Credit Facility(12)	—	—	—
2024 Notes(13)	350.0	(350.0)	—
2026 Notes(14)	435.0	—	435.0
Notes offered hereby(15)	—	450.0	450.0
Total debt(16)	**3,387.9**	9.8	3,397.7
Subordinated Shareholder Funding(17)	28.8	—	28.8
Total Equity	829.5	—	829.5
Total Shareholders' Funds(18)	858.4	—	858.4
Total capitalization	4,246.3	9.8	4,256.1

(1) Cash and cash equivalents within our consolidated statement of financial position as of September 30, 2020 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 £152.6 million. As of September 30, 2020, such restricted cash included £23.5 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, 2020. Cash and cash equivalents does not reflect the effect of the payment by the Company of a dividend on October 9, 2020 of £26.4 million to Midco2 and in turn the PIK Notes Issuer to fund the cash interest payment on the PIK Notes with respect to the October 15, 2020 interest payment date and pay a dividend of £10.0 million to its shareholder. As of December 31, 2020, we had £269.3 million cash and cash equivalents including £153.1 million of restricted cash being cash held by the Securitization Vehicles.

(2) Following the use of proceeds of the offering of the Notes, it is expected that £1.4 million of cash will be released from the CABS Securitization, resulting in a corresponding reduction in Restricted cash and a corresponding increase in Unrestricted cash. In addition, there will be a £0.2 million reduction in unrestricted cash from the use of cash on balance sheet. See "*Use of Proceeds*."

(3) Amounts exclude £368.2 million aggregate principal amount of PIK Notes issued by the PIK Notes Issuer (including the increase in aggregate principal amount resulting from the payment of PIK Interest 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 £12.4 million of borrowings.

(4) Total notes outstanding under the note issuance facility under the CABS Securitization as of September 30, 2020 was £839.6 million. The as adjusted amount outstanding under the CABS Securitization in the table above does not give effect to £40.0 million of notes repaid under the CABS Securitization note issuance facility after September 30, 2020. Following the use of proceeds of the offering of the Notes to repay drawn balances under the CABS Securitization, the total CABS Securitization notes outstanding are expected to be £749.4 million. See "*Use of Proceeds*."

(5) Total notes outstanding under the note issuance facility under the LABS Securitization as of September 30, 2020 was £265.0 million. See "*Description of Certain Financing Arrangements—Securitizations*." The as adjusted amount outstanding under the LABS Securitization in the table above does not give effect to £55.0 million of notes repaid under the LABS Securitization note issuance facility after September 30, 2020.

(6) Total notes outstanding under the note issuance facility under the DABS 2 Securitization as of September 30, 2020 was £165.0 million. See "*Description of Certain Financing Arrangements—Securitizations*." The as adjusted amount outstanding under the DABS 2 Securitization in the table above does not give effect to £30.0 million of notes repaid under the DABS 2 Securitization note issuance facility after September 30, 2020.

(7) Total notes outstanding under the note issuance facility under the HABS Securitization as of September 30, 2020 was £410.0 million. See "*Description of Certain Financing Arrangements—Securitizations*." The as adjusted amount outstanding under the HABS Securitization in the table above does not give effect to £10.0 million of notes repaid under the HABS Securitization note issuance facility after September 30, 2020.

(8) The aggregate amount of Rated TABS 1 Notes outstanding as of September 30, 2020 was £113.9 million, which is stated prior to the allocation of £2.5 million cash receipts attributable to the TABS 1 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations*."

(9) The aggregate amount of Rated TABS 2 Notes outstanding as of September 30, 2020 was £168.4 million, which is stated prior to the allocation of £2.9 million cash receipts attributable to the TABS 2 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations*."

(10) The aggregate amount of Rated TABS 3 Notes outstanding as of September 30, 2020 was £278.6 million, which is stated prior to the allocation of £3.5 million cash receipts attributable to the TABS 3 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations*."

(11) The aggregate amount of Rated TABS 4 Notes outstanding as of September 30, 2020 was £348.3 million, which is stated prior to the allocation of £5.2 million cash receipts attributable to the TABS 4 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations*."

(12) The total commitments available under the Revolving Credit Facility are £71.9 million, of which £nil million was drawn as of September 30, 2020. As of the date of this offering memorandum, the Revolving Credit Facility is undrawn.

(13) 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, which will be redeemed as part of the Refinancing.

(14) Represents the £435.0 million 2026 Notes issued in February 2020.

(15) 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*."

(16) The balance of borrowings reflected on our consolidated statement of financial position as of September 30, 2020 was £3,414.0 million, which includes the carrying value of Subordinated Shareholder Funding of £28.8 million, obligations under finance leases of £12.4 million (including the impact of adopting IFRS 16 from July 1, 2019), £0.9 million of unamortized issue premium in respect of the 2024 Additional Notes and is net of unamortized debt issuance costs of £16.0 million.

(17) Represents the carrying value of the Subordinated Shareholder Funding incurred in connection with the Exit Transactions. See "*Related Party Transactions—Subordinated Shareholder Funding*."

(18) Total Shareholders' Funds represents total equity together with Subordinated Shareholder Funding of £28.8 million, which is included in borrowings in our consolidated statement of financial position as of September 30, 2020. Total Shareholders' Funds as adjusted does not reflect an increase in Shareholders' Funds as a result of retained reserves since September 30, 2020 and does not reflect release of unamortized issue premium, write off of debt issuance costs, redemption costs or accrued interest since September 30, 2020 as a result of the Refinancing. The dividend paid on October 9, 2020, as described in footnote (1) above, was declared on September 30, 2020, and, as such, the shareholder equity position decreased by £26.4 million as of September 30, 2020, with a corresponding liability within the statement of financial position.

SELECTED HISTORICAL FINANCIAL INFORMATION

The selected financial data presented below as of and for the years ended June 30, 2018, 2019 and 2020 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 data 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 classification of restricted cash (which is cash held by the Securitization Vehicles) from borrowings to cash and cash equivalents.

The statement of financial position data as of June 30, 2019 was derived from the comparative data presented in the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, restated therein to report provisions for liabilities and charges as a separate line item, previously included within other liabilities.

The statement of cash flow data as of June 30, 2019 was derived from the comparative data presented in the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, which reflected the refinement of the classification of elements of the statement of cash flows as of June 30, 2019 to better reflect the Company's operating model, which was accounted for as a change in accounting policy under IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Unless otherwise indicated, (i) the financial information as of and for the year ended June 30, 2018 included in this offering memorandum is derived from the consolidated financial statements of the Company as of and for the year ended June 30, 2019 and (ii) the financial information as of and for the year ended June 30, 2019 included in this offering memorandum was derived from the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020.

The selected financial data presented below as of and for the three months ended September 30, 2019 and 2020 have been derived from the unaudited consolidated interim financial statements of Together Financial Services as of and for the three months ended September 30, 2020, 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 and 2020 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, 2020 has been calculated by adding together (1) the audited consolidated financial information for the year ended June 30, 2020, and (2) the unaudited consolidated interim financial information for the three months ended September 30, 2020, and then subtracting (3) the unaudited consolidated interim financial information for the three months ended September 30, 2019.

The financial information for the twelve months ended September 30, 2020 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.

The financial data presented as of and for the year ended June 30, 2020 and as of and for the twelve months ended September 30, 2020 includes the impact of adopting IFRS 16, which came into effect on July 1, 2019 for the Company. Financial information presented herein for periods ending prior to July 1, 2019 has not been adjusted to reflect the 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 year ended June 30, 2020 and as of and for the twelve months ended September 30, 2020 is not directly comparable to the financial information for prior periods.

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2018	2019	2020	2019	2020	2020
				(£ in millions)		
Statement of comprehensive income:						
Continuing operations:						
Interest receivable and similar income	292.2	343.1	388.4	92.5	95.3	391.2
Interest payable and similar charges	(92.8)	(116.8)	(137.1)	(31.8)	(30.1)	(135.4)
Net interest income	**199.4**	**226.3**	**251.3**	**60.7**	**65.2**	**255.8**
Fees and commission income	4.7	4.4	4.5	1.1	0.7	4.1
Fees and commission expense	(2.1)	(2.3)	(2.9)	(0.6)	(0.2)	(2.5)
Other income	0.4	0.1	1.4	(0.3)	1.3	3.0
Operating Income	**202.4**	**228.5**	**254.2**	**(61.0)**	**67.1**	**260.3**
Administrative expenses (excluding depreciation and amortization)	(64.6)	(78.4)	(86.2)	(22.6)	(20.0)	(83.5)
Depreciation and amortization	(4.7)	(4.4)	(6.6)	(1.3)	(1.4)	(6.7)
Operating profit	**133.1**	**145.7**	**161.5**	**37.0**	**45.8**	**170.3**
Impairment losses	(11.4)	(15.4)	(66.9)	(5.6)	(13.4)	(74.7)
Profit before taxation	**121.7**	**130.3**	**94.6**	**31.5**	**32.4**	**95.5**
Income tax	(15.3)	(18.6)	(10.5)	(4.4)	(4.5)	(10.6)
Profit after taxation	**106.4**	**111.7**	**84.1**	**27.1**	**27.9**	**84.9**

	As of June 30,			As of September 30,	
	2018	2019	2020	2019	2020
			(£ in millions)		
Statement of financial position:					
***Assets*:**					
Cash and cash equivalents[1]	74.3	120.2	252.5	91.6	300.5
Loans and advances to customers	2,958.2	3,694.5	4,162.2	3,878.4	4,000.8
Derivative assets held for risk management	—	0.1	—	0.0	
Inventories	0.6	0.6	0.6	0.6	0.6
Other assets	4.3	4.8	6.3	4.9	4.4
Investments	0.1	0.1	0.1	0.1	0.1
Property, plant and equipment	6.3	5.4	13.9	13.6	14.4
Intangible assets	8.3	8.8	8.1	9.1	8.0
Current tax asset	—	—	3.2	0.0	1.4
Deferred tax asset	1.4	7.5	7.6	7.8	7.6
Total assets	**3,053.5**	**3,842.0**	**4,454.5**	**4,006.1**	**4,337.8**
Liabilities					
Borrowings	2,291.1	3,015.7	3,550.1	3,164.8	3,413.9
Derivative liabilities held for risk management	—	—	2.9	1.6	2.4
Other liabilities[2]	44.2	50.6	51.2	40.9	70.2
Provisions for liabilities and charges[2]	—	4.2	22.3	8.9	21.8
Current tax liabilities	6.3	8.7	—	2.6	
Total liabilities	**2,341.6**	**3,079.2**	**3,626.5**	**3,218.8**	**3,508.3**
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	1.1	1.3	1.1
Subordinated Shareholder Funding reserve	43.0	41.0	39.7	40.5	39.3
Share-based payment reserve	1.6	1.6	1.6	1.6	1.6
Cashflow-hedging reserve	—	—	(2.7)	(1.3)	(2.6)
Cost of hedging reserve	—	(0.2)	(0.1)	(0.2)	(0.2)
Retained earnings	648.3	701.4	770.7	727.7	772.6
Total equity	**711.9**	**762.8**	**828.0**	**787.2**	**829.5**
Total equity and liabilities	**3,053.5**	**3,842.0**	**4,454.5**	**4,006.0**	**4,337.8**

	For the year ended June 30,			For the three months ended September 30,		For the twelve months ended September 30,
	2018	2019	2020	2019	2020	2020
				(£ in millions)		
Statement of cash flows:						
Net cash (outflow)/inflow from operating activities(3)	(598.4)	(520.9)	(235.6)	(134.0)	225.4	123.7
Net cash outflow from investing activities	(9.1)	(4.1)	(3.7)	(1.3)	(0.5)	(2.9)
Net cash (outflow)/inflow from financing activities(3)	590.2	570.9	371.6	106.7	(176.9)	88.1
Net (decrease) /increase in cash and cash equivalents(1)(3)	**(17.3)**	**45.9**	**132.3**	**(28.6)**	**48.0**	**208.9**

(1) Cash and cash equivalents as of June 30, 2019 and each reporting period after such date reflects 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. This reclassification is also reflected as of June 30, 2018 in the comparative column of our June 30, 2019 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 2020 and as September 30, 2019 and 2020, the restricted cash, which is cash held by the Securitization Vehicles was £97.6 million, £139.6 million, £74.7 million and £152.6 million, respectively, and unrestricted cash was £22.6 million, £112.9 million, £16.9 million and £147.9 million, respectively. Cash and cash equivalents does not include the effect of the payment by the Company of a dividend on October 9, 2020 of £26.4 to Midco2 and in turn the PIK Notes Issuer to fund the cash interest payment on the PIK Notes with respect to the October 15, 2020 interest payment date and pay a dividend to its shareholder. Net (decrease) / increase in cash and cash equivalents for the years ended June 30, 2019 and 2020, three months ended September 30, 2019 and 2020, and twelve months September 30, 2020, respectively, are not directly comparable with Net (decrease) / increase in cash and cash equivalents for the year ended June 30, 2018 as the former includes movements in restricted cash (being cash held by the Securitization Vehicles). For the year ended June 30, 2018, such movements in restricted cash were included within Net cash inflow from financing activities.

(2) In the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, the statement of financial position data was restated to report provisions for liabilities and charges, which was previously included within other liabilities, as a separate line item. For the year ended June 30, 2018, Other liabilities included Provisions for liabilities and charges of £3.4 million. These provisions are reported as a separate category within the audited consolidated financial statements as of and for the year ended June 30, 2020, including for the year ended June 30, 2019 presented in the comparative column of these financial statements and within the unaudited consolidated financial statements as of and for the three months ended September 30, 2019 and 2020. For the year ended June 30, 2020, the line item Other liabilities included within the consolidated statement of financial position includes £26.4 million dividend declared but unpaid, subsequently paid on October 9, 2020.

(3) In the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, the classification of elements of the statement of cash flows as of June 30, 2019 was refined to better reflect the Company's operating model. This has been accounted for as a change in accounting policy under IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, following which interest and debt issuance costs are consolidated into the line item Net cash (outflow)/inflow from financing activities.

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, 2018, 2019 and 2020 based on the 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, 2020, 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 the UK's leading specialist mortgage and secured loans providers by loan book size, established in 1974, and have successfully operated through several economic cycles during our 46-year history. We pride ourselves on bringing common sense to lending by helping individuals, families, small- and medium-sized enterprises and other 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, 2020, 64.7% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We differentiate ourselves by offering flexible lending criteria, responding quickly to our customers' needs and underwriting each application on its individual merits, supported by an effective service proposition, thereby 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 mainland United Kingdom, and through our direct sales channels. We underwrite and service all our loans in-house, using a combination of automated processing, external data sources and, where required, manual underwriting to determine credit decisions and to support our dedicated service proposition. In the twelve months ended September 30, 2020, we had Underlying profit before taxation of £118.0 million and generated Underlying EBITDA of £253.3 million. In the twelve months ended September 30, 2020, we advanced £1,290.4 million of new loans (£1,099.8 million of which was attributable to the six months ended March 31, 2020 given our decision on March 24, 2020 to temporarily pause accepting new loan applications (other than fulfilling existing binding commitments to customers) due to uncertainty related to credit risk as a result of the economic impact of Covid-19, with a phased return to accepting new loan applications from July 2020 onwards. See "*Summary—Recent Developments—Pause in Accepting New Loan Applications and Amending Lending Criteria.*" As of September 30, 2020, we had Shareholders' Funds of £858.3 million and total loan assets of £4,000.8 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*."

As of September 30, 2020, 31.3% of our loan portfolio was classified as retail purpose, 23.5% was classified as buy-to-let, 40.3% was classified as commercial purpose and 4.9% of our loan portfolio was classified as development loans, calculated by value. We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority as well as certain loans written prior to the introduction of the relevant regulation which we consider would have been subject to such relevant regulation if the loan had been 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 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 buy-to-let or other 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. In total, 64.7% of our loans are secured on residential property and 35.3% are secured on commercial property. 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, 2020, 100% of our retail purpose loans, 100% of our buy-to-let loans and 22.1% of our commercial purpose loans (including commercial term loans, bridging loans and development loans) were secured by residential property, with the remainder of our commercial purpose loans secured by commercial 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 a formal committee structure to agree on policy decisions, setting risk appetites and monitoring credit quality and oversight, including by risk, compliance and internal audit teams. Additionally, external loan asset audits have been conducted annually, pursuant to the terms of certain of our financing arrangements.

Prior to the onset of Covid-19 in the UK, our key underwriting metrics remained fairly consistent as of and for the twelve months ended September 30, 2020, as compared with previous years, with the LTVs of our loan portfolio (on a weighted average indexed basis) as of September 30, 2020 at 52.4% (compared with 54.9% as of June 30, 2020, 54.3% as of June 30, 2019 and 55.3% as of June 30, 2018) and the origination LTV on a weighted average basis of new loans underwritten by us for the twelve months ended September 30, 2020 at 57.5%, consisting of 58.0% for the six months ended March 31, 2020 and 53.7% for the six months ended September 30, 2020 (compared with 57.7% for the year ended June 30, 2020, 58.0% for the year ended June 30, 2019 and 58.0% for the year ended June 30, 2018). As of September 30, 2020, 96.9% of our total loan portfolio and 90.1% 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 the past in times of falling property prices and economic downturns, thereby mitigating our levels of provisions and losses. For the year ended June 30, 2018, impairment losses under IAS39 amounted to £11.4 million, and for the years ended June 30, 2019 and June 30, 2020, and the twelve months ended September 30, 2020, impairment losses under IFRS 9 amounted to £15.4 million, £66.9 million (largely reflecting the impact of Covid-19) and £74.7 million (largely reflecting the impact of Covid-19), respectively, representing only 0.44%, 0.46%, 1.70% and 1.90%, respectively, of our average total loan assets for each period.

We have historically primarily reinvested our profits into our business, increasing our reserves and providing a substantial 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 77.2% as of September 30, 2020. 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 borrowings to total loan assets, was 40.4% as of September 30, 2020.

As of September 30, 2020, 6.2% of the group's total loan assets, by value, were MPD Live Loans (which are loans, in respect of which customers have requested Mortgage-Payment Deferrals, that are in active deferral periods). As of the same date, 23.4% of the group's total loan assets, by value, were MPD Total Loans (which include (i) MPD Live Loans, (ii) loans in respect of which customers have requested Mortgage-Deferral Periods where deferral periods have not yet commenced and (iii) loans in respect of which customers have requested Mortgage-Payment Deferrals in respect of which deferral periods were previously active but the relevant customers have since returned to contractually scheduled repayments). As of September 30, 2020, 4.5% and 17.3% of the Borrower Group's total loan assets, by value, were MPD Live Loans and MPD Total Loans, respectively. See "*Business—Our Operations—Loan Portfolio Characteristics*."

Retail Purpose Lending

As of September 30, 2020, retail purpose loans comprised 31.3% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 48.0% and a weighted average nominal rate of 6.8%, all of which were secured by residential property. As part of our retail purpose lending, we underwrite loans secured on the customer's residential property in which they live, which also includes a small proportion of 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, 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, 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, 2020, CBTL mortgages represented £75.7 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 since grown in volume to represent £95.7 million, being 7.6% of our retail purpose loans or 2.41% of our total loan portfolio as of September 30, 2020. First lien and second lien loans (including CBTL and regulated bridging loans as applicable) represented 56.1% and 43.9% of our retail purpose loans, respectively, calculated by value as of September 30, 2020. Our retail purpose loans are distributed primarily through an established network of mortgage intermediaries, with a small portion sold directly to customers. In the twelve months ended September 30, 2020, we distributed 89.9% 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, 2020, commercial purpose loans comprised 63.8% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 54.0% and a weighted average nominal rate of 8.5%, 36.8% of which are BTL+ loans, 28.3% of which are commercial term loans and 34.9% 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 42.3% is residential and 57.7% 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), 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. 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 65.2% and 34.8% of our BTL+ loans, respectively, 94.9% and 5.1% of our commercial term loans, respectively, and 85.4% and 14.6% of our unregulated bridging loans, respectively, calculated by value as of September 30, 2020. We offer commercial purpose loans under the "Together" brand through our subsidiary Together Commercial Finance Limited. Historically, we also offered commercial purposes loans through our subsidiaries, Auction Finance Limited, Bridging Finance Limited and Harpmanor Limited. 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 twelve months ended September 30, 2020, we distributed 52.2% 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 47.8% of our unregulated bridging loans through our established network of mortgage intermediaries. In the twelve months ended September 30, 2020, we distributed 70.7% of our BTL+ loans, and 58.3% 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, 2020, development loans comprised 4.9% 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, 10.0% 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, 2020 had a weighted average elapsed term of 16 months. Loans originated since January 1, 2010 that had not been subsequently redeemed as of September 30, 2020 have a weighted average elapsed term of 25 months. For the twelve months ended September 30, 2020, we extended £73.3 million in further advances on loans originated prior to September 30, 2019 and underwrote £63.4 million in new development loans comprised of £28.9 million of initial advances and £34.6 million of further advances.

Our Sources of Funding

Our principal sources of funds have been cash provided by operations in the form of loan book monthly receipts and redemptions, 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, 2020, our Shareholders' Funds were £858.3 million, including Subordinated Shareholder Funding with a carrying value of £28.8 million. As of September 30, 2020, our total aggregate facilities under the Conduit Securitizations were £2,479.5 million (of which £1,679.6 million was drawn) and we had £909.2 million of Rated Notes outstanding under the Term Securitizations, £785.0 million of Senior Secured Notes outstanding and a Revolving Credit Facility of £71.9 million, which was undrawn.

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 entered into 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. On July 23, 2020, we entered into the TABS 4 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £366.0 million through the issuance of £360.5 million Rated TABS 4 Notes (including £12.8 million Class X 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 purchase 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 applicable to each of the Conduit Securitizations, 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.

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 repurchase such loans or substitute loans that become ineligible loans (including for example, loans which have defaulted 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, 2020, £100.4 million of defaulted loans were repurchased from the Conduit Securitizations compared to £88.8 million in the twelve months ended September 30, 2019. 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, 2020. 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, 2020. Principal losses recognized on defaulted loans repurchased from the HABS Securitization have been £nil since its inception in April 2018 until September 30, 2020. 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, 2020.

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, 2020 amounted to £159.0 million.

The table below provides certain characteristics of our Term Securitizations as of September 30, 2020, unless stated otherwise. For additional information in respect of the Securitizations, see "*Description of Certain Financing Arrangements—Securitizations.*"

	Together ABS 1	**Together ABS 2**	**Together ABS 3**	**Together ABS 4**	**Total Term Securitizations**
As of Issuance date	• £275.0 million principal balance • £261.3 million Rated TABS 1 Notes	• £286.9 million principal balance • £272.6 million Rated TABS 2 Notes	• £332.0 million principal balance • £315.4 million Rated TABS 3 Notes	• £366.0 million principal balance • £360.5 million Rated TABS 4 Notes (including £12.8 million class X Notes)	• £1,260.0 million principal balance • £1,209.8 million Rated Notes (including £12.8 million class X notes under the TABS 4 Securitization)
	• £13.8 million Class Z notes	• £14.3 million Class Z notes	• £16.6 million Class Z notes	• £18.3 million Class Z notes	• £63.1 million Class Z notes
	• £5.2 million Class R notes	• £7.2 million Class R notes	• £8.2 million Class R notes	• £11.0 million Class R notes	• £31.6 million Class R notes
As of September 30, 2020	• £128.9 million principal balance • £113.9 million Rated TABS 1 Notes	• £182.7 million principal balance • £168.4 million Rated TABS 2 Notes	• £295.3 million principal balance • £278.6 million Rated TABS 3 Notes	• £356.8 million principal balance • £348.3 million Rated TABS 4 Notes (including £9.8 million Class X notes)	• £963.7 million principal balance • £909.2 million Rated Notes (including £9.8 million Class X notes under the TABS 4 Securitization)(1)
	• £15.0 million Class Z notes	• £14.3 million Class Z notes	• £16.6 million Class Z notes	• £18.3 million Class Z notes	• £64.3 million Class Z notes
	• £3.8 million Cash Reserve owed to originators(2)	• £6.8 million Cash Reserve owed to originators(2)	• £7.9 million Cash Reserve owed to originators(2)	• £11.0 million Cash Reserve owed to originators(2)	• £29.5 million Cash Reserve owed to originators(2)
Surplus income paid back to the Originators, for the twelve months ended September 30, 2020	• £9.1 million	• £11.1 million(2)	• £1.7 million	• £nil	• £21.9 million

(1) Stated after the allocation of £14.2 million of principal receipts, received during the month of September 2020, for which such receipts are only formally applied to reduce the Rated Notes in the subsequent month. £2.5 million in relation to Together ABS 1, £2.9 million in relation to Together ABS 2, £3.5 million in relation to Together ABS 3, and £5.2 million in relation to Together ABS 4 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.

In May 2020, the relevant originators and each of the note purchasers under the Conduit Securitizations entered into waivers and amendments, which were subsequently extended, of certain documents under each of the Conduit Securitizations in order to support the provision of Mortgage-Payment Deferrals, in line with initial guidance from the FCA. See "*Summary—Recent Developments—Our Sources of Funding*."

The table below provides certain characteristics of our Conduit Securitizations as of September 30, 2020, 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, 2020	• £1,254.5 million	• £500.0 million	• £200.0 million	• £525.0 million	• £2,479.5 million
Total notes outstanding as of September 30, 2020	• £839.6 million	• £265.0 million	• £165.0 million	• £410.0 million	• £1,679.6 million
Principal balance as of September 30, 2020	• £926.6 million	• £313.6 million	• £182.9 million	• £484.6 million	• £1,907.8 million
Cash balance as of September 30, 2020	• £40.7 million	• £27.3 million	• £14.5 million	• £21.8 million	• £104.3 million
Net creditor / (debtor) balance as of September 30, 2020	• £4.2 million	• £3.3 million	• £(1.1) million	• £3.2 million	• £9.6 million
Total subordinated subscription notes outstanding as of September 30, 2020	• £123.4 million	• £72.6 million	• £33.6 million	• £93.2 million	• £322.8 million
Surplus income paid back to the Originators for the year ended September 30, 2020	• £69.3 million	• £26.4 million	• £12.5 million	• £29.0 million	• £137.1 million

Supplemental Cash Flow Information for the Group and Borrower Group

The group is highly cash generative with £1,248.3 million, £1,570.1 million, £1,562.5 million and £377.2 million of Cash Receipts in the years ended June 30, 2018, 2019 and 2020, and the three months ended September 30, 2020, respectively, comprising of £258.8 million, £309.0 million, £315.0 million and £74.5 million of interest and fees, respectively, and £989.5 million, £1,261.1 million, £1,247.5 million and £302.7 million of principal receipts, respectively. Cash Receipts expressed as a percentage of total average loan assets were 48.0%, 47.2% and 39.8% in the years ended June 30, 2018, 2019 and 2020. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30, 2020, were 38.3%.

The Borrower Group generated £610.8 million, £779.5 million, £735.2 million and £184.8 million of Cash Receipts in the years ended June 30, 2018, 2019 and 2020 and three months ended September 30, 2020, respectively, comprising of £77.6 million, £90.3 million, £65.4 million and £16.6 million of interest and fees, respectively, £403.8 million, £540.4 million, £504.5 million and £131.6 million of principal receipts, respectively, and £129.4 million, £148.8 million, £165.3 million and £36.6 million of 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 62.5%, 68.8% and 64.2% in the years ended June 30, 2018, 2019 and 2020, respectively. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30, 2020, were 66.2%.

The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £108.8 million, £116.9 million and £116.5 million in the years ended June 30, 2018, 2019 and 2020, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £1,139.5 million, £1,453.2 million and £1,446.0 million, respectively. The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £22.6 million in the three months ended September 30, 2020, resulting in cash available for debt service, debt repayment or originating new advances of £354.6 million.

The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £108.8 million, £111.8 million and £116.5 million in the years ended June 30, 2018, 2019 and 2020, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £502.0 million, £667.7 million and £618.7 million, respectively. The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £22.6 million in the three months ended September 30, 2020, resulting in cash available for debt service, debt repayment or originating new advances of £162.2 million.

The group paid interest costs of £78.0 million, £105.1 million and £125.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing), respectively, and debt issuance costs of £8.4 million, £9.1 million and £8.5 million in the years ended June 30, 2018, 2019 and 2020, respectively. The group paid interest costs of £37.0 million and debt issuance costs of £2.0 million in the three months ended September 30, 2020.

The Borrower Group paid interest costs of £34.1 million, £45.7 million and £50.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing), respectively, and debt issuance costs of £8.4 million, £9.1 million and £8.5 million in the years ended June 30, 2018, 2019 and 2020, respectively. The Borrower Group paid interest costs of £20.1 million and debt issuance costs of £2.0 million in the three months ended September 30, 2020.

In addition, the group (and the Borrower Group) paid dividends to its parent company, principally to allow the PIK Notes Issuer to pay interest on the PIK Notes as cash interest, of £22.9 million, £29.9 million and £15.6 million in the years ended June 30, 2018, 2019 and 2020. In connection with the election to pay interest on the PIK Notes as PIK Interest in April 2020, no dividend relating to that interest payment was made. Following the election to pay interest on the PIK Notes as PIK interest in April 2020, the annual cash interest due on the PIK Notes is £32.7 million.

Total cash at September 30, 2020 was £300.5 million, comprising of £147.9 million unrestricted cash and £152.6 million restricted cash (which is cash held by the Securitization Vehicles), compared to £91.6 million, comprising of £16.9 million unrestricted cash and £74.7 million restricted cash at September 30, 2019 and compared to £87.1 million, comprising of £24.1 million unrestricted cash and £63.0 million restricted cash at September 30, 2018.

Total Accessible Liquidity at September 30, 2020 was £267.2 million, compared to £70.5 million for September 30, 2019, and compared to £148.2 million for September 30, 2018.

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

Loan Analysis

Our total loan assets as of June 30, 2018, 2019 and 2020, and as of September 30, 2020, totaled £2,958.2 million, £3,694.5 million, £4,162.2 million and £4,000.8 million, respectively, net of allowances for impairment, which represents an increase of 24.9% in our total loan assets from June 30, 2018 to June 30, 2019, an increase of 12.7% from June 30, 2019 to June 30, 2020, and a decrease of 3.9% from June 30, 2020 to September 30, 2020. The increases were primarily driven by continued growth in new business originations supported by the expansion of our Conduit Securitizations, issuance of Term Securitizations and increases in the issuance of senior secured notes, with the decrease in the latter period being as a result of the onset of Covid-19, which prompted us to temporarily pause accepting new loan applications on March 23, 2020, and led to the decrease from June 30, 2020, to September 30, 2020).

LTVs were calculated per 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, 2020.

	As of September 30, 2020				
	All Loans	Performing Loans	Non-Performing Arrears Loans	Repossessions and LPA Sales	Development Loans
	(£ in millions, except where otherwise indicated)				
Loan portfolio[(1)]	4,004.0	3,592.3	165.8	50.8	195.2
Number of loans	35,792	32,793	2,500	278	221
Average loan size (expressed in thousands)	111,869	109,543	66,305	182,695	883,249
Weighted average indexed LTV (%)[(2)]	52.4%	52.0%	51.8%	54.0%	59.9%
Total allowances for impairments[(3)]	107.5	45.0	12.2	16.3	34.0
Exposure to negative equity	24.9	8.0	1.2	6.3	9.4
Repayment type					
Capital repayment loans	1,300.4	1,255.4	44.0	1.0	—
Bridging loans[(4)]	1,185.8	884.0	83.0	23.1	195.2
Interest only retail purpose	414.3	404.2	9.5	0.6	—
Interest only commercial purpose	1,103.6	1,048.6	28.7	26.2	—
Security					
Residential	2,592.5	2,397.3	144.9	27.8	22.4
Commercial	1,411.5	1,194.9	20.8	23.0	172.8
Purpose					
Retail	1,253.5	1,158.7	92.3	2.5	—
Commercial	2,750.5	2,433.6	73.5	48.2	195.2
Lien					
First	2,920.4	2,599.4	117.0	47.8	156.2
Second	1,083.6	992.9	48.7	3.0	39.0
Interest rate type					
Fixed	712.5	656.4	54.0	2.0	0.1
Variable	3,291.5	2,935.8	111.8	48.8	195.1
MPD status					
MPD Live Loans	248.7	242.6	4.4	0.7	1.0
MPD Total Loans	938.1	908.4	18.0	7.2	4.6
Origination by calendar year					
2020	539.0	525.3	0.2	0.9	12.5
2019	1,539.6	1,385.6	37.9	11.5	104.6
2018	824.6	727.0	36.0	19.7	41.8
2017	420.3	380.1	19.2	10.6	10.5
2016	237.8	213.2	15.8	3.7	5.2
2015	124.5	105.0	17.4	1.5	0.6
2014	61.7	57.0	4.4	0.1	0.1
2013	22.6	20.6	1.5	0.5	—
2012	13.4	12.1	1.0	0.2	0.1
2011	16.8	14.8	1.1	0.9	0.1
2010	12.1	10.7	1.3	0.1	0.0
2009	17.8	14.3	2.8	0.5	0.2
Pre-2009	173.9	126.6	27.2	0.6	19.4

(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 £107.5 million excludes allowances for impairment in respect of shortfalls and assets in non-core subsidiaries. The breakdown of £107.5 million includes £7.8 million of stage 1, £32.8 million of stage 2 and £66.9 million of stage 3 allowances for impairment. See note 9 to our unaudited consolidated interim financial statements for the twelve months ended September 30, 2020 for further details.

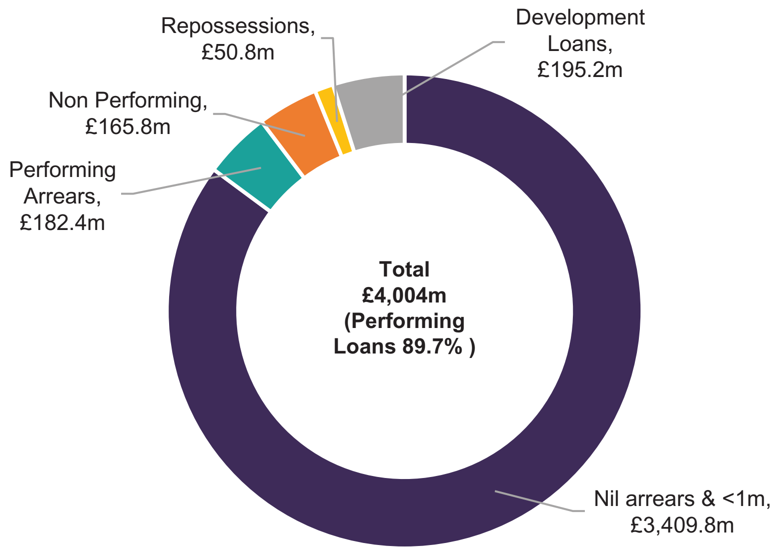
(4) Bridging loans includes £95.7 million of regulated bridging loans included in retail purpose lending. The remainder are included within unregulated bridging loans and development loans.

The table below sets forth our loan portfolio by loan size, number of loans and value, as of September 30, 2020.

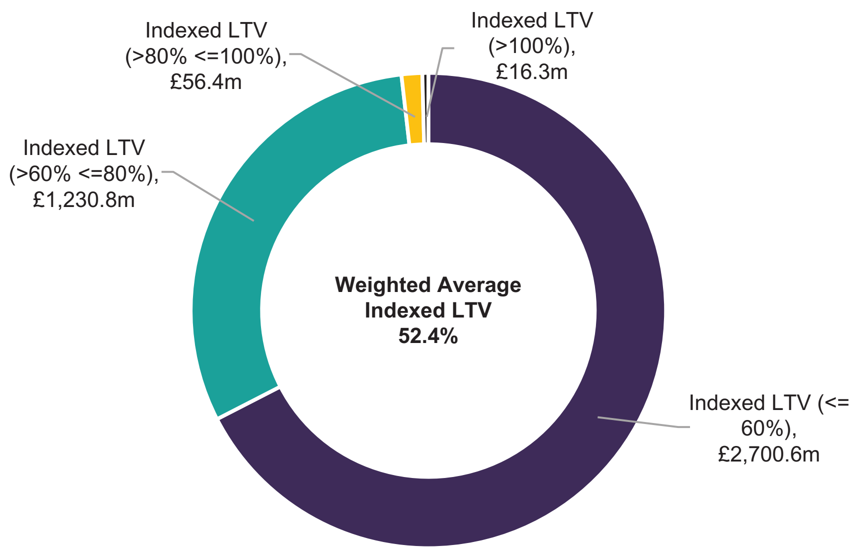
Loan size	Number of loans	Value £m
Above £5 million	21	125.5
£2.5 million to £5 million	97	331.9
£1 million to £2.5 million	320	495.6
£0.5 million to £1 million	606	409.0
£0.25 million to £0.5 million	1,845	629.0
£0.1 million to £0.25 million	6,149	933.6
£50 thousand to £100 thousand	9,099	643.2
Below £50 thousand	17,655	436.1
Total	**35,792**	**4,004.0**

The charts below show our loan portfolio by value by asset status and indexed LTV band as of September 30, 2020.

Asset Status



Indexed LTV Bands



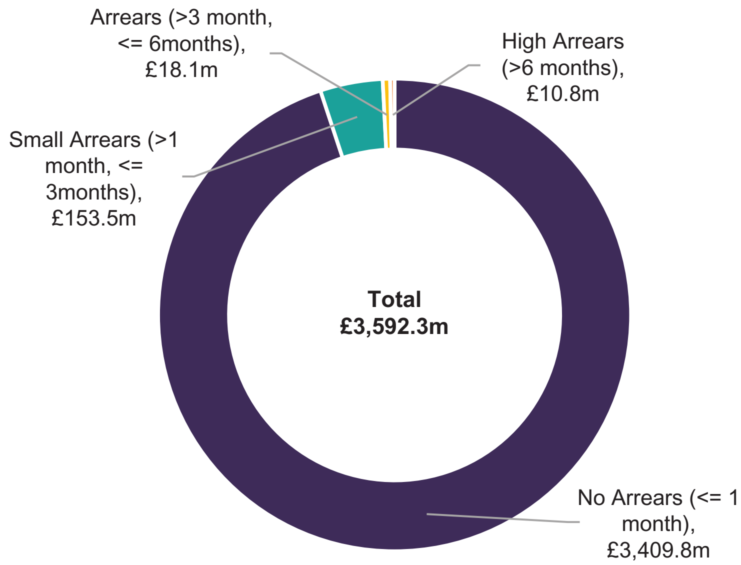
Performing Loans

Performing loans (not including development loans, which are reported as a separate category) as of September 30, 2020 consisted of: (i) loans with nil arrears or arrears less than or equal to one month of the latest contractual installment applicable prior to the reference date (including taking into account any temporary amendments to the latest contractual installment applicable prior to the reference date as a result of offering Mortgage-Payment Deferrals (as defined below)), or where no contractual monthly installment is due, totaling £3,409.8 million, or 85.2% of our loan portfolio, and (ii) "performing arrears loans," being loans with arrears greater than one month but less than or equal to three months' of the latest contractual installments applicable prior to the reference date or where cash receipts collected in the prior three months are equal to or greater than 90% of the latest contractual installments due in the prior three-month period, totaling £182.4 million, or 4.6% of our total loan portfolio.

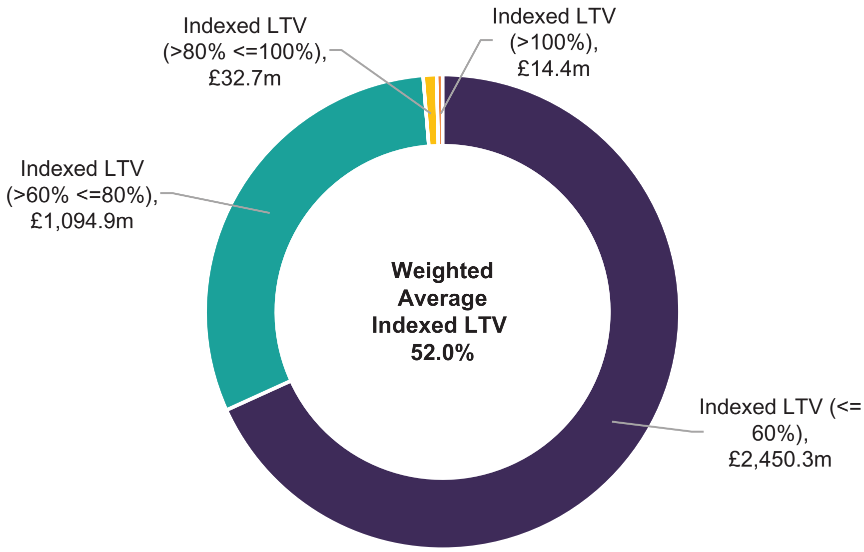
As of September 30, 2020, performing loans totaled £3,592.3 million, or 89.7% of our loan portfolio. Total performing loans as a percentage of our loan portfolio decreased by 0.1% as of September 30, 2020, compared to June 30, 2020. As of June 30, 2020, performing loans totaled £3,739.0 million, or 89.8% of our loan portfolio. Total performing loans as a percentage of our loan portfolio decreased by 0.9% as of June 30, 2020, 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.

The charts below show our performing loans by value by arrears category and indexed LTV band after allowances for impairment as of September 30, 2020.

Arrears Categories



Indexed LTV Bands



As of September 30, 2020, our performing loans of £3,592.3 million were net of allowances for impairment of £45.0 million, which included £33.1 million for stage 1 and stage 2 impairments (see "*—Critical Accounting Policies—IFRS 9—including impairment of financial assets—applicable since July 1, 2018*"). Our performing loans, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £8.0 million.

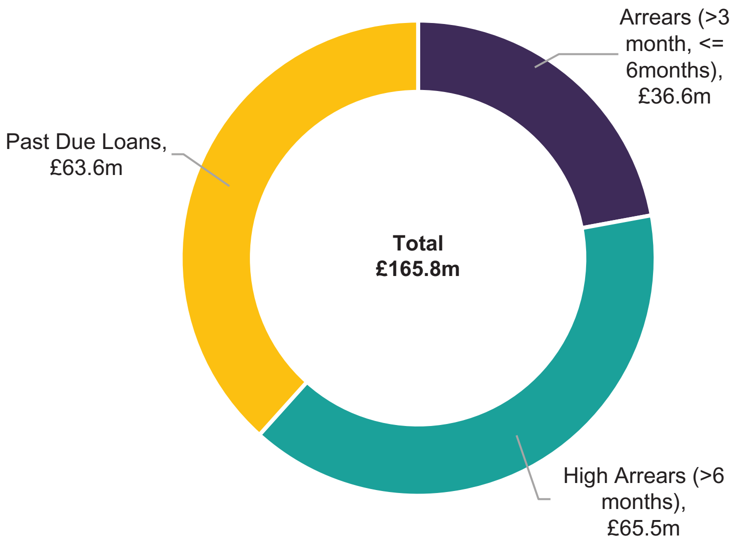
Non-Performing Arrears Loans

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 installments 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, 2020). Non-performing arrears loans do not include development loans, which are reported as a separate category.

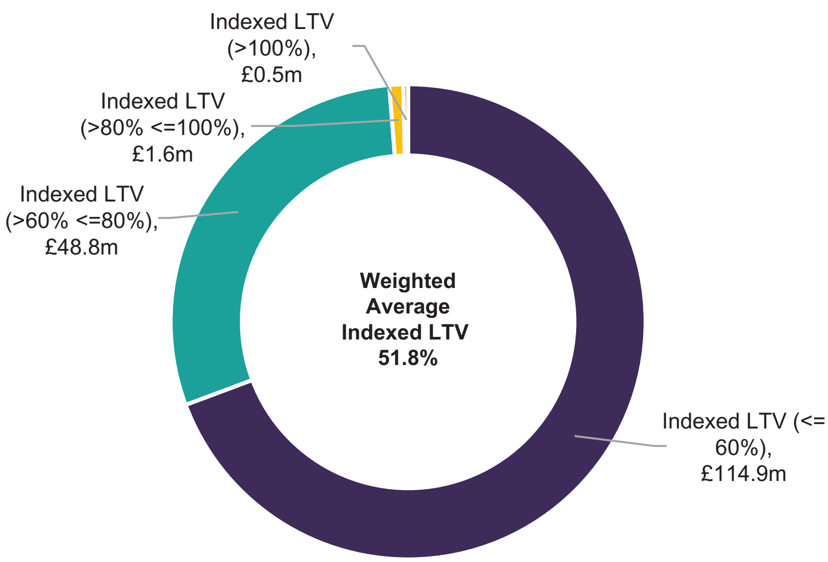
As of September 30, 2020, non-performing arrears loans totaled £165.8 million, or 4.1% of our loan portfolio. Total non-performing arrears loans as a percentage of our loan portfolio increased by 0.2% as of September 30, 2020 compared to June 30, 2020. As of June 30, 2020, non-performing arrears loans totaled £164.4 million, or 3.9% of our loan portfolio. Total non-performing arrears loans as a percentage of our loan portfolio increased by 1.2% as of June 30, 2020 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.

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, 2020.

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, 2020, our non-performing arrears loans of £165.8 million were net of allowances for impairment of £12.2 million. Our non-performing loans, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £1.2 million. 18.1% of our non-performing arrears loans as of September 30, 2020 were underwritten prior to 2010.

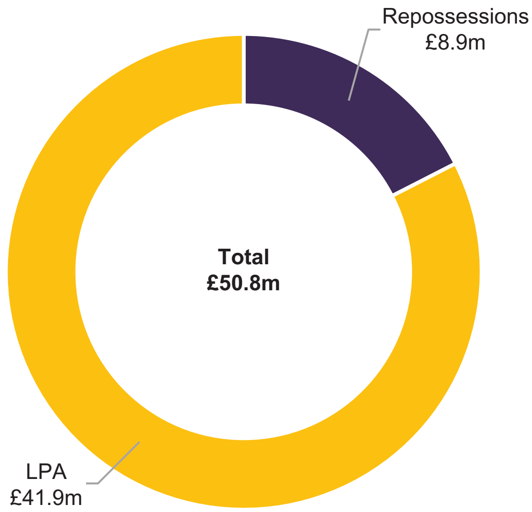
Repossessions and LPA Receivership

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, 2020, we had a total of £50.8 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.

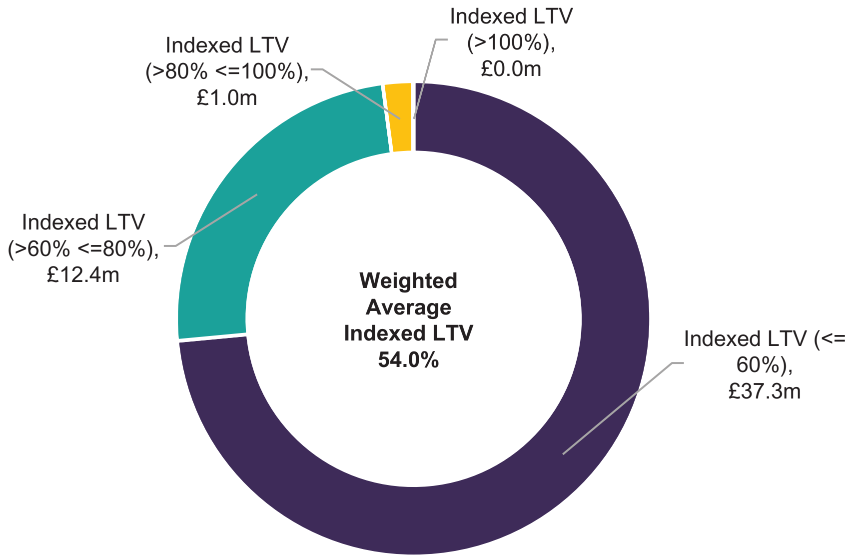
On March 20, 2020, the FCA issued guidance for lenders to suspend repossession for their regulated mortgage contract customers, with the FCA not expecting any proceedings to commence or continue before January 31, 2021 unless the borrower requests that the property is repossessed, or the property is vacant. (See "*Regulation—Recent Regulatory Changes.*"*)* This guidance also applies to our unregulated customers on the basis that possession claims are made through the courts, irrespective of the regulatory status of the contract. Based on this FCA guidance, we will not commence or continue repossession proceedings against customers before January 31, 2021 and where a possession order has already been obtained, we will refrain from enforcing it. We will aim to keep customers fully informed and discuss with them the potential impact of suspending repossession. Despite the moratorium, we may still instruct LPA receivers and will continue to do so where necessary. On July 31, 2020, the FCA published Call for input: Ongoing support for consumers affected by coronavirus: mortgages and consumer credit. The call for input consulted credit providers, mortgage providers and consumer groups on further measures to support consumer credit customers facing temporary payment difficulties as a result of Covid-19. On September 14, 2020, the FCA published FS20/14 Mortgages and coronavirus: Additional guidance for firms—Feedback on draft guidance. FS20/14 supplements the guidance given in June 2020, which is due to expire on October 31, 2020, and will remain in force thereafter. It sets out the FCA's expectation for firms to extend more tailored support to customers who are either newly affected by Covid-19 or have previously benefitted from the temporary support measures included in earlier guidance, including payment deferrals. See "*Regulation—Mortgage Repossession*" and "*Regulation—Recent Regulatory Changes.*"

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, 2020.

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, 2020, our loans subject to a repossession order or LPA Sale of £50.8 million were net of allowances for impairment of £16.3 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 £6.3 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, 2020, we had a total of £195.2 million in development loans of which £19.6 million, representing 10.0%, were originated prior to December 31, 2009 and £175.6 million, representing 10.0%, were originated since January 1, 2010.

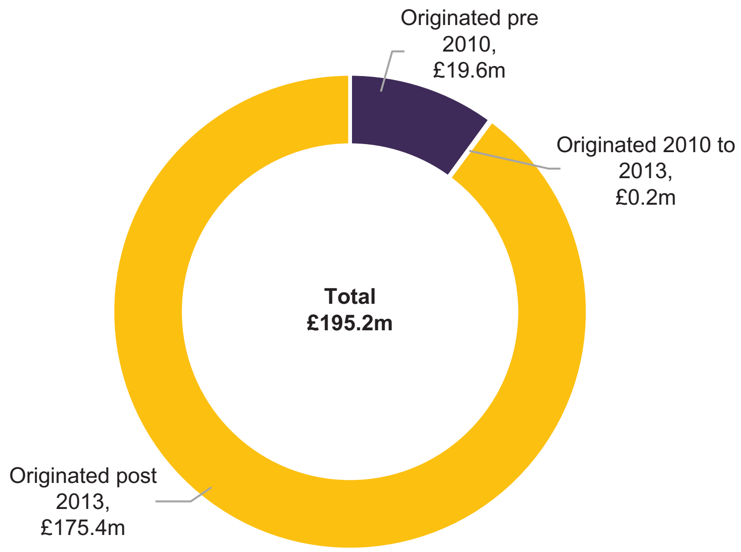
In respect to our historical development loans, primarily those originated prior to December 31, 2009 and, due to the negative equity position of some of these loans, we have either taken possession of the underlying development or are working with the borrowers to achieve an orderly completion and sale 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, 2020, the balance of development loans originated prior to December 31, 2009 has reduced from £90.3 million to £19.6 million, after taking into account a further £11.3 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, 2020, we extended £73.3 million in further advances on loans originated prior to September 30, 2019 and have underwritten £63.4 million in new development loans comprised of £28.9 million of initial advances and £34.6 million of further advances (in relation to loans originated initially on or after October 1, 2019).

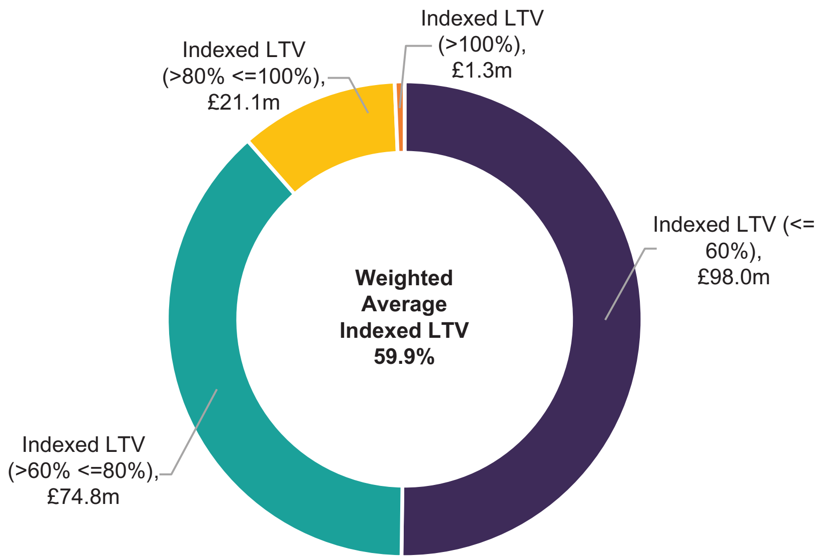
As of September 30, 2020, our development loans of £195.2 million were net of allowances for impairment of £34.0 million. Our development loans, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £9.4 million. As of September 30, 2020, applying IFRS 9 reporting categories, £66.0 million were classified as Stage 1 loans, £87.7 million as Stage 2 loans and £41.5 million as Stage 3 loans. As of September 30, 2020, development loans comprised 4.9% 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, 2020.

Origination Date



Indexed LTV Bands

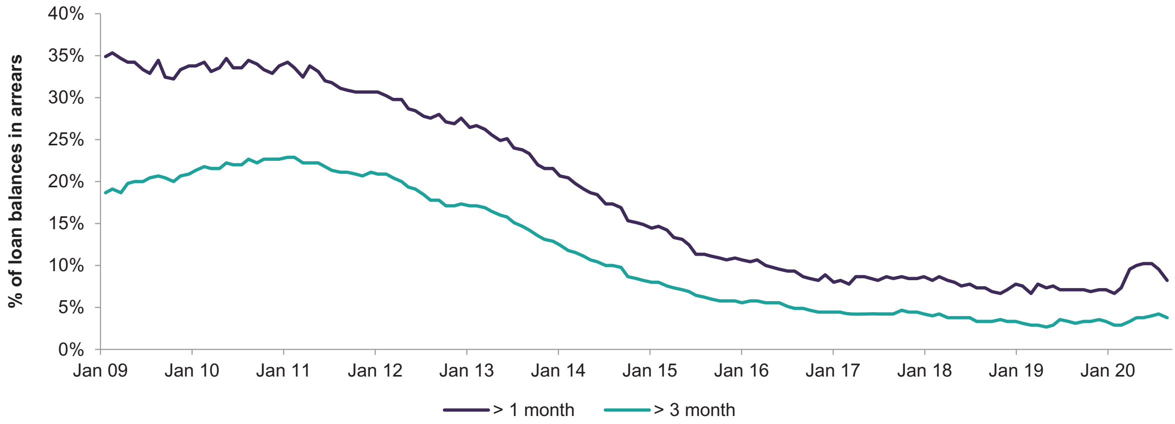


Arrears Trends

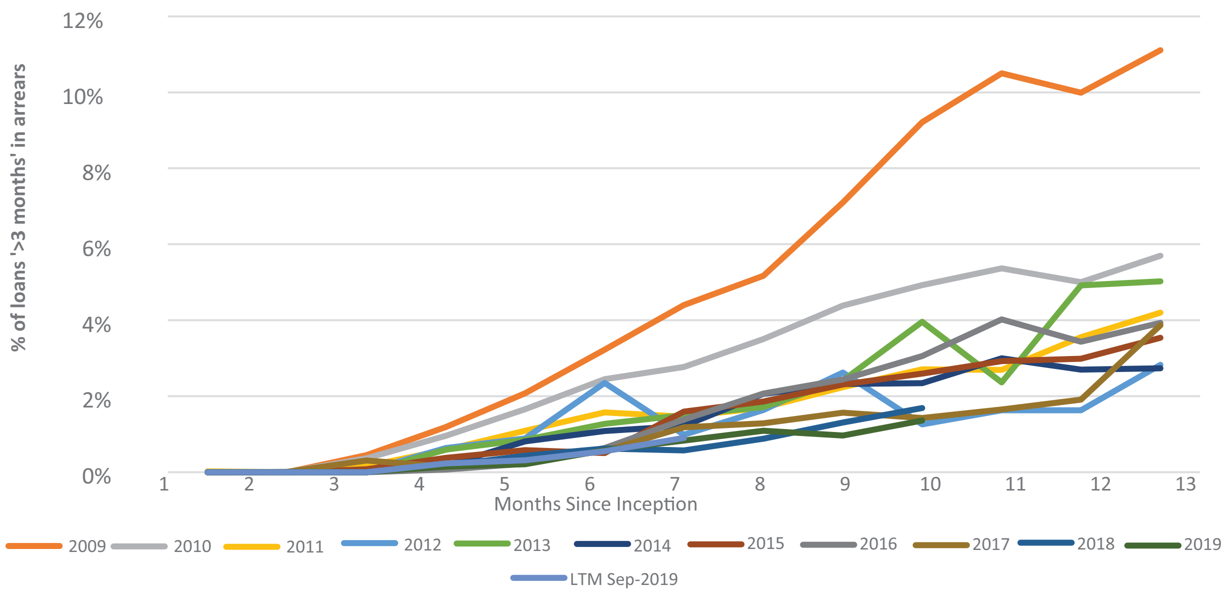
With the exception of the application of certain forbearance measures (including the treatment of recent Mortgage-Payment Deferrals introduced pursuant to FCA guidance related to Covid-19, see "*Summary—Recent Developments—Mortgage-Payment Deferrals*"), we do not reschedule our loans by capitalizing 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, other than with respect to Mortgage-Payment Deferrals. See *"Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*." All arrears metrics show improving trends from 2009 onwards, reflecting our increased focus on borrower due diligence and affordability in the underwriting process and our approach to forbearance and arrears 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 installment having declined notably until 2017. From 2017, the pace of reduction in the amount of loans in arrears has reduced. In the year ended September 30, 2020, loans in arrears have increased slightly, primarily due to the economic consequences of Covid-19. The pandemic reduced the ability of some of our customers to make payments and some customers requested Mortgage-Payment Deferrals pursuant to measures announced by the UK Government. While any amounts which would otherwise have been due within a granted Mortgage-Payment Deferral period are not treated as arrears (see *"Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis"*), we observed that certain customers who had either come to the end of their Mortgage-Payment Deferral period, or who did not request a Mortgage-Payment Deferral, subsequently missed payments. Despite the recent increase, loans in arrears remain low relative to the historical position. See "*Risk Factors—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."* We believe that our current underwriting standards are more robust compared to those in place prior to the global financial crisis of 2007/08. Since the global financial crisis of 2007/08, secured lenders have not been lending to certain types of applicant pools (such as self-certified applicants), which, among other things, has allowed us to improve the credit quality of our new business and we believe this will be a factor in preventing levels of arrears reaching the same levels as those seen following the global financial crisis of 2007/08.

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 installment is due), from January 2009 to September 2020.



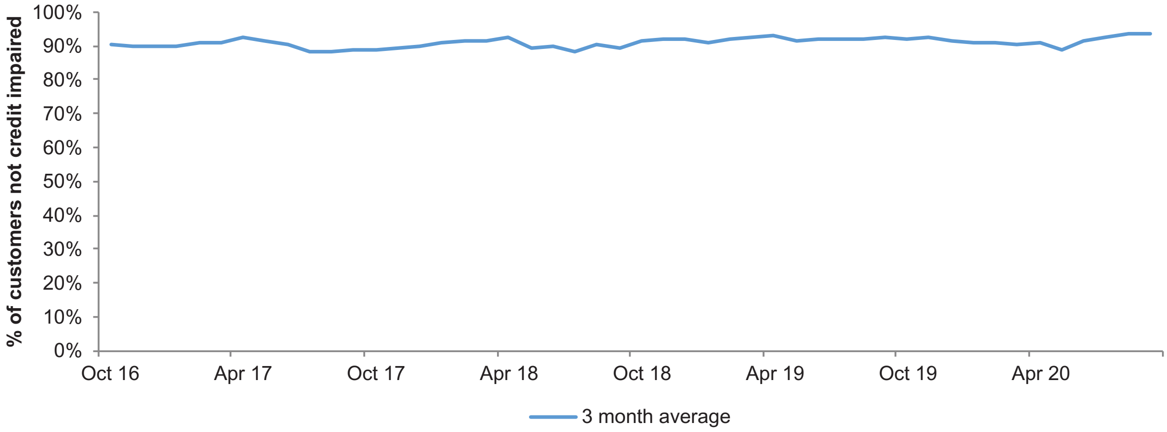
The graph below shows annual vintage delinquency rates split by calendar year of origination from 2009 through to 2019 that have arrears greater than three months.



There has been a significant improvement in annual vintage delinquency rates, which have decreased from 4.4% for loans funded in the twelve months ended December 31, 2009 to 0.9% for loans funded in the twelve months ended September 30, 2019.

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 and has remained around 90% since June 2016.



For loans originated since July 1, 2017, approximately 91.4% of customers are not credit impaired pursuant to the FCA definition of credit impairment (as set out below). For loans originated since July 1, 2017 for retail purpose, short-term commercial purpose, BTL+ loans and commercial term loans, approximately 88.3%, 94.0%, 90.3% and 89.2%, respectively, of customers are not credit impaired pursuant to the FCA definition of credit impairment (as set out below).

For loans originated since October 1, 2019, approximately 91.4% of customers are not credit impaired pursuant to the FCA definition of credit impairment (as set out below). For loans originated since October 1, 2019, for retail purpose, unregulated bridging, BTL+ loans and commercial term loans, approximately 87.1%, 93.0%, 91.0% and 91.7%, respectively, of customers are not credit impaired pursuant to the FCA definition of credit impairment (as set out 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 of the Total Loan Portfolio

The LTV of our loan portfolio (on a weighted average indexed basis) was 52.4% as of September 30, 2020. Of our loan portfolio, the percentage of loans with an indexed LTV of greater than 80% was 1.8% and 0.4% had an indexed LTV greater than 100% (after netting any allowances for impairment) as of September 30, 2020. As of September 30, 2020, the loan portfolio, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £24.9 million, which compared to allowances for impairment of £107.5 million. The percentage of loans within the Borrower Group with an indexed LTV of greater than 80% was 5.9% as of September 30, 2020.

As of September 30, 2020, our consolidated financial statements include £127.8 million of allowances for impairment which includes £107.5 million in respect of the loan portfolio, £20.4 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, 2020, a 10%, 20% and 30% decline to indexed valuations on a loan by loan analysis would result in additional negative equity exposure of £7.0 million, £23.3 million and £76.4 million, respectively.

Borrower Group Loan Analysis

The total loan assets of the Borrower Group as of June 30, 2018, 2019 and 2020, and as of September 30, 2020, totaled £1,077.2 million, £1,189.3 million and £1,102.0 million and £1,132.3 million, respectively, net of allowances for impairment, which represents an increase of 10.4% from June 30, 2018 to June 30, 2019 primarily driven by continued growth in new business originations supported by increases in the issuance of senior secured notes, a decrease of 7.3% from June 30, 2019 to June 30, 2020, due to a reduction in loan assets from June 30, 2019 to June 30, 2020 partly reflecting reduced origination volumes due to the onset of Covid-19 coupled with a build-up of unrestricted cash during such period, and an increase of 2.7% from June 30, 2020, to September 30, 2020 reflecting a decrease in gearing levels in 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, 2020. As of September 30, 2020, 66.4% of the Borrower Group loan portfolio are classified as performing loans. The Borrower Group's loan portfolio contains, in addition to performing loans, 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, 2020				
	All Loans	**Performing Loans**	**Non-Performing Arrears Loans**	**Repossessions and LPA Sales**	**Development Loans**
	(£ in millions, except where otherwise indicated)				
Loan portfolio[1]	1,111.5	738.0	128.1	50.1	195.2
Number of loans	7,116	4,546	2,103	246	221
Average loan size (expressed in thousands)	156,195	162,344	60,923	203,853	883,249
Weighted average indexed LTV (%)	54.8%	54.1%	52.9%	49.8%	59.9%
Total allowances for impairments	83.1	25.8	10.0	13.4	34.0
Exposure to negative equity	24.8	7.9	1.2	6.3	9.4
Repayment type					
Capital repayment loans	230.6	192.5	34.5	3.6	
Bridging loans	636.2	352.9	65.2	23.0	195.2
Interest only retail purpose	38.0	31.7	6.3	0.1	
Interest only commercial purpose	206.7	161.0	22.2	23.5	
Security					
Residential	466.5	304.9	111.8	27.4	22.4
Commercial	644.9	433.1	16.3	22.7	172.8
Purpose					
Retail	191.4	120.8	68.6	2.0	
Commercial	920.1	617.2	59.5	48.2	195.2
Lien					
First	851.4	561.2	89.5	44.5	156.2
Second	260.1	176.8	38.7	5.6	39.0
Interest Charge type					
Fixed	101.2	61.6	38.2	1.4	0.1
Variable	1,010.3	676.5	90.0	48.7	195.1
MPD status					
MPD Live Loans	49.8	45.4	3.1	0.3	1.0
MPD Total Loans	192.3	171.1	10.6	6.1	4.6
Origination by calendar year					
2020	187.6	174.2		0.8	12.5
2019	314.7	178.8	22.0	9.3	104.6
2018	212.9	125.5	27.0	18.7	41.8
2017	119.3	82.9	15.6	10.3	10.5
2016	69.1	47.8	13.0	3.0	5.2
2015	32.4	17.1	13.4	1.4	0.6
2014	19.7	15.2	4.3	0.1	0.1
2013	7.1	5.3	1.2	0.5	
2012	3.8	2.7	0.8	0.2	0.1
2011	9.5	7.6	1.0	0.9	0.1
2010	5.7	4.4	1.2	0.1	0.0
2009	9.3	5.9	2.6	0.5	0.2
Pre-2009	120.4	70.6	26.0	4.4	19.4

(1) The loan analysis of the Borrower Group excludes £23.9 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, 2020, 17.2% of our Borrower Group loan portfolio was classified as retail purpose, 65.2% of our Borrower Group loan portfolio was classified as commercial purpose and 17.6% of our Borrower Group loan portfolio was classified as development loans, calculated by value. 10.0% of our development loans within the Borrower Group loan portfolio were underwritten prior to 2010 and 90.0% were underwritten from January 1, 2010 onwards. As of September 30, 2020, 42.0% 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 17.2%	**Commercial Purpose[1] [2] 65.2%**			**Development 17.6%**
		BTL+ 10.3%	**Commercial Term 18.8%**	**Unregulated Bridging 36.1%**	
Total Loan Portfolio Analysis					
Loan Portfolio Value	• £191.4 million	• £114.5 million	• £208.9 million	• £401.6 million	• £195.2 million
Number of Loans	• 4,347	• 922	• 762	• 864	• 221
Average Inception Loan Size[3]	• £45.9 thousand	• £131.3 thousand	• £296.5 thousand	• £483.8 thousand	• £465.5 thousand
Weighted Average Indexed LTV	• 49.0%	• 57.0%	• 53.2%	• 55.2%	• 59.9%
Weighted Average Nominal Rate	• 8.1%	• 8.1%	• 7.7%	• 10.9%	• 10.5%
% of which are Fixed Rate	• 49.3%	• 4.7%	• 0.7%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 20.6%	• —	• —	• 100.0%	• 98.0%
% of which are MPD Live Loans	• 9.3%	• 6.1%	• 6.1%	• 2.8%	• 0.5%
% of which are MPD Total Loans	• 24.1%	• 26.4%	• 20.0%	• 17.3%	• 2.3%
Comprising first lien and second lien split as follows:					
First Lien Loan Portfolio					
Loan Portfolio Value	• £106.3 million	• £80.6 million	• £194.2 million	• £314.0 million	• £156.2 million
Number of Loans	• 883	• 545	• 656	• 639	• 158
Average Inception Loan Size[3]	• £119.4 thousand	• £159.9 thousand	• £319.8 thousand	• £516.1 thousand	• £570.6 thousand
Weighted Average Indexed LTV	• 50.2%	• 58.5%	• 53.7%	• 53.8%	• 58.2%
Weighted Average Nominal Rate	• 6.7%	• 7.9%	• 7.7%	• 10.8%	• 10.6%
% of which are Fixed Rate	• 77.2%	• 4.8%	• 0.2%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 36.9%	• —	• —	• 100.0%	• 98.4%
% of which are MPD Live Loans	• 9.3%	• 3.8%	• 5.7%	• 3.1%	• 0.5%
% of which are MPD Total Loans	• 22.9%	• 23.2%	• 19.5%	• 14.2%	• 2.8%
Second Lien Loan Portfolio					
Loan Portfolio Value	• £85.0 million	• £33.9 million	• £14.6 million	• £87.6 million	• £39.0 million
Number of Loans	• 3,464	• 377	• 106	• 225	• 63
Average Inception Loan Size[3]	• £27.1 thousand	• £89.9 thousand	• £152.0 thousand	• £392.0 thousand	• £201.8 thousand
Weighted Average Indexed LTV	• 47.4%	• 53.5%	• 46.9%	• 60.3%	• 66.6%
Weighted Average Nominal Rate	• 9.9%	• 8.4%	• 8.3%	• 11.0%	• 10.4%
% of which are Fixed Rate	• 14.4%	• 4.6%	• 7.5%	• —	• 0.1%
% with initial term less than 24 months Loan Portfolio Value	• 0.2%	• —	• —	• 100.0%	• 96.3%
% of which are MPD Live Loans	• 9.3%	• 11.5%	• 10.5%	• 1.9%	• 0.5%
% of which are MPD Total Loans	• 25.6%	• 34.1%	• 26.8%	• 28.5%	• 0.5%

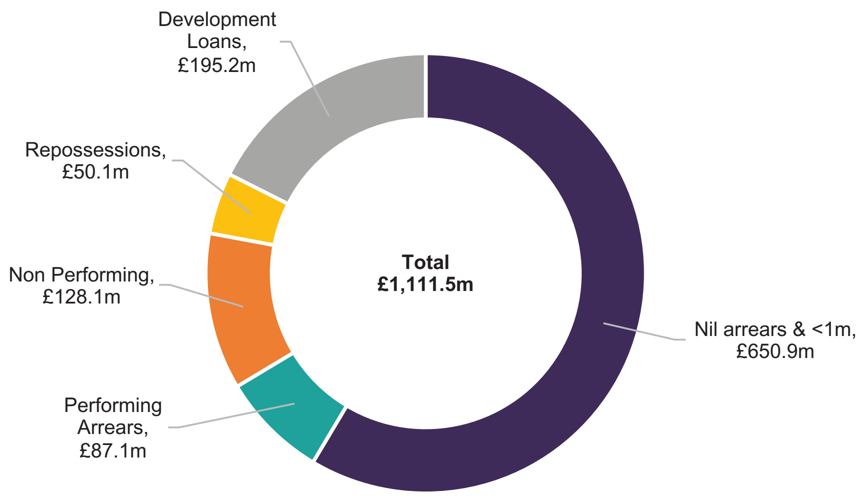
(1) The aggregate average inception loan size of commercial loans is £300.2 thousand.

(2) As of September 30, 2020, commercial purpose loans comprised 65.2% of the Borrower Group's loan portfolio, with a weighted average indexed LTV of 54.9% and a weighted average nominal rate of 9.5%.

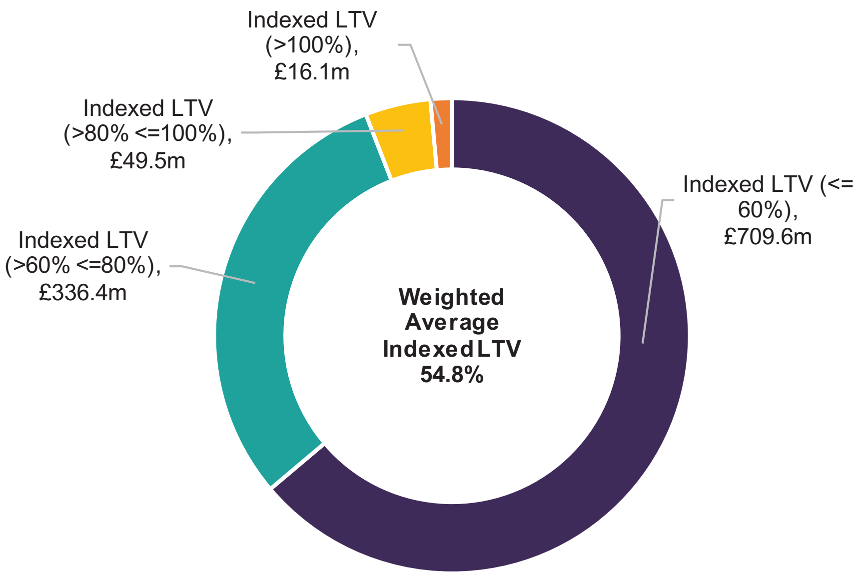
(3) The aggregate average inception loan size of retail, commercial purpose and development loans is £150.0 thousand.

The charts below show the Borrower Group's loan portfolio, by asset status and indexed LTV band as of September 30, 2020.

Asset Status



Indexed LTV Bands



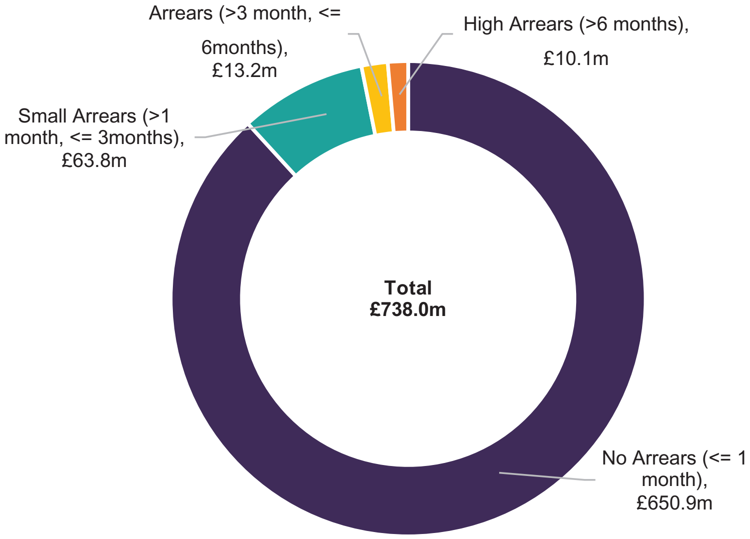
Performing Loans

Performing loans (not including development loans, which are reported as a separate category) as of September 30, 2020 consisted of: (i) nil arrears or arrears less than or equal to one month's contractual installment or where no monthly contribution installment is due, totaling £650.9 million, or 58.6% 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 installments or where Cash Receipts are collected in the prior three months are equal to or greater than 90% of the contractual installments due, totaling £87.1 million, or 7.8% of the Borrower Group's loan portfolio.

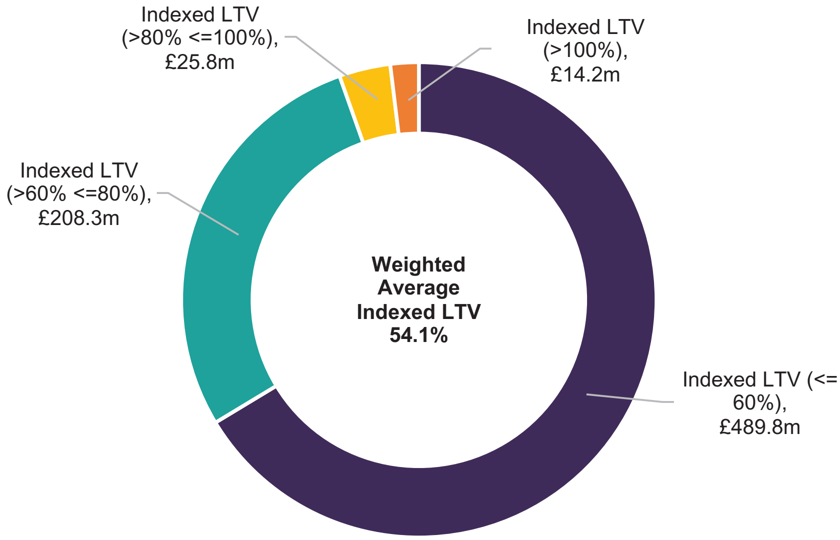
As of September 30, 2020, performing loans totaled £738.0 million or 66.4% of the Borrower Group's loan portfolio. Total performing loans as a percentage of our Borrower Group loan portfolio increased by 2.2% as of September 30, 2020 compared to June 30, 2020. As of June 30, 2020, performing loans totaled £690.3 million or 64.2% of the Borrower Group's loan portfolio. Total performing loans as a percentage of our Borrower Group loan portfolio decreased by 7.9% as of June 30, 2020 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.

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, 2020.

Arrears Categories



Indexed LTV Bands

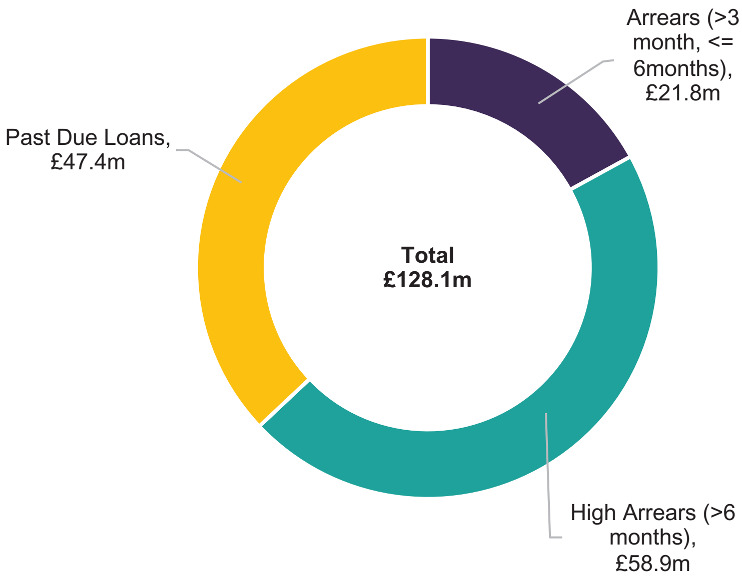


Non-Performing Arrears Loans

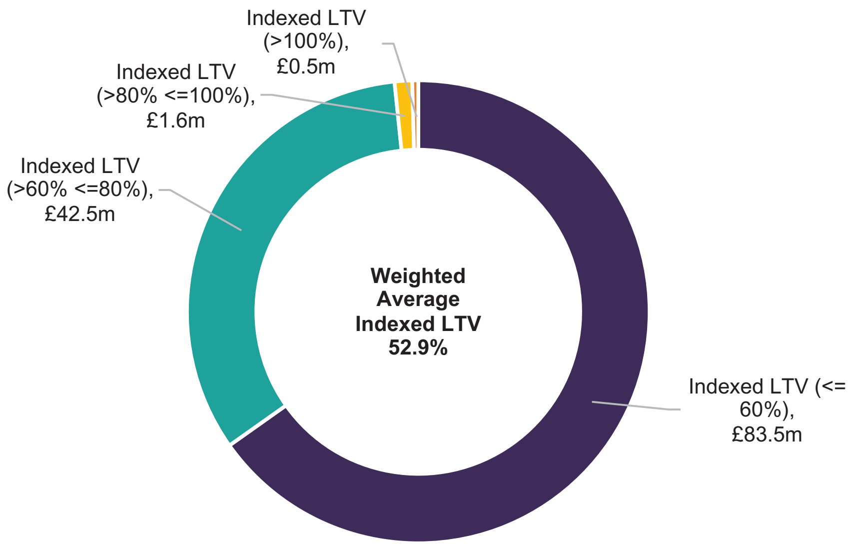
As of September 30, 2020, non-performing loans totaled £128.1 million or 11.5% of the Borrower Group loan portfolio. Total non-performing loans as a percentage of our loan portfolio increased by 0.1% as of September 30, 2020 compared to June 30, 2020. As of June 30, 2020, non-performing loans totaled £123.2 million or 11.5% of the Borrower Group loan portfolio. Total non-performing loans as a percentage of our loan portfolio increased by 4.1% as of June 30, 2020 compared to June 30, 2019. 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.

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, 2020.

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, 2020, repossessions and LPA Sales portfolio and development loans represented 4.5% and 17.6%, 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 54.8% as of September 30, 2020. Of our Borrower Group loan portfolio, the percentage of loans with an indexed LTV of greater than 80% was 5.9%, and 1.5% had an indexed LTV greater than 100% (after netting any allowances for impairment) as of September 30, 2020.

As of September 30, 2020, the Borrower Group's loan portfolio, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £24.8 million, which compared to allowances for impairment in an amount of £83.1 million.

In stress testing the Borrower Group's loan portfolio as of September 30, 2020, a 10%, 20% and 30% decline to indexed valuations on a loan by loan analysis, would result in additional negative equity exposure of £6.9 million, £22.5 million and £57.6 million, respectively.

Loan Assets to be Repurchased from Charles Street ABS

The issuer intends to use the gross proceeds of the Notes, together with cash on balance sheet, to, among other things, repurchase £101.4 million in aggregate principal balance of assets from Charles Street ABS at an advance rate equal to 89.0%. These assets were all originated prior to, and form part of the Charles Street ABS loan assets as of, September 30, 2020, at which time they had a net loan balance of £103.5 million. The table below provides an analysis of such assets by class as of September 30, 2020. Following such repurchase, these assets will form part of the Borrower Group and will secure the Notes. The loan assets to be repurchased from Charles Street ABS have been randomly selected following preset criteria on January 11, 2021 from the total pool of assets owned by Charles Street ABS as of January 8, 2021, taking into consideration the portfolio covenants under the CABS Securitization. The loan portfolio owned by Charles Street ABS complies with the CABS Securitization eligibility criteria described in "*Description of Certain Financing Arrangements—Conduit Securitizations—CABS Securitization*."

There can be no assurance that the selected assets to be repurchased from Charles Street ABS will be entirely comparable to the loan data presented below due to changes in the status of such loans between September 30, 2020 and the Issue Date, or as a result of any redemptions or prepayments related to the selected assets from January 8, 2021 to the Issue Date. To the extent any of the loan assets pre-selected for repurchase are redeemed or prepaid between January 8, 2021 and the Issue Date, there shall be a reduction in use of proceeds of the Offering to reduce drawn balances under the CABS Securitization and a corresponding increase in use of proceeds of the Offering as cash on balance sheet. See "*Use of Proceeds*." None of the Issuer, the Company, the Initial Purchasers or any of their respective directors, officers, advisers, auditors, experts, agents or representatives can make any representation regarding the accuracy or adequacy of the loan analysis below. Prospective investors in the Notes are cautioned not to rely on, and will be deemed not to have relied on, the projections. See "*Forward-Looking Statements*."

	As of September 30, 2020				
	All Loans	**Performing Loans**	**Non-Performing Arrears Loans**	**Repossessions and LPA Sales(1)**	**Development Loans(1)**
	(£ in millions, except where otherwise indicated)				
Loan assets being purchased	103.5	103.1	0.4	—	—
Number of loans	820	813	7	—	—
Average loan size (£)	126,186	126,795	55,485	—	—
Weighted average indexed LTV (%)	55.4%	55.4%	50.1%	—	—
Repayment Type					
Capital repayment loans	34.3	34.1	0.2	—	—
Bridging Loans	38.5	38.5	—	—	—
Interest only retail purpose	17.2	17.2	—	—	—
Interest only commercial purpose	13.5	13.3	0.2	—	—
Security					
Residential	103.5	103.1	0.4	—	—
Commercial	—	—	—	—	—
Purpose					
Retail	49.0	48.8	0.2	—	—
Commercial	54.4	54.2	0.2	—	—
Lien					
First	81.5	81.5	—	—	—
Second	22.0	21.6	0.4	—	—
Mortgage Payment Deferrals					
% MPD Live	10.9	10.7	0.1	—	—
% MPD Total	24.4	24.0	0.4	—	—

(1) The assets to be repurchased from Charles Street ABS do not include any repossessions and LPA sales or development loans assets.

Loan Assets Cash Flow Metrics

The group is highly cash generative and had £1,502.2 million of Cash Receipts in the twelve months ended September 30, 2020, comprising £307.2 million of interest and fees and £1,194.9 million of principal receipts. As of September 30, 2020, our total loan assets were £4,000.8 million.

Prior to the onset of Covid-19, 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 48.0%, 47.2%, 39.8% and 38.1% in the years ended June 30, 2018, 2019 and 2020, and twelve months ended September 30, 2020, respectively.

The Borrower Group generated £698.7 million of Cash Receipts in the twelve months ended September 30, 2020, comprising of £59.6 million of interest and fees, £480.1 million of principal receipts and £159.0 million surplus income from the Securitizations. See "*Summary—Overview—Our Sources of Funding*." As of September 30, 2020, the Borrower Group's total loan assets were £1,132.3 million.

Cash Receipts for the Borrower Group in the years ended June 30, 2018, 2019 and 2020, and for the twelve months ended September 30, 2020, were £610.8 million, £779.5 million, £735.2 million and £698.7 million, respectively. Cash Receipts expressed as a percentage of total average loan assets of the Borrower Group were 62.5%, 68.8%, 64.2% and 61.7% in the years ended June 30, 2018, 2019 and 2020, and in the twelve months ended September 30, 2020, respectively.

The group and Borrower Group each had cash outflow related to overheads and expenses, tax, and capital expenditure of £104.9 million in the twelve months ended September 30, 2020 resulting in cash available for debt service, debt repayment or originating new advances of £1,397.2 million for the group and £593.8 million for the Borrower Group.

In the twelve months ended September 30, 2020, the group paid interest costs of £121.7 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing), debt issuance costs of £9.8 million and dividends of £15.6 million relating to the servicing of cash interest on the PIK Notes. In the same period the Borrower Group paid interest costs of £47.6 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing), debt issuance costs of £9.8 million and dividends of £15.6 million relating to the servicing of cash interest on the PIK Notes.

In the twelve months ended September 30, 2020, the group increased the amount outstanding under its debt financing arrangements by £248.9 million, comprising an increase of £243.9 million under the Securitizations, an increase of £60.0 million under the Senior Secured Notes and a decrease of £55.0 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 2021 Notes 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,
	2018	2019	2020	2020	2020
	(£ in millions)				
Interest and Fees	258.8	309.0	315.0	307.2	59.6
Principal[1]	989.5	1,261.1	1,247.5	1,194.9	480.1
Securitization surplus income	—	—	—	—	159.0
Cash Receipts	**1,248.3**	**1,570.1**	**1,562.5**	**1,502.2**	**698.7**
Overheads and expenses[2]	(84.9)	(96.1)	(89.0)	(86.1)	(86.1)
Tax	(15.3)	(15.9)	(22.2)	(14.2)	(14.2)
Capital expenditure	(8.6)	(4.9)	(5.3)	(4.7)	(4.7)
Cash available for debt service[3]	**1,139.5**	**1,453.2**	**1,446.0**	**1,397.2**	**593.8**
Cash interest payable[4]	(78.0)	(105.1)	(125.5)	(121.7)	(47.6)
Debt issuance costs[5]	(8.4)	(9.1)	(8.5)	(9.8)	(9.8)
PIK Note dividends[6]	(22.9)	(29.9)	(15.6)	(15.6)	(15.6)
Cash available after debt service[7]	**1,030.2**	**1,309.1**	**1,296.5**	**1,250.1**	**520.8**
Debt increase[8]	614.9	719.3	523.3	248.9	5.0
Available funds	**1,645.1**	**2,028.4**	**1,819.8**	**1,449.1**	**525.8**
New advances[1]	**(1,660.4)**	**(1,982.3)**	**(1,687.5)**	**(1,290.0)**	**(394.7)**
(Decrease)/Increase in cash	**(15.3)**	**45.9**	**132.3**	**209.1**	**131.1**
(Decrease)/Increase in cash held by Securitization Vehicles[7][9]	2.1	—	—	—	—
(Decrease)/Increase in cash and cash equivalents as per statutory accounts	(17.3)	45.9	132.3	209.1	—

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

(2) Overheads and expenses for the year ended June 30, 2018 included £2.2 million of exceptional costs in relation to the final installment of the staff incentive plan payable as part of the Exit Transactions. Overheads and expenses for the twelve months ended September 30, 2020, included £1.5 million of exceptional costs in relation to the redundancy costs as part of the consultation process. See "*Summary—Recent Developments—Consultation Process*."

(3) Cash available for debt service is cash available for debt service, debt repayment or originating new advances.

(4) Cash interest payable for the year ended June 30, 2020, and twelve months ended September 30, 2020, includes £5.9 million of exceptional cash outflow in relation to the 2021 Notes Refinancing for the group and Borrower Group. Following the refinement of the classification of elements of the statement of cash flows as of June 30, 2019 to better reflect the Company's operating model, which was accounted for as a change in accounting policy under IAS 8 — Accounting Policies, Changes in Accounting Estimates and Errors, interest and debt issuance costs are consolidated into the line item "Net cash inflow from financing activities."

(5) 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. Debt issuance costs for the year ended June 30, 2020 relate to the entry into the TABS 3 Securitization in October 2019, the renewal of the LABS Securitization in October 2019, and the issuance of the 2026 Notes in February 2020. Debt issuance costs for the twelve months ended September 30, 2020 relate to the entry into the TABS 3 Securitization in October 2019, the renewal of the LABS Securitization in October 2019, the issuance of the 2026 Notes in February 2020, the entry into the TABS 4 Securitization in July 2020 and the refinancing of the Revolving Credit Facility in September 2020. Interest and debt issuance costs are consolidated within our consolidated financial statements into the line item "Net cash outflow from operating activities" in respect of the year ended June 30, 2018.

(6) 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 (upon the redemption of the 2021 PIK Notes, concurrent with the issuance of the PIK Notes, in September 2018). Such dividends are consolidated within our consolidated financial statements within cash flow from financing activities. In April 2020, the PIK Notes Issuer elected to pay interest on the PIK Notes as PIK Interest, resulting in an increase in the aggregate principal amount of the PIK Notes from £350.0 million to £368.2 million.

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

(8) Debt increase includes net movements of the Securitizations, the 2018 Notes, the 2021 Notes, 2024 Notes and 2026 Notes, the Original Subordinated Shareholder Loan Notes, the Subordinated Shareholder Funding and the Revolving Credit Facility in the respective period. For the year ended 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 years ended June 30, 2019 and June 30, 2020 and the twelve months ended September 30, 2020, it differs to cash flows from financing activities within the audited annual consolidated financial statements for the years ended June 30, 2019 and June 30, 2020 and the interim financial statements for the three months ended September, 2020, as it does not include the dividends made for the purposes of servicing the cash interest related to the PIK Notes or, in respect of the year ended June 30, 2019, certain adjustments in respect of transition to IFRS 9. Following the change in accounting policy outlined in footnote (4) above, interest costs are consolidated into the line item "Net cash inflow from financing activities."

(9) The movement of cash held by the Securitization Vehicles is presented herein on a standalone basis to enable comparability with our statement of cash flows within our consolidated financial statements for the year ended June 30, 2018. In the consolidated financial statements as of and for the years ended June 30, 2019 and June 30, 2020 and the twelve months ended September 30, 2020, cash held by the Securitization Vehicles is included within cash and cash equivalents with the prior year also adjusted in respect of the year ended June 30, 2019. 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 year ended June 30, 2020, movement in cash and cash equivalents of £132.3 million comprised of £90.3 million increase in unrestricted cash and £42.0 million increase in restricted cash, being cash held by the Securitization Vehicles. For the twelve months ended September 30, 2020, movement in cash and cash equivalents of £208.9 million comprised of £131.0 million increase in unrestricted cash and £77.8 million increase in 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
	2018	2019	2020	2019	2020	2020
	(£ in millions, except for percentages)					
Average total loan assets	2,599.5	3,326.3	3,928.3	3,786.4	4,081.5	3,939.6
Interest receivable and similar income	292.2	343.1	388.4	92.5	95.3	391.2
Interest yield(1)	11.2%	10.3%	9.9%	9.8%	9.3%	9.9%

(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
	2018	2019	2020	2019	2020	2020
	(£ in millions, except for percentages)					
Average total loan assets	2,599.5	3,326.3	3,928.3	3,786.4	4,081.5	3,939.6
Net interest(1)(3)	199.4	226.3	258.0	60.7	65.2	262.5
Net interest margin(2)(3)	7.7%	6.8%	6.6%	6.4%	6.4%	6.7%

(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, 2020, and twelve months ended September 30, 2020, interest payable and similar charges has been adjusted for exceptional items relating to the 2021 Refinancing for the purposes of calculating net interest margin.

Pre-payment Schedule

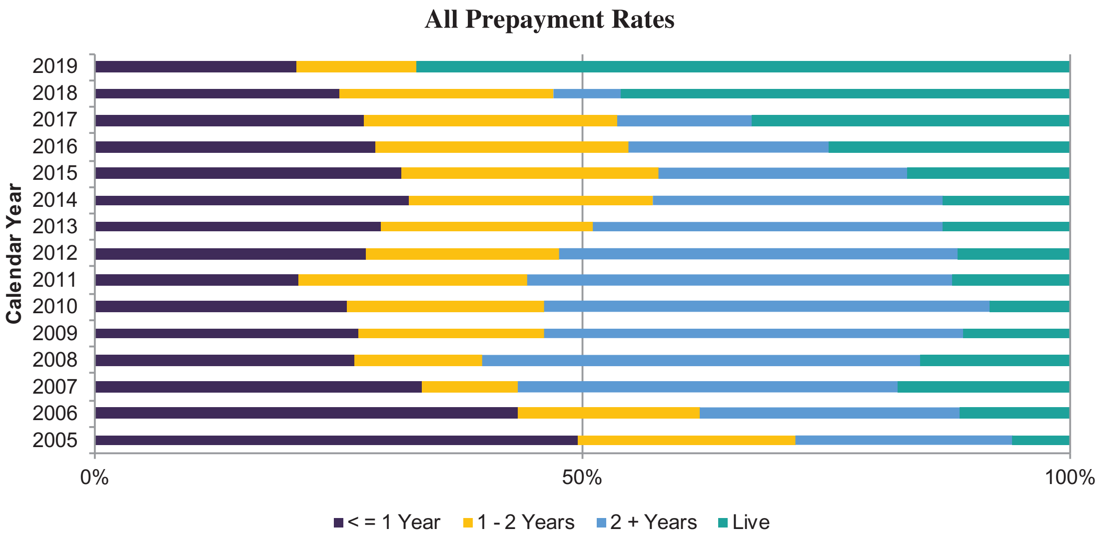
The rate at which our customers redeem their mortgages is a key driver of cash flow generation. Customers often redeem their loans prior to their contractual term either due to changes in their personal circumstances, such as moving to a new house, or the availability of alternative financial products 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 28% 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. Due to Covid-19, we have sought to further tighten certain areas of our underwriting criteria, including around areas of affordability, valuation and exit strategy plausibility which we considered was appropriate and prudent to reflect the increased risks that Covid-19 has created for borrowers and lenders in our underwriting criteria. 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*" and "*Business—Our Operations—Commercial Purpose Lending*." 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, among 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 0.9% for loans funded in the twelve months ended September 30, 2019. Since the global financial crisis of 2007/08, mainstream lenders have revised their lending and underwriting criteria to the exclusion of certain categories 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, among others options, a borrower paying less than their contractual installments for a specified period of time, a reduction in the interest charge to the loan (either temporary or permanent), deferral of payments, extension of loan duration terms and in some cases write off of interest, fees or principal. In addition, as a result of Covid-19, we have also been granting Mortgage-Payment Deferrals for impacted customers. 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, net of any fees.

As discussed above, the FCA has issued guidance for lenders to suspend repossession for their regulated mortgage contract customers, with the FCA not expecting any proceedings to commence or continue before January 31, 2021, subject to certain exceptions. See "*—Loan Analysis—Repossessions and LPA Receivership*" and "*Regulation—Recent Regulatory Changes.*" We updated our arrears management standards and processes to reflect the latest FCA guidance on Mortgage-Payment Deferrals and are closely analyzing the effect of Mortgage-Payment Deferrals on our performance. See "*Summary—Recent Developments—Mortgage-Payment Deferrals*." We have been managing our credit risk exposure by continuously monitoring customer performance throughout the life of the loan and by capturing additional data and establishing enhanced monitoring of the specific risks posed to our portfolio by Covid-19.

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 mainstream lenders, due to our focus on loan affordability at origination, our conservative LTV approach to lending and our proactive collections management and processes, our actual principal losses were minimal prior to 2008 and subsequently, despite the global financial crisis of 2007/08 and subsequent impact, 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 2020, averaging at 0.3% over this period, and reducing to 0.1% since 2015. For loans originated since January 2012 the Company has crystalized principal losses of £1.2 million on £9.0 billion of loan originations as of September 30, 2020. In stress testing our loan portfolio and the Borrower Group's loan portfolio as of September 30, 2020, a 20% decline to indexed valuations on a loan by loan analysis would result in additional negative equity exposure of £23.3 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 protracted Brexit negotiations and more recently by the economic consequences Covid-19. In March 2020, the Bank of England lowered the base rate from 0.75% to 0.1% as part of its response to the economic consequences Covid-19. Since March 2020, the Bank of England has maintained an enhanced level of credit supply to the economy, including the provision of liquidity to banks to support lending. However, this support is not available to the same extent to non-bank lenders, which includes the group. See "*Risk Factors—Risks Relating to 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*."

Covid-19 has led to significant disruption of the world economy and there is little certainty in the economic outlook. The unemployment rate in the UK has continued to rise partly as a result of the economic impact of Covid-19. In addition, the mid- and long-term impact of Brexit and the interpretation and application of the Trade and Cooperation Agreement are not yet known. Already prior to Covid-19 and the stalling of the Brexit negotiations, the overall economic climate had been weak given global trade tensions and soft global activity, which had led to a substantial decline in advanced economies' forward interest rates and a material loosening in financial conditions. See "*Risk Factors—Risks Relating to Our Business—The United Kingdom's exit from the European Union may adversely impact our business, results of operations and financial condition*" and "*Risk Factors—Risks Relating to Our Business—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured.*"

Among other impacts, macroeconomic uncertainty may affect the availability and pricing of wholesale funding, reduce customer confidence, reduce customers' ability to service and repay their loans which may in-turn affect our ability to comply with the covenants in our funding structures, increase our operating costs and impact property values. For example, at the onset of the deterioration of the economic climate in 2008, our loan arrears increased. From January 2009 to January 2011, our loan arrears stabilized and from January 2011 were the subject of a steady decrease until the onset of Covid-19. Our contractual arrears of greater than one month's contractual installment 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 installment is due), calculated by value, have decreased from 18.8% as of June 30, 2014 pursuant to UK GAAP to 8.0% as of September 30, 2020, pursuant to IFRS. A large proportion of our contractual arrears consists of customers who are making regular payments in line with agreed payment plans. As of September 30, 2020, 64.1% of contractual arrears were performing arrears loans, in respect of which arrears are equal to or less than three months' contractual installments or within the prior three months, 90% or more of contractual installments due had been received. As a result of the introduction of IFRS 9, we are now required to recognize losses on a forward-looking basis, as a result of which an economic downturn may affect our financial results more severely. See "*Risk Factors—Risks Relating to Our Business—Changes to accounting standards could materially affect our reporting of financial results.*"

In an economic downturn, customers are also less likely to redeem their mortgage loans, as a result of banks and other lenders potentially having reduced levels of liquidity (or choosing to retain liquidity as opposed to extend credit) with which customers can refinance their mortgages, lenders tightening their lending criteria and customers being less likely to meet lending criteria as well as their potential exit strategy being dependent upon a sale of property that is impacted by falling house prices that may rise in a downturn. 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 interest rate increases, we partly mitigate this risk through 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 exit from the European Union may adversely impact our business, results of operations and financial condition*" and "*Risk Factors—Risks Relating to Our Business—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured*."

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 Brexit and Covid-19, which has led to heightened uncertainty. See "*Risk Factors—Risks Relating to Our Business—A deterioration in the mortgage or property markets in the United Kingdom may materially affect our business, results of operations and financial condition,*" "*Risk Factors—Risks Relating to Our Business—The United Kingdom's exit from the European Union may adversely impact our business, results of operations and financial condition*" and "*Risk Factors—Risks Relating to Our Business—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured*." 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 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. 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. 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 repossession processes. As of September 2020, the seasonally adjusted Halifax House Price Index, which provides monthly information on the change in UK house prices by using mortgage financed transactions to calculate average house prices and house price indices (indexed to 100 in January 1992), was 430.5, representing a 7.3% annual increase compared to the prior year comparator of 400.8 and comparing to 246.5 in December 2010 and 314.0 in December 2015. The other main house price indices, that of Nationwide Building Society and HM Land Registry, respectively, reported that average house prices for the UK have increased 5.0% (the highest rate recorded since September 2016) and 4.7%, respectively, in the twelve months ended September 30, 2020 with positive price increases reported by HM Land Registry across all regions. The other main house price indices, that of Nationwide Building Society and HM Land Registry, respectively, reported that average house prices for the UK have increased 5.0% (the highest rate recorded since September 2016) and 4.7%, respectively, in the twelve months ended September 30, 2020 with positive price increases reported by HM Land Registry across all regions. It is not yet possible to estimate the medium to long-term effect of Covid-19 on the UK property market, particularly with regard to future property values in light of continuing or future adverse economic conditions. The initial Covid-19 lockdown meant that buyers were unable to view properties and surveyors were unable to provide valuations based on site visits. House sales fell by approximately 60% in April 2020 but the easing of restrictions led to a surge in market activity from June 2020 onwards. Based on relatively low volumes of transactions, house prices in the UK appear to be rising as a whole and this trend may continue to be reinforced, in the short-term, by the reduced rates of stamp duty land tax for residential properties purchased from July 8, 2020, until March 31, 2021, and the repossession moratorium. Given rising unemployment as a result of the economic consequences of Covid-19, a decrease in house prices still appears likely but the UK continues to see a shortage of supply for housing which may mitigate any longer-term price falls. See "*Risk Factors—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*" and "*—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured*." Covid-19 may continue to impact certain sectors of the economy, to which the value of certain types of property we lend against relate, in different ways. Affordability remains a key constraint, with overall increases in UK house prices over recent years typically 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 generally have a dampening effect on the growth in total UK mortgage lending for the medium term, for instance, in recent years the UK Government has announced changes to the tax treatment and stamp duty tax with respect to buy-to-let investments which may negatively affect levels of activity in that particular 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 operations and financial condition*" and "*Industry Overview—The UK Mortgage Market*."

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, new market entrants and disruptive products/software solutions potentially affecting lending activities. 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 and lending volumes 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 global financial crisis of 2007/08, the number of competitors in our market segments decreased considerably, thereby allowing us to strengthen our margins. Until the onset of Covid-19 the economic environment had improved and certain competitors had re-entered our market segments, alongside with new competitors, which had contributed to a reduction in yields on our new mortgage loans. Margin compression had, however, partially been mitigated as our cost of debt funding had also decreased. In addition, in recent years, we had been able to enter additional market segments, which had no longer been well served by other lenders, in particular by mainstream lenders. Uncertain economic times can reduce the number of new entrants into our chosen markets and may also reduce competition from existing lenders. Lenders who operate in mainstream and specialist segments have generally sought to focus on their core markets and restrict their lending criteria in a recessionary environment, which may provide increased lending opportunities for us. It is currently too early to assess the impact of Covid-19 on the UK mortgage loan industry. 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 will support our competitive position going forward.

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. In the case of the Conduit Securitizations and the Revolving Credit Facility, our lenders are financial institutions, including a number with whom we have long-standing relationships, and additional institutional investors/asset managers, 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 September 30, 2016 to £2,479.5 million as of September 30, 2020. We have also successfully issued four public residential mortgage backed securitizations in the form of TABS 1 Securitization in September 2017, the TABS 2 Securitization in November 2018, the TABS 3 Securitization in October 2019 and the TABS 4 Securitization in July 2020, issuing £261.3 million, £272.6 million, £315.4 million and £360.5 million of Rated Notes (in the case of the TABS 4 Securitization, including £12.8 million Class X notes), respectively. In addition, since September 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 £785 million. See "*Summary—Overview—Our Sources of Funding*" and "*Summary—Our Strengths—Strong and diversified sources of funding with long maturities*." Our funding strategy largely centers upon the development of diversified funding sources to ensure a balanced, cost-efficient funding base that can support our loan book and the products we offer, providing a deep maturity profile and strong levels of liquidity. 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 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, 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*." See "*—Quantitative and Qualitative Disclosures about Market Risk*."

Regulatory Considerations

Our results of operations are affected by a number of laws and regulations. Regulatory changes, including interim measures related to Covid-19 such as Mortgage-Payment Deferrals, may affect our markets, competitive landscape, our operations and our performance. 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 judgment to correct model deficiencies and systemic risks where appropriate and supported by historic loss experience data. The use of such judgments 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 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 twelve 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 macroeconomic scenarios which can lead to higher level of stage 3 provisioning under IFRS 9 compared to IAS 39.

As a result of Covid-19, including the introduction of Mortgage-Payment Deferrals, additional qualitative approaches have been adopted in the assessment of IFRS9 provisioning. We do not automatically consider a request for a Mortgage-Payment Deferral as representing a significant increase in credit risk requiring a change in classification of the loan to stage 2 or to stage 3. Instead, we use a number of indicators of credit risk to determine whether a loan which has received a Mortgage-Payment Deferral, or may otherwise be potentially subject to Covid-19-related risks, should be reclassified to stage 2 or to stage 3. This assessment uses loan-level information, such as an indication from a borrower or a permanent change in their circumstances, where available. It also uses a portfolio-level approach to determine populations of borrowers with higher-credit risk characteristics. These borrowers have been reclassified to stage 2 or to stage 3 on a more judgmental basis. Examples of reviews involving substantial judgments include instances involving customers who are not in arrears, but may have suffered a certain level of income shock based on credit bureau data, and loans which are not in arrears or otherwise exhibiting signs of an increase in credit risk but are secured on certain property types, which may be most affected by social restrictions such as certain hospitality and retail-purpose properties.

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. In 2019, the group used three probability-weighted scenarios, base, upside and downside scenarios. Since Covid-19, we have increased the number of scenarios from three to six to reflect the wider range of economic outcomes that are now considered possible with respect to any base case.

As of September 30, 2020, our impairment loss allowance was £127.8 million of which £7.8 million related to stage 1 accounts, £32.8 million related to stage 2 accounts and £87.3 million related to stage 3 accounts. Of the stage 3 accounts £20.4 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 June 30, 2018 £ million	Expected credit Losses £ million	Modification of financial liabilities £ million	Total impact of adoption of IFRS 9 £ million	IFRS 9 July 1, 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 critical accounting policies see page F-14 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 twelve 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 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, 2020 the Revolving Credit Facility, the 2021 Notes, the 2024 Notes, the 2026 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, the 2024 Notes, the 2026 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 income in the year ended June 30,2020 and the three months ended September 30, 2020 also includes income received from the UK Government in respect of employees who were furloughed under the Coronavirus Job Retention Scheme and income relating to research and development expenditure credit.

Administrative Expenses

Administrative expenses consist primarily of staff salaries and the cost of associated benefits and other related costs (including the costs of the redundancy program in the three months ended September 30, 2020), 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. Included within administrative expenses is also provisions for liabilities and charges including with respect the to the year ended June 30, 2020 and the three months ended September 30, 2019, respectively, provisions in respect of for forbearance and customer communication remediation.

Impairment Losses

For the year ended June 30, 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—IFRS 9—including impairment of financial assets—applicable since July 1, 2018*."

Following the introduction of IFRS 9, for the years ended June 30, 2019 and 2020, and twelve months ended September 30, 2020, 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—IFRS 9—including impairment of financial assets—applicable since July 1, 2018*."

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 provisions in respect of forbearance and customer communication remediation and redundancy costs.

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 8 to the Non-IFRS financial information presented in "*Summary Historical Financial Information and Other Data*."

Results of Operations

Three Months Ended September 30, 2019 Compared with the Three Months Ended September 30, 2020

	Three months Ended September 30,		
	2019	**2020**	**Percentage change**
	(£ in millions)		(%)
Interest receivable and similar income	92.5	95.3	3.1
Interest payable and similar charges	(31.8)	(30.1)	(5.3)
Net interest income	60.7	65.2	7.5
Fee and commission income	1.1	0.7	(35.5)
Fee and commission expense	(0.6)	(0.2)	(71.1)
Other income	(0.3)	1.3	—
Operating income	61.0	67.1	10.0
Administrative expenses (excluding depreciation and amortization)	(22.6)	(20.0)	(11.7)
Depreciation and amortization	(1.3)	(1.4)	1.7
Operating profit	37.0	45.8	23.6
Impairment losses	(5.6)	(13.4)	141.0
Profit before taxation	31.5	32.4	2.8
Income tax	(4.4)	(4.5)	2.3
Profit after taxation	27.1	27.9	2.9
EBITDA	64.6	63.8	(1.2)
EBITDA margin(%)	69.0	66.5	(3.7)
Underlying EBITDA	67.6	65.3	(3.4)
Underlying EBITDA margin(%)	72.2	68.0	(5.8)

Interest Receivable and Similar Income

Interest receivable and similar income in the three months ended September 30, 2020 was £95.3 million compared to £92.5 million in the three months ended September 30, 2019, an increase of £2.8 million or 3.1%, primarily due to an increase in the size of our average total loan assets to £4,081.5 million from £3,786.4 million, or 7.8%, partially offset by a reduction in interest yield, from 9.8% to 9.3%. 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, 2020 was £30.1 million compared to £31.8 million in the three months ended September 30, 2019, a decrease of £1.7 million or 5.3%, principally due to the refinancing activities carried out in the twelve months ended September 30, 2020, reducing our weighted average interest rate payable on our debt facilities, partially offset by an increase in our ratio of borrowings to total loan assets

Net Interest Income

Net interest income in the three months ended September 30, 2020 was £65.2 million compared to £60.7 million in the three months ended September 30, 2019, an increase of £4.5 million or 7.5%, for the reasons described above.

Fee and Commission Income

Fee and commission income was £0.7 million in the three months ended September 30, 2020 compared to £1.1 million in the three months ended September 30, 2019, a decrease of £0.4 million or 35.5%.

Fee and Commission Expense

Fee and commission expense in the three months ended September 30, 2020 was £0.2 million compared to £0.6 million in the three months ended September 30, 2019, a decrease of £0.4 million or 71.1%.

Other income

Other income in the three months ended September 30, 2020 was £1.3 million, which predominantly related to £1.2 million of income received from the UK Government's Coronavirus Job Retention Scheme, introduced in March 2020, related to Covid-19.

Operating Income

Operating income in the three months ended September 30, 2020 was £67.1 million compared to £61.0 million in the three months ended September 30, 2019, an increase of £6.1 million or 10.0% compared to the three months ended September 30, 2019, for the reasons described above.

Administrative Expenses

Administrative expenses in the three months ended September 30, 2020 were £20.0 million compared to £22.6 million in the three months ended September 30, 2019, a decrease of £2.7 million or 11.7%, primarily due to the impact of £3.0 million of exceptional costs relating to forbearance and customer communication remediation in the three months to September 30, 2019, and lower new business costs of £0.2 million in the three months to September 30, 2020, compared to £0.8 million in the three months to September 30, 2019, largely due to lower origination levels resulting from Covid-19. Such variances were partially offset by the £1.5 million exceptional costs in the three months ended September 30, 2020, for redundancy costs following the colleague consultation process. Excluding the exceptional costs in each respective period, administrative expenses would have been £18.5 million in three months ended September 30, 2020, compared to £19.6 million in the three months ended September 30, 2019, a decrease of £1.2 million or 5.9%.

Depreciation and Amortization

Depreciation and amortization in the three months ended September 30, 2020 was £1.4 million compared to £1.3 million in the three months ended September 30, 2019, an increase of £0.1 million or 1.7%.

Operating Profit

Operating profit in the three months ended September 30, 2020 was £45.8 million compared to £37.0 million in the three months ended September 30, 2019, an increase of £8.7 million or 23.6%, for the reasons described above. Adjusting for the exceptional items associated with provisions for forbearance and customer communication remediation of £3.0 million in the three months ended September 30, 2019, and exceptional costs for redundancy costs of £1.5 million following the colleague consultation process in the three months ended September 30, 2020, underlying operating profit in the three months ended September 30, 2020 was £47.3 million compared to £40.0 million in the three months ended September 30, 2019, an increase of £7.2 million or 18.1, for the reasons described above.

Impairment Losses

Impairment losses in the three months ended September 30, 2020 were £13.4 million, compared to £5.6 million in the three months ended September 30, 2019, an increase of £7.8 million or 141.0%, primarily reflecting the impact of Covid-19 upon the performance of the loan book, taking into account qualitative overlays and changes in forward-looking assumptions including macroeconomic assumptions.

Profit Before Taxation

Profit before taxation in the three months ended September 30, 2020 was £32.4 million compared to £31.5 million in the three months ended September 30, 2019, an increase of £0.9 million or 2.8%, for the reasons described above. Adjusting for the exceptional items associated with provisions for forbearance and customer communication remediation of £3.0 million in the three months ended September 30, 2019, and exceptional costs for redundancy costs of £1.5 million following the colleague consultation process in the three months ended

September 30, 2020, underlying profit before tax in the three months ended September 30, 2020 was £33.9 million compared to £34.5 million in the three months ended September 30, 2019, a decrease of £0.6 million or 1.8%, for the reasons described above.

Income Tax

Income tax charge in the three months ended September 30, 2020 was £4.5 million compared to £4.4 million in the three months ended September 30, 2019, an increase of £0.1 million or 2.3%.

Profit after Taxation

Profit after taxation in the three months ended September 30, 2020 was £27.9 million compared to £27.1 million in the three months ended September 30, 2019, an increase of £0.8 million or 2.9%, for the reasons described above.

EBITDA

EBITDA in the three months ended September 30, 2020 was £63.8 million compared to £64.6 million in the three months ended September 30, 2019, a decrease of £0.8 million or 1.2%, for the reasons described above. EBITDA margin in the three months ended September 30, 2020 was 66.5% compared to 69.0% in the three months ended September 30, 2019. Adjusting for the exceptional items associated with provisions in respect of forbearance and customer communication remediation, of £3.0 million, in respect of the three months ended September 30, 2019, and redundancy costs of £1.5 million, in respect of the three months ended September 30, 2020, Underlying EBITDA in the three months September 30, 2020 was £65.3 million compared to £67.6 million in the three months ended September 30, 2019, a decrease of £2.3 million or 3.4%, and Underlying EBITDA margin in the three months ended September 30, 2020 was 68.0%, compared to 72.2% in the three months ended September 30, 2019, for the reasons described above.

Year Ended June 30, 2019 Compared with the Year Ended June 30, 2020

	Year Ended June 30,		
	2019	**2020**	**Percentage change**
	(£ in millions)		(%)
Interest receivable and similar income	343.1	388.4	13.2
Interest payable and similar charges	(116.8)	(137.1)	17.4
Net interest income	226.3	251.3	11.0
Fee and commission income	4.4	4.5	2.4
Fee and commission expense	(2.3)	(2.9)	25.9
Other income	0.1	1.4	—
Operating income	228.5	254.2	11.3
Administrative expenses (excluding depreciation and amortization)	(78.4)	(86.2)	9.9
Depreciation and amortization	(4.4)	(6.6)	51.6
Operating profit	145.7	161.5	10.9
Impairment losses	(15.4)	(66.9)	335.2
Profit before taxation	130.3	94.6	(27.4)
Income tax	(18.6)	(10.5)	(43.3)
Profit after taxation	111.7	84.1	(24.7)
EBITDA	251.5	238.4	(5.2)
EBITDA margin (%)	72.4	60.7	(16.2)
Underlying EBITDA	251.5	255.6	1.6
Underlying EBITDA margin (%)	72.4	65.1	(10.1)

Interest Receivable and Similar Income

Interest receivable and similar income in the year ended June 30, 2020 was £388.4 million compared to £343.1 million in the year ended June 30, 2019, an increase of £45.2 million or 13.2%, primarily due to an increase in the size of our average total loan assets to £3,928.3 million from £3,326.3 million, or 18.1%, partially offset by a reduction in interest yield, from 10.3% to 9.9%. 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, 2020 was £137.1 million compared to £116.8 million in the year ended June 30, 2019, an increase of £20.3 million or 17.4%. After adjusting for exceptional costs of £6.7 million associated with the 2021 Notes Refinancing, interest payable and similar charges in the year ended June 30, 2020, was £130.4 million, an increase of £13.6 million or 11.6% on the year ended June 30, 2019, 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. As a result of the adoption of IFRS 16, interest payable in the year ended June 30, 2020 was £0.6 million higher than had IFRS 16 not been adopted.

Net Interest Income

Net interest income in the year ended June 30, 2020 was £251.3 million compared to £226.3 million in the year ended June 30, 2019, an increase of £25.0 million or 11.0%, for the reasons described above. After adjusting for the exceptional items of £6.7 million associated with the 2021 Notes Refinancing in the year ended June 30, 2020, Net interest income was £258.0 million, an increase of £31.7 million or 14.0% on the year ended June 30, 2019.

Fee and Commission Income

Fee and commission income was £4.5 million in the year ended June 30, 2020 compared to £4.4 million in the year ended June 30, 2019, an increase of £0.1 million or 2.4%.

Fee and Commission Expense

Fee and commission expense in the year ended June 30, 2020 was £2.9 million compared to £2.3 million in the year ended June 30, 2019, an increase of £0.6 million or 25.9%.

Other Income

Other income in the year ended June 30, 2020 was £1.4 million, which predominantly related to £1.9 million of income received from the UK Government's Coronavirus Job Retention Scheme, introduced in March 2020, related to Covid-19, partially offset by £0.5 million of fair value losses on derivatives held for risk management purposes in relation to the hedging of interest-rate risk on floating-rate liabilities in certain securitization vehicles.

Operating Income

Operating income in the year ended June 30, 2020 was £254.2 million compared to £228.5 million in the year ended June 30, 2019, an increase of £25.7 million or 11.3% compared to the year ended June 30, 2019. Operating income, after adjusting for the exceptional items of £6.7 million associated with the 2021 Notes Refinancing in the year ended June 30, 2020, was £260.9 million, compared to £228.5 million in the year ended June 30, 2019, an increase of £32.4 million or 14.2%, for the reasons described above.

Administrative Expenses

Administrative expenses in the year ended June 30, 2020 were £86.2 million compared to £78.4 million in the year ended June 30, 2019, an increase of £7.7 million or 9.9%, primarily due to an increase in customer provisions, including exceptional costs of £17.2 million in respect of provisions for forbearance and customer communication remediation in the year ended June 30, 2020. Excluding these exceptional costs, administrative expenses in the year ended June 30, 2020 was £69.0 million, which represented a decrease in administrative expenses of £9.5 million or 12.1% compared to the year ended June 30, 2019, principally due to the release of £7.9 million accrued amounts for executive bonuses and long-term incentive schemes, the expected timing of payout of which was delayed because of Covid-19. As a result of the adoption of IFRS 16, Administrative expenses was £0.6 million lower in the year ended June 30, 2020 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 year ended June 30, 2020 was £6.6 million compared to £4.4 million in the year ended June 30, 2019, an increase of £2.3 million or 51.6%. As a result of the adoption of IFRS 16 from July 1, 2019, depreciation and amortization in the year ended June 30, 2020 increased by £0.6 million.

Operating Profit

Operating profit in the year ended June 30, 2020 was £161.5 million compared to £145.7 million in the year ended June 30, 2019, an increase of £15.8 million or 10.9%. Adjusting for the exceptional items associated with provisions in respect of forbearance and customer communication remediation of £17.2 million and 2021 Notes Refinancing of £6.7 million, operating profit in the year ended June 30, 2020 was £185.4 million compared to £145.7 million in the year ended June 30, 2019, an increase of £39.7 million or 27.3%, for the reasons described above.

Impairment Losses

Impairment losses in the year ended June 30, 2020 were £66.9 million, compared to £15.4 million in the year ended June 30, 2019, an increase of £51.5 million or 335.2%, which partly reflects an increase in the size of our average total loan assets of £3,928.3 million in the year ended June 30, 2020 from £3,326.3 million in the year ended June 30, 2019, an increase of 18.1%, but it is predominantly as a consequence of the negative impact of Covid-19 resulting in adverse revisions to forward-looking assumptions, including those relating to the macroeconomic outlook.

Profit Before Taxation

Profit before taxation in the year ended June 30, 2020 was £94.6 million compared to £130.3 million in the year ended June 30, 2019, a decrease of £35.7 million or 27.4%. Adjusting for the exceptional items associated with provisions for forbearance and customer communication remediation of £17.2 million and 2021 Notes Refinancing of £6.7 million, underlying profit before tax in the year ended June 30, 2020 was £118.5 million compared to £130.3 million in the year ended June 30, 2019, a decrease of £11.8 million or 9.0%, for the reasons described above.

Income Tax

Income tax charge in the year ended June 30, 2020 was £10.5 million compared to £18.6 million in the year ended June 30, 2019, a decrease of £8.1 million or 43.3%. The effective tax rate decreased from 14.2% in the year ended June 30, 2019 to 11.1% in the year ended June 30, 2020, primarily due to the benefit of receiving a similar level of group relief to the prior year, but on a lower trading group profit.

Profit after Taxation

Profit after taxation in the year ended June 30, 2020 was £84.1 million compared to £111.7 million in the year ended June 30, 2019, a decrease of £27.6 million or 24.7%, for the reasons described above.

EBITDA

EBITDA in the year ended June 30, 2020 was £238.4 million compared to £251.5 million in the year ended June 30, 2019, a decrease of £13.2 million or 5.2%, for the reasons described above. EBITDA margin in the year ended June 30, 2020 was 60.7% compared to 72.4% in the year ended June 30, 2019. Adjusting for the exceptional items associated with respect of forbearance and customer communication remediation of £17.2 million, Underlying EBITDA in the year ended June 30, 2020 was £255.6 million compared to £251.5 million in the year ended June 30, 2019, an increase of £4.0 million or 1.6%, and Underlying EBITDA margin in the year ended June 30, 2020 was 65.1%, compared to 72.4% in the year ended June 30, 2019, for the reasons described above.

Year Ended June 30, 2018 Compared with the Year Ended June 30, 2019

	Year Ended June 30,		
	2018	2019	Percentage change
	(£ 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.

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. Our primary sources of liquidity and funding 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.

A key component of the liquidity management is Total Accessible Liquidity. We monitor Total Accessible Liquidity on a daily and monthly basis to ensure that there are sufficient liquid assets at all times to enable us to meet our financial obligations and commitments when they fall due. This is also tested monthly by assessing projected liquidity resources against net liquidity requirements over stressed 150-day horizon liquidity scenarios. The results of these stress tests are reported to the group's Asset and Liability Committee. As of September 30, 2020, our Total Accessible Liquidity was £267.2 million.

Total cash at September 30, 2020 was £300.5 million, comprising of £147.9 million unrestricted cash and £152.6 million restricted cash. Of the £152.6 million, £23.5 million is considered cash accessible by the group subject to meeting required cash reserves and borrower base requirements of the relevant Securitization.

Our business model relies on funding primarily through securitization programs and debt capital markets, the Group Board has set a liquidity risk appetite which it considers to be appropriate to provide it with a level of assurance that we are able to meet our liabilities and commitments when they fall due. See *—Quantitative and Qualitative Disclosures about Market Risk—Liquidity and Funding Risk*.".

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 reputational damage. We place surplus cash balances on overnight deposit with institutions with sufficiently high long-term and short-term ratings.

Our debt service obligations consist primarily of interest payments on the Senior Secured Notes, the Revolving Credit Facility, the notes issued in connection with the Conduit Securitizations and Term Securitizations. See "*Description of Certain Financing Arrangements*."

Although we believe that our current levels of accessible liquidity, expected cash flows from operating activities, together with other headroom within our borrowing facilities 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, 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 set out in instruments governing our debt, and our general financial performance. See "*Risk Factors—Risks Relating to 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.*" and "*Risk Factors—Risks Relating to the Notes—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*."

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,
	2018	2019	2020	2019	2020	2020
				(£ in millions)		
Net cash inflow / (outflow) from operating activities	(598.4)	(520.9)	(235.6)	(134.0)	225.4	123.7
Net cash outflow from investing activities	(9.1)	(4.1)	(3.7)	(1.3)	(0.5)	(2.9)
Net cash inflow / (outflow) from financing activities	590.2	570.9	371.6	106.7	(176.9)	88.1
Net (decrease)/ increase in cash and cash equivalents	**(17.3)**	**45.9**	**132.3**	**(28.6)**	**48.0**	**208.9**

The Net (decrease) / increase in cash and cash equivalents for the years ended June 30, 2019 and June 30, 2020, three months ended September 30, 2019, September 30, 2020 and twelve months ended September 30, 2020, presented above is not directly comparable with Net (decrease) / increase in cash and cash equivalents for the year ended June 30, 2018 as they include movements in restricted cash being cash held by the Securitization Vehicles. For the year ended June 30, 2018, such movements in restricted cash were included within Net cash inflow from financing activities. As a result in the change of classification, the prior year within the statement of cash flows presented within the annual consolidated financial statements of the Company as of and for the years ended June 30, 2019 for such period, therefore differs to both that within the consolidated financial statements of the Company as of and for the year ended June 30, 2018 and as presented above and described below.

Net cash outflow from operating activities and Net cash inflow from financing activities for the years ended June 30, 2019 and June 30, 2020, three months ended September 30, 2019, September 30, 2020 and twelve months ended September 30, 2020, presented above are not directly comparable with the Net cash outflow from operating activities and Net cash inflow from financing activities for the year ended June 30, 2018, following a refinement in the classification of elements of the statement of cash flows as of June 30, 2019 in the annual consolidated financial statements of the Company as of and for the year ended June 30, 2020, the Net cash outflow from operating activities and Net cash inflow from financing activities for the year ended June 30, 2019, presented within the consolidated financial statements of the Company as of and for the year ended June 30, 2019, and unaudited interim consolidated financial statement as of and for the three months ended September 30, 2019 differs to both that within the prior year comparator within the consolidated financial statements of the Company as of and for the year ended June 30, 2020, and unaudited interim consolidated financial statements as of and for the three months ended September 30, 2020, and as presented above and described below.

Twelve Months ended September 30, 2020

Our net cash inflow from operating activities was £123.7 million in the twelve months ended September 30, 2020. Our cash inflows from operations were £138.1 million consisting of movements in the gross loan book, prepayments and accruals. Our net cash inflow from operating activities also included tax-related payments of £14.4 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £2.9 million for the twelve months ended September 30, 2020, incurred largely in connection with expenditure relating to computer software, fixtures, fittings and equipment.

Our net cash inflow from financing activities was £88.1 million for the twelve months ended September 30, 2020, consisting of £435.0 million proceeds from the issuance of the 2026 Senior Secured Notes, £360.5 million proceeds from the issuance of the Rated TABS 4 Notes (including £12.8 million Class X notes), £315.4 million proceeds from the issuance of the Rated TABS 3 Notes, £65.6 million increase in the drawn balance of the LABS Securitization, £35.0 million increase in the drawn balance of the HABS Securitization, net of a £407.6 million decrease in the drawn balance of the CABS Securitization, £10.0 million decrease in the drawn balance of the DABS 2 Securitization, £375.0 million repayment of the 2021 Senior Secured Notes, £115.0 million repayment of Rated TABS 1 Notes, Rated TABS 2 Notes, Rated TABS 3 Notes and Rated TABS 4 Notes, £55.0 million repayment of the Revolving Credit Facility, interest payable of £142.6 million (of which £5.9 million was exceptional interest payable in connection with the 2021 Notes Refinancing), a £15.6 million payment of a dividend to Midco2 and in turn the PIK Notes Issuer in order to service cash interest on the PIK Notes, a decrease in finance leases of £1.5 million, a purchase and cancellation of derivatives of £0.9 million and a purchase of shares by the employee benefit trust of £0.2 million.

Our increase in cash in the twelve months ended September 30, 2019 was £208.9 million for the reasons stated above.

Three Months ended September 30, 2020

Our net cash inflow from operating activities was £225.4 million in the three months ended September 30, 2020. Our cash inflows from operations were £228.1 million consisting of movements in the gross loan book, prepayments and accruals. Our net cash inflow from operating activities also included tax-related payments of £2.7 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £0.5 million for the three months ended September 30, 2020, incurred largely in connection with expenditure relating to computer software, fixtures, fittings and equipment.

Our net cash outflow from financing activities was £176.9 million for the three months ended September 30, 2020, consisting of £360.5 million proceeds from the issuance of the Rated TABS 4 Notes (including

£12.8 million Class X notes) net of a £375.8 million decrease in the drawn balance of the CABS Securitization, £60.0 million decrease in the drawn balance of the LABS Securitization, £31.6 million repayment of Rated TABS 1 Notes, Rated TABS 2 Notes, Rated TABS 3 Notes and Rated TABS 4 Notes, £15.0 million decrease in the drawn balance of the DABS 2 Securitization, £10.0 million repayment of the Revolving Credit Facility, £5.0 million decrease in the drawn balance of the HABS Securitization, interest payable of £39.0 million, a purchase and cancellation of derivatives of £0.6 million and a decrease in finance leases of £0.4 million.

Our increase in cash in the three months ended September 30, 2020 was £48.0 million for the reasons stated above

Three Months ended September 30, 2019

Our net cash outflow from operating activities was £134.0 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. Our net cash inflow 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, fixtures, fittings and equipment.

Our net cash inflow from financing activities was £106.7 million for the three months ended September 30, 2019, consisting of a £155.0 million increase in the drawn balance of the CABS Securitization, £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, £30.3 million interest paid, and a decrease in finance leases of £0.5 million.

Our decrease in cash in the three months ended September 30, 2019 was £28.6 million for the reasons stated above.

Year ended June 30, 2020

Our net cash outflow from operating activities was £235.6 million in the year ended June 30, 2020. Our cash outflows from operations were £213.4 million consisting of movements in the gross loan book, prepayments and accruals. Our net cash outflow from operating activities also included tax-related payments of £22.2 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £3.7 million for the year ended June 30, 2020, incurred largely in connection with expenditure relating to computer software, fixtures, fittings and equipment.

Our net cash inflow from financing activities was £371.6 million for the year ended June 30, 2020, consisting of £435.0 million proceeds from the issuance of the 2026 Senior Secured Notes, £315.4 million proceeds from the issuance of the Rated TABS 3 Notes, £125.6 million increase in the drawn balance of the LABS Securitization, £123.2 million increase in the drawn balance of the CABS Securitization, £80.0 million increase in the drawn balance of the HABS Securitization, net of a £375.0 million repayment of the 2021 Senior Secured Notes, £116.2 million repayment of Rated TABS 1 Notes, Rated TABS 2 Notes and Rated TABS 3 Notes, £45.0 million repayment of the Revolving Credit Facility, £20.0 million decrease in the drawn balance of the DABS 2 Securitization, interest payable of £134.0 million (of which £5.9 million was exceptional interest payable in connection with the 2021 Notes Refinancing), a £15.6 million payment of a dividend to Midco2 and in turn the PIK Notes Issuer in order to service cash interest on the PIK Notes, a decrease in finance leases of £1.6 million, a purchase and cancellation of derivatives of £0.3 million and a purchase of shares by the employee benefit trust of £0.2 million.

Our increase in cash in the year ended June 30, 2020 was £132.3 million for the reasons stated above.

Year ended June 30, 2019

Our net cash outflow from operating activities was £520.9 million in the year ended June 30, 2019. Our cash outflows from operations were £505.0 million consisting of movements in the gross loan book, prepayments and accruals. 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 £570.9 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, interest payable of £112.1 million, a 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.

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 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, 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, 2020 amounted to £839.6 million, £265.0 million, £410.0 million and

£165.0 million, respectively. Total commitments available under the CABS Securitization, the LABS Securitization, the HABS Securitization and the DABS 2 Securitization note issuance facilities agreements are £1,254.5 million, £500.0 million, £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 twelve months ended September 30, 2020, 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 2018, 2019 and 2020. 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, 2020 on a *pro forma* basis after giving effect to the Offering, and the related amounts falling due within one year and thereafter. See "*Summary—Recent Developments—Our Sources of Funding.*"

	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	450.0	—	—	—	450.0
2026 Notes	435.0	—	—	—	435.0
Loan notes issued by Charles Street ABS	749.4	—	—	749.4	—
Loan notes issued by Delta ABS 2	165.0	—	—	165.0	—
Loan notes issued by Together ABS 1(2)	116.4	21.7	94.6	—	—
Loan notes issued by Together ABS 2(3)	171.3	31.2	25.5	114.5	—
Loan notes issued by Together ABS 3(4)	282.2	26.3	23.8	232.1	—
Loan notes issued by Together ABS 4(5)	353.5	38.8	34.5	280.2	—
Loan notes issued by Lakeside ABS	265.0	—	—	265.0	—
Loan notes issued by Highfield ABS	410.0	—	410.0	—	—
Revolving Credit Facility(6)	—	—	—	—	—
Finance Leases(7)	12.4	1.4	1.3	3.2	6.5
Total contractual obligations	3,410.1	119.4	589.8	1,809.4	891.5

(1) Does not give effect to the reduction of drawn balances of £135.0 million under the Conduit Securitization note issuance facilities or reductions in the Rated Notes outstanding under the Term Securitizations applying the proceeds from redemptions of loan assets held within the Term Securitizations, in each case since September 30, 2020. Excludes future interest payments on such contractual obligations. Also excludes commitments to lend in respect of new advances. See "*Capitalization*" and "*Description of Certain Financing Arrangements—Securitizations.*"

(2) Reflects the expected amortization of principal for the Rated TABS 1 Notes which has been profiled using the anticipated prepayment rate of 20.5%.

(3) Reflects the expected amortization of principal for the Rated TABS 2 Notes which has been profiled using the anticipated prepayment rate of 20.0%.

(4) Reflects the expected amortization of principal for the Rated TABS 3 Notes which has been profiled using the anticipated prepayment rate of 9.7%.

(5) Reflects the expected amortization of principal for the Rated TABS 4 Notes which has been profiled using the anticipated prepayment rate of 11.6%.

(6) As of the date of this offering memorandum the Revolving Credit Facility is undrawn.

(7) Finance leases includes leases previously recognized as operating leases, which have been restated following the adoption of IFRS 16 on July 1, 2019.

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 Senior Secured 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 agreements as part of our Securitizations). We raise funding using a mix of facilities and programs with fixed and variable interest rates which provides some natural offset in movements in interest rates on our assets and liabilities. See "*Description of Certain Financing Arrangements—Securitizations—Conduit Securitizations*)."

As of September 30, 2020, we had £712.5 million of fixed rate mortgages (of which £95.7 million had an initial duration of less than twelve months) and £3,291.5 million of variable rate mortgages. As of September 30, 2020, we had £2,602.9 million of debt subject to variable interest rates. In respect of the TABS 2 Securitization and the TABS 3 Securitization, 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 and the TABS 4 Securitization to reduce exposure between fixed rate loans within the CABS and TABS 4 Securitizations, respectively, and the variable rates on the notes issued pursuant to the CABS Securitization and TABS 4 Securitizations. The group conducts regular stress testing on the balance sheet for the impact of changes in interest rates arising from any mismatches in fixed and floating rates. During the twelve months ended September 30, 2020, the group issued the Rated TABS 3 Notes and the Rated TABS 4 Notes, which use SONIA as a reference rate which has historically tracked the Bank of England base (interest) rate more closely than Libor. The group also refinanced the 2021 Notes with the proceeds of issuance of the 2026 Notes, securing fixed rate funding to 2026.

Interest rate risk is managed and mitigated by monitoring against risk appetite, regular monitoring of interest rate risk exposure, including a forward-looking view which incorporates new business assumptions and expected redemptions, closely monitoring the impact of a range of possible interest rate changes on the group's performance and strategy and undertaking hedging transactions as appropriate. The group's Asset and Liability Committee provides oversight and monitoring of interest rate risk, with delegated authority from the Group Executive Risk Committee, and Group Board oversight is performed by the Risk Committee. 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, 2020 by £6.5 million per annum (excluding the benefit of £0.8 million in relation to the interest rate swaps in the CABS Securitization and the TABS 4 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 macroeconomic factors as well as by factors relating to specific customers, such as a change in the borrower's circumstances. Credit risk also arises if the value of assets used as security for loans fall in value, given this is the primary source of recourse should a borrower fail to repay amounts due.

We manage and mitigate 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, affordability levels, as appropriate, 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 Mortgage-Payment Deferrals in response to Covid-19 forbearance measures, and by applying macroeconomic sensitivity analysis.

At the onset of Covid-19 we were able to quickly respond to the changing market conditions by temporarily pausing new loan applications and tightening our lending criteria, including lower LTVs and increased thresholds for affordability assessments. Since then, we have managed our credit risk exposure by continuing to focus our lending activities using tighter lending criteria and at prudent LTVs. By continuously monitoring customer performance throughout the life of the loan with regard to arrears, applications to the Mortgage-Payment Deferral scheme instituted by the UK Government in response to Covid-19 and other forbearance measures as well as employing proactive collections strategies, we further manage our credit risk exposure. In addition, we have been capturing additional data and establishing enhanced monitoring of the specific risks posed to our portfolio by Covid-19, including a macroeconomic sensitivity analysis of the loan book. We updated our arrears management standards and processes to reflect the latest FCA guidance on Mortgage-Payment Deferrals and are closely analyzing the effect of Mortgage-Payment Deferrals on the performance of our loans. See "*Summary—Recent Developments—Mortgage-Payment Deferrals*."

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 . Funding risk is the risk of being unable to access funding markets or to be only 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.

The Conduit Securitizations are subject to portfolio covenants and eligibility restrictions regarding the securitization loan portfolio, including concentration limits and performance measures. Among other requirements, such covenants limit the proportion of loans in arrears and, on an individual loan basis, the level of arrears determine the eligibility of the loan for such facilities. Under certain circumstances assets can be exchanged, repurchased or additional capital can be injected into the facilities to support compliance with facility terms thereby maintaining access to liquidity provided by such facilities. Failure to comply with facility terms or breach of non-curable performance covenants will cause such facilities to enter early amortization, with the removal of undrawn facility headroom and deferral of cashflows to the Borrower Group. We monitor such covenants and restrictions and carry a level of cash and eligible assets to support the Conduit Securitizations in a stress event in line with set risk appetites.

We monitor our liquidity position on a regular basis by benchmarking it against the assumptions in our business plan and taking into consideration customer redemption activity levels, recurring income levels, new business levels and planned expenditures. We benefit from an ordinarily highly cash generative business model with high levels of redemptions which are a key source of our liquidity. However, Cash Receipts can have significant monthly variations and can be impacted by a range of factors, including seasonality, availability of credit to refinance loans or changes in the housing market. Compared to monthly average of the three months ended March 31, 2020, our Cash Receipts saw a 37% reduction in the month of April 2020, primarily due to the restrictions of movement put into place by the UK Government in response to Covid-19. Since then Cash Receipts have returned to normal average levels and it is our experience that over an extended period of time, they tend to be stable and reasonably predictable.

In addition to liquidity risk, in order to manage funding risk (including refinancing risk) and to support loan book growth, the Group Board has set a funding risk appetite which it considers to be appropriate to provide it with a level of assurance that we can access appropriate funding at a reasonable cost. This includes appetites for time to maturity, maturity concentrations and exposures to funding counterparties, which provides the Group Board with a level of assurance that we are able to meet our liabilities and commitments when they fall due, and hold sufficient headroom, with acceptable depth of maturity, to support anticipated loan book growth and to survive a stress event in line with the appetite set by the Group Board.

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. In order to manage refinancing risk, we aim to continue to refinance all facilities in advance of their maturities. We also aim to keep adequate facility headroom available at all times to support loan book growth by arranging new facilities and extending existing facilities, combined with the funding (and liquidity) risk mitigation of being able to adjust new origination levels.

As of September 30, 2020, our funding availability consisted of the CABS Securitization, LABS Securitization, HABS Securitization and the DABS 2 Securitization, which expire in September 2023, October 2023, June 2022 and March 2023, respectively, and the Revolving Credit Facility, which expires in June 2023.

The Group Board also monitors the current and forecast levels of group capital, including the gearing ratio, which are reported to the Group Board on a regular basis. Liquidity, funding, and capital risk are closely related given that capital provides the necessary subordination to each of the facilities, which in turn provide liquidity and given that capital risk is the risk of failure to hold adequate capital buffers and to appropriately manage the group's capital base to withstand the crystallization of individual risks or a combined stress event.

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 notes issued by the Securitization Vehicles to certain lenders or investors, as applicable, to finance the Securitization Vehicle's 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 intermediary market contributed 75% of residential mortgage originations in the twelve months to September 30th, 2020 according to the UK Finance Regulated Mortgage Survey. 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 Authorized 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 (for example, 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 generally require input from a human adviser in order for the application to proceed.

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 in order to 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. We are a specialist mortgage lender that originates both directly and through intermediaries (including through brokers and auction houses) and through other intermediated distribution channels.

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 the application of appropriate forbearance measures, registration and deregistration of charges, 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 Economy

In recent years, the UK's economic performance has been mixed, influenced by the uncertainty surrounding the ongoing Brexit negotiations and, more recently, Covid-19. The Bank of England raised the base rate by 0.25% (to 0.50%) 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 (which recently reached its lowest level since 1974) fueling gradual wage growth in the first quarter of 2018. Subsequent to the May 2019 Inflation Report, global trade tensions intensified and global activity remained subdued, leading to a substantial decline in advanced economies' forward interest rates and a material loosening in financial conditions. These factors resulted in a deceleration in the rate of economic growth. Base rates remained unchanged between August 2018 and March 2020, when the Bank of England reduced the base rate to 0.25% and then to 0.10% to support the economy through the impact of Covid-19.

In 2019, the United Kingdom's General Election result provided greater political stability alongside the signing of the EU Withdrawal Agreement on January 24, 2020. Furthermore, the negotiation and signing of the EU-UK Trade and Cooperation Agreement on December 30, 2020 provided greater clarity over the EU-UK trade relationship going forward. However, the agreement primarily covered the trade of goods and, therefore, uncertainty remains over the United Kingdom's long-term trading of services relationship with the EU. "*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 onset of Covid-19 caused significant disruption and change throughout 2020, as acutely seen in UK GDP Quarter on Quarter growth, provided by the ONS, of (2.5)%, (19.8)% and 15.5% for Q1, Q2 and Q3 2020 respectively. As a means to control the spread of Covid-19, three lockdowns within England have been brought in by the UK Government: a UK lockdown (which began March 26, 2020), a national lockdown (which began November 5, 2020) and another national lockdown which began January 5, 2021. According to ONS data, for the period between November 2 and November 15, 2020, 15% of the workforce remained on furlough leave, albeit reducing from 30% from the period between June 1 and June 14, 2020. On September 24, 2020, the Chancellor Rishi Sunak announced a Winter Economy Plan which included a package of measures that aimed to protect jobs and help businesses. The package included a new Job Support Scheme that was introduced on November 1, 2020, and which is due to run for six months to April 2021. Under the new Job Support Scheme, employers will continue to pay the wages of staff for the hours they work – but for the hours not worked, the government and the employer will each pay one third of their equivalent salary. Subsequently, the UK Government announced further support packages, including £2.2 billion in grants for businesses announced November 12, 2020 and a further £4.6 billion in grants, primarily for any businesses which are legally required to close, and which cannot operate effectively remotely (for example, businesses in retail, hospitality and leisure sectors), announced on January 5, 2021.

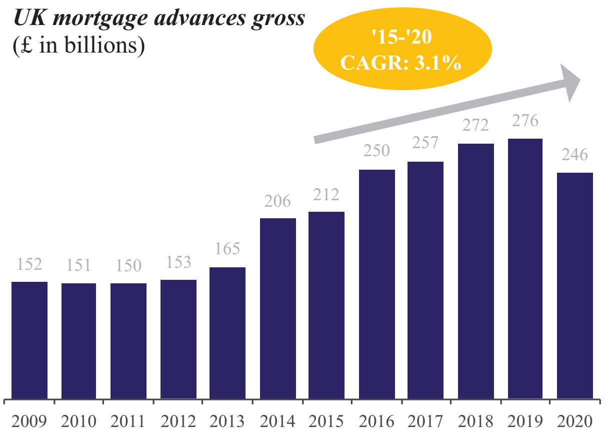
Many businesses and self-employed professionals have also had large disruptions in their ability to operate due to the restrictions put in place by the UK Government, including three instances of national lockdown within England, as outlined above. Many companies who have utilized the UK Government's Coronavirus Job Retention Scheme are now reducing costs by restructuring their operations in reaction to what they believe will be the longer-term impact of Covid-19 on their business.

The UK Mortgage Market

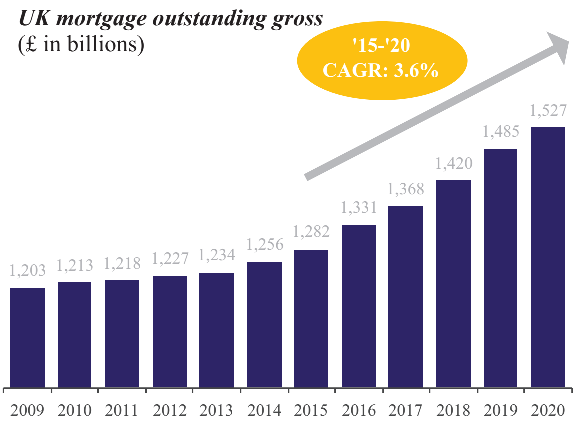
Prior to the global financial crisis of 2007/08, favorable economic conditions, including lower unemployment, easy availability of credit and increasing average earnings helped bolster the mortgage market in the United Kingdom. In the immediate aftermath of the global financial crisis of 2007/08, weak economic growth, relatively higher unemployment, and decreasing real estate property 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 of 2007/08, 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. Furthermore, a number of developments have contributed to the UK banks' growing lending to mortgage borrowers, including the implementation for the ring-fencing structural reforms through the Financial Services (Banking Reform) Act 2013, which limited the extent to which a number of large UK banks could deploy UK deposit funds outside of the UK or by lending to large corporations.

According to the FCA's Mortgage Lending Statistics, as of September 30, 2020, outstanding residential loans in the United Kingdom amounted to approximately £1.53 trillion, up 2.9% from £1.48 trillion in September 30, 2019. During 2020, mortgage advances were significantly impacted by the Covid-19-related crisis, particularly with respect to the house sale moratorium that occurred in late spring of 2020, though pent up demand has led to volumes recovering. As a result of Covid-19, according to Bank of England and FCA data, gross mortgage advances for the twelve months ended September 30, 2020 were £246.0 billion, down 10.8% from £275.6 billion for the twelve months ended September 30, 2019, but were still 16.2% higher than the comparative period five years ago of £211.6 billion, representing an annual compound growth rate of 3.1%. In the three months ended June 30, 2020, the peak period of government restrictions arising from Covid-19, quarterly gross mortgage advances fell by 33% from the prior quarter to £44.2 billion before then increasing 42% to £62.5 billion in the three months ended September 30, 2020 as restrictions began to ease. See below for longer term contextualization of UK gross mortgage advances and gross mortgages outstanding.



Source: Bank of England, FCA.
Note: For twelve months ended September 30.



Source: Bank of England, FCA.
Note: For twelve months ended September 30.

As of September 2020, the seasonally adjusted Halifax House Price Index, which provides monthly information on the change in UK house prices by using mortgage financed transactions to calculate average house prices and house price indices (indexed to 100 in January 1992), was 430.5, representing a 7.3% annual increase compared to the prior year comparator of 400.8 and comparing to 246.5 in December 2010 and 314.0 in December 2015. The other main house price indices, that of Nationwide Building Society and HM Land Registry, respectively, reported that average house prices for the UK have increased 5.0% (the highest rate recorded since September 2016) and 4.7%, respectively, in the twelve months ended September 30, 2020 with positive price increases reported by HM Land Registry across all regions.

The return in mortgage activity and growth in property prices has been supported both by government initiatives, including 0% stamp duty on the first £500,000 of a property purchase price, (currently in place to run until March 2021), and changing occupier preferences as a result of the UK Government lockdown restrictions, including demand for more space, relocation from urban to rural locations and expected trends towards more home working.

Notwithstanding such recent activity, economic uncertainty remains, with the potential for a slowing or reversal of such trends, as government led support initiatives cease and the full economic impact of Covid-19 becomes clearer. See "*Risk Factors—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.*"

In terms of arrears and repossessions, the favorable, relatively benign, macroeconomic conditions over the past five years, prior to the onset of Covid-19, combined with greater focus within the industry on affordability, have led to a decline in arrears, the number of accounts falling to 134,098 (the number of regulated and non-regulated accounts with more than 2.5% of outstanding balance in arrears) as of September 2020 compared with 140,723 as of December 2015 and 269,005 as of December 2009, according to Bank of England data. More recently, as a result of Covid-19 and the first UK lockdown, which began on March 26, 2020, mortgage lenders have been offering Mortgage-Payment Deferrals to customers where Covid-19 has impacted their ability to meet their monthly mortgage payments, which has supported mortgage arrears remaining low to date. Following a second national lockdown of England, which began November 5, 2020, the FCA announced an extension of its mortgage-payment deferral scheme. Borrowers may apply for a Mortgage-Payment Deferral until March 31, 2021. Mortgage-Payment Deferrals will be granted for a maximum of six months and are not expected to be extended beyond July 31, 2021. As of September 2020, over 2.6 million Mortgage-Payment Deferrals had been approved in total over the year, though just under 140,000 were still in place at the end of October 2020 as borrowers exited their Mortgage-Payment Deferral arrangements and resumed monthly payments, according to UK Finance data. Repossessions have also been decreasing over time, falling to 4,320 properties repossessed in the twelve months ended September 2020, compared with 7,710 properties in the twelve months ended September 2019, and 48,900 in the twelve months ended December 2009, according to UK Finance data. Once again, in response to Covid-19, the volume of recent repossessions has benefitted from the FCA introducing a repossession moratorium in November 2020, which is currently expected to extend until July 31, 2021. See "*Summary—Recent Developments—Mortgage-Payment Deferrals*" and "*Regulation—Recent Regulatory Changes*."

While the overall arrears and repossession trends remain positive compared to historical metrics, following the exiting of loans from mortgage payment deferrals put in place by the FCA (see *"Regulation—Mortgages and coronavirus: updated guidance for firms" (as updated and supplemented from time to time)*), the full impact of Covid-19, and its consequential impact on arrears and repossessions, remains to be seen. 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.*"

After the introduction of the Mortgage Market Review ("MMR") by the FCA in 2014, the increased compliance requirements and the 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 58% in the twelve months ended September 2014 to 75% in the twelve months ended September 2020, according to 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 or service capability that meets their requirements. With respect to our retail purpose loans, we originated 90% of loans through our established network of mortgage intermediaries in the twelve months ended September 30, 2020, compared to 52% of our commercial purpose loans, where we have a strong direct to market proposition.

Many business and self-employed professionals have also had large disruptions in their ability to operate due to the restrictions put in place by the UK Government, including two instances of national lockdown within England, as outlined above. Many companies who have utilized the UK Government's Coronavirus Job Retention Scheme are now reducing costs by restructuring their operations in reaction to what they believe will be the longer term impact of Covid-19 on their business.

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 underserved 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 a reduction in the rates charged to customers. 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 46 years, have enabled us to maintain our strong market position.

The Specialist Mortgage 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 of 2007/08. 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 existed in the mainstream lending market, which have widened since the global financial crisis of 2007/08, 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 generally serve customers who do not qualify through the automated score card approach used by mainstream lenders (including the high street banks) or where the product or service is not offered by the mainstream lenders. Borrowers may not meet the criteria of mainstream lenders for many reasons, including length of employment history, type of employment (for example, if they are self-employed), seasonal or complex income sources, "thin credit" (meaning a lack of sufficient credit history), impaired credit history, service requirements (meaning a requirement to execution a transaction quickly), type of property (for example, non-standard construction) or lending purpose (for example, right-to-buy purchases). Certain borrowers within the specialist markets are characterized as including "near-prime," borrowers reflecting the fact that borrowers may have "thin credit" or 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. . 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 twelve months ended September 30, 2020, 13% of our retail purpose lending by value was to customers who would be categorized as "credit 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 or complexity of loan required or speed of service required which drives the demand for specialist lending.

We believe as a consequence of Covid-19, potential exists for the specialist mortgage market to increase as a percentage of the overall mortgage market in the future, reflecting the impact to changes to borrower circumstances and borrowing situations.

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. We continue to distribute our specialist lending products primarily through mortgage intermediaries with 90% of our retail first lien mortgages sourced through mortgage intermediaries in the twelve months ended September 30, 2020.

According to Bank of England and FCA data, advances in the residential mortgage market excluding Buy-to-let grew from £177 billion in the twelve months ended September 30, 2015 to £240 billion in the twelve months ended September 30, 2019, representing a 7.9% compound annual growth rate over the corresponding period. In the last twelve months ended September 30, 2020, advances fell to £213 billion, representing an 11.0% decline, reflecting the influence of Covid-19 and temporary closure of the housing market during the UK lockdown which began March 26, 2020.

Demand in the specialist segment of the residential first lien market is expected to be supported by a growing number of people with some form of historical negative credit event, borrowers with "thin credit" profiles, more complex sources of income (including self-employed) and continued lending for debt consolidation purposes. As mainstream lenders tightened their lending criteria and reduced their range of products following the global financial crisis of 2007/08, many customers who were once able to obtain mortgages from these banks often now struggle to do so and instead are served by the specialist lending markets. This trend could further develop as a result of the impact of Covid-19.

For the twelve months ended September 30, 2020, based upon our own loan origination data, we estimate we had less than 0.1% market share of the retail first lien market.

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 the same as those for first lien lenders and thus first lien lenders 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 September 2020 was, according to Finance and Leasing Association ("FLA") data, approximately £43,978 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 (but not all) 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 £713 million in the twelve months ended September 30, 2015 to approximately £1.2 billion in the twelve months ended September 30, 2019, representing a 14.1% compound annual growth rate over the corresponding period. In the last twelve months ended September 30, 2020, advances fell materially to £850 million, representing a 29.6% decline, reflecting the influence of Covid-19 and temporary closure of the housing market during the UK lockdown which began March 26, 2020. While the FLA reported advances for the month of September 2020 remained nearly 46% down on the prior year period at £56 million, this represented the highest monthly rate of new business since prior to the onset of Covid-19, signaling a potential recovery of activity.

The EU Mortgage Credit Directive (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 changes in regulation.

Despite the recent fall in total advances of second lien mortgages, future demand is expected to be supported by growing awareness of second lien mortgages, as well as trends 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.

For the twelve months ended September 30, 2020, based upon our own loan origination data, we estimate we had approximately 6.8% market share in the retail second lien market.

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 £34.8 billion in the twelve months ended September 30, 2015 to £41.8 billion in the twelve months ended September 30, 2019, representing a 4.7% compound annual growth rate over the corresponding period. In the last twelve months ended September 30, 2020, advances decreased by 8.6% to £38.2 billion partly reflecting the influence of Covid-19 and temporary closure of the housing market during the UK lockdown which began March 26, 2020.

The wider BTL market growth in recent years have also been impacted by the range of measures initiated by the UK Government. 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 consumer buy-to-lets ("CBTL"). We now categorize such loans within our retail purpose lending.

This has meant that some challenger banks and specialist lenders like us who can offer more flexible lending criteria have seen demand for their BTL products grow as the traditional "high street" banks have reduced BTL lending. While such initiatives have constrained the rapid growth experienced over the years following the global financial crisis of 2007/08, 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 (for example, Buyer's Market). Reports note that portfolio landlords witnessed a reduction in the number of mainstream lenders available to choose from, as such lenders pulled out of products that require specialist underwriting. We have identified key customer segments, such as limited company landlords and portfolio landlords, who are underserved by the mainstream lenders. We have also carved out niches in the market where BTL investors could maximize their yields, such as with holiday lets and homes of multiple occupancies. The increased complexity around affordability testing and the capital requirements may continue to 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, has provided further opportunity for specialist lenders to increase their market share in recent years. UK Finance recently noted that specialist lenders continued to thrive for loans which require manual underwriting and that larger and mid-sized firms were less able to compete in these segments (UK Finance, August 2020).

For the twelve months ended September 30, 2020, based upon our own loan origination data, we estimate we had less than 0.5% market share in the total BTL market. Our current market position may change as mainstream lenders may acclimatize to the still relatively new trends in the BTL market by adapting their business models accordingly.

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 shops, restaurants, pubs and hotels), industrial properties, warehousing and office blocks. The size of loans underwritten also varies widely, from less than £100,000 to £100 million or higher. Within the UK commercial property market, our focus is on smaller value commercial real estate loans with prudent LTV ratios.

According to The Business School (formerly Cass), advances in the commercial property lending market in the UK were £43.8 billion in the twelve months ended December 31, 2019, compared to £49.6 billion in the twelve months ended December 31, 2018 representing an 11.7% decline, reflecting falls in commercial property investment volumes over the same period. Despite the recent reduction, this still remained noticeably higher than that towards the onset of the UK economic recovery post the global financial crisis of 2007/08 where advances of £29.9 billion were reported for the twelve months ended December 31, 2013.

During the twelve months ended December 2019, "other non-bank" lenders possessed a market share of 18% (representing £8.0 billion of new lending), higher than in recent years. Such recent growth in share reflects the larger banks' preference towards lower risk finance, partly due to the greater regulation faced since the global financial crisis of 2007/08 (including ringfencing obligations, requiring them to segregate specific assets and liabilities into separate companies with regulated capital and liquidity, and stricter capital rules, making it more costly for them to provide certain classes of consumer credit), along with the increased flexibility of products offered by non-bank lenders, compared to traditional lenders.

The impact of Covid-19 further adversely affected commercial property lending activity in the six months ended June 30, 2020 with advances falling to £15.5 billion, representing a 34% fall relative to the same period in 2019 and with shifts in lender appetite away from certain assets including retail, particularly shopping malls, and fewer large investment transactions (greater than £100m). In addition, hotels and leisure assets are also considered particularly affected given the impact of the UK Government's lockdown restrictions. See "*Risk Factors—Risks Relating to Our Business—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured*."

In addition, uncertainty continues surrounding the UK's trading relationship with the European Union, particularly around the provision of services, which could further impact certain segments of the commercial property market. 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.*"

For the twelve months ended December 31, 2019, based upon our own loan origination data, we had less than 0.67% market share in the commercial property market.

Commercial: Bridging

Bridging loans are generally short-term (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). 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 pursuant to which such bridging loan is required which drives 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).

According to Mintel (Bridging Loans: Inc Impact of Covid-19—UK—September 2020), the bridging market, for which they also include development finance, grew from approximately £5.3 billion (including £1.7 billion of development finance) of aggregated loan balances as at December 31, 2016 to £8.3 billion (including £2.7 billion of development finance) as at December 31, 2019 representing a 16.2% compound annual growth rate (17.3% for development finance). However, more recently and according to MT Finance's Bridging Trends data (based on a market subset of 10 bridging providers), the total amount of gross advances within its surveyed firms decreased in the twelve months to September 2020 by 33.8% compared to the previous year, partly reflecting the temporary closure of the housing market during the UK lockdown which began on March 26, 2020. On a quarterly basis, however, the three months ended September 30, 2020 showed a 45% increase in quarterly gross lending on the three months ended June 30, 2020 following relaxations on restrictions and lender appetite returning, as per MT Finance's Bridging Trends 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 continued 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.

Over recent years (prior to the recent impact of Covid-19) with such 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.

For the twelve months ended September 30, 2019, based upon our own loan origination data, which also includes our regulated bridge origination, we estimate we had approximately 12% market share in the bridging market.

BUSINESS

Overview

We are one of the UK's leading specialist mortgage and secured loans providers by loan book size, established in 1974, and have successfully operated through several economic cycles during our 46-year history. We pride ourselves on bringing common sense to lending by helping individuals, families, small- and medium-sized enterprises and other 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, 2020, 64.7% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, all within the United Kingdom. We differentiate ourselves by offering flexible lending criteria, responding quickly to our customers' needs and underwriting each application on its individual merits, supported by an effective service proposition, thereby 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 mainland United Kingdom, and through our direct sales channels. We underwrite and service all our loans in-house, using a combination of automated processing, external data sources and, where required, manual underwriting to determine credit decisions and to support our dedicated service proposition. In the twelve months ended September 30, 2020, we had Underlying profit before taxation of £118.0 million and generated Underlying EBITDA of £253.3 million. In the twelve months ended September 30, 2020, we advanced £1,290.4 million of new loans (£1,099.8 million of which was attributable to the six months ended March 31, 2020 given our decision on March 24, 2020 to temporarily pause accepting new loan applications (other than fulfilling existing binding commitments to customers) due to uncertainty related to credit risk as a result of the economic impact of Covid-19, with a phased return to accepting new loan applications from July 2020 onwards. See "*Summary—Recent Developments—Pause in Accepting New Loan Applications and Amending Lending Criteria."* As of September 30, 2020, we had Shareholders' Funds of £858.3 million and total loan assets of £4,000.8 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*."

As of September 30, 2020, 31.3% of our loan portfolio was classified as retail purpose, 23.5% was classified as buy-to-let, 40.3% was classified as commercial purpose and 4.9% of our loan portfolio was classified as development loans, calculated by value. We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority as well as certain loans written prior to the introduction of the relevant regulation which we consider would have been subject to such relevant regulation if the loan had been 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 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 buy-to-let or other 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. In total, 64.7% of our loans are secured on residential property and 35.3% are secured on commercial property. 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, 2020, 100% of our retail purpose loans, 100% of our buy-to-let loans and 22.1% of our commercial purpose loans (including commercial term loans, bridging loans and development loans) were secured by residential property, with the remainder of our commercial purpose loans secured by commercial 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 a formal committee structure to agree on policy decisions, setting risk appetites and monitoring credit quality and oversight, including by risk, compliance and internal audit teams. Additionally, external loan asset audits have been conducted annually, pursuant to the terms of certain of our financing arrangements.

Prior to the onset of Covid-19 in the UK, our key underwriting metrics remained fairly consistent as of and for the twelve months ended September 30, 2020, as compared with previous years, with the LTVs of our loan portfolio (on a weighted average indexed basis) as of September 30, 2020 at 52.4% (compared with 54.9% as of June 30, 2020, 54.3% as of June 30, 2019 and 55.3% as of June 30, 2018) and the origination LTV on a weighted average basis of new loans underwritten by us for the twelve months ended September 30, 2020 at 57.5%, consisting of 58.0% for the six months ended March 31, 2020 and 53.7% for the six months ended September 30, 2020 (compared with 57.7% for the year ended June 30, 2020, 58.0% for the year ended June 30, 2019 and 58.0% for the year ended June 30, 2018). As of September 30, 2020, 96.9% of our total loan portfolio and 90.1% 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 the past in times of falling property prices and economic downturns, thereby mitigating our levels of provisions and losses. For the year ended June 30, 2018, impairment losses under IAS39 amounted to £11.4 million, and for the years ended June 30, 2019 and June 30, 2020, and the twelve months ended September 30, 2020, impairment losses under IFRS 9 amounted to £15.4 million, £66.9 million (largely reflecting the impact of Covid-19) and £74.7 million (largely reflecting the impact of Covid-19), respectively, representing only 0.44%, 0.46%, 1.70% and 1.90%, respectively, of our average total loan assets for each period.

We have historically primarily reinvested our profits into our business, increasing our reserves and providing a substantial 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 77.2% as of September 30, 2020. 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 borrowings to total loan assets, was 40.4% as of September 30, 2020.

As of September 30, 2020, 6.2% of the group's total loan assets, by value, were MPD Live Loans (which are loans, in respect of which customers have requested Mortgage-Payment Deferrals, that are in active deferral periods). As of the same date, 23.4% of the group's total loan assets, by value, were MPD Total Loans (which include (i) MPD Live Loans, (ii) loans in respect of which customers have requested Mortgage-Deferral Periods where deferral periods have not yet commenced and (iii) loans in respect of which customers have requested Mortgage-Payment Deferrals in respect of which deferral periods were previously active but the relevant customers have since returned to contractually scheduled repayments). As of September 30, 2020, 4.5% and 17.3% of the Borrower Group's total loan assets, by value, were MPD Live Loans and MPD Total Loans, respectively. See "*—Our Operations—Loan Portfolio Characteristics*."

Retail Purpose Lending

As of September 30, 2020, retail purpose loans comprised 31.3% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 48.0% and a weighted average nominal rate of 6.8%, all of which were secured by residential property. As part of our retail purpose lending, we underwrite loans secured on the customer's residential property in which they live, which also includes a small proportion of 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, 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, 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, 2020, CBTL mortgages represented £75.7 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 since grown in volume to represent £95.7 million, being 7.6% of our retail purpose loans or 2.41% of our total loan portfolio as of

September 30, 2020. First lien and second lien loans (including CBTL and regulated bridging loans as applicable) represented 56.1% and 43.9% of our retail purpose loans, respectively, calculated by value as of September 30, 2020. Our retail purpose loans are distributed primarily through an established network of mortgage intermediaries, with a small portion sold directly to customers. In the twelve months ended September 30, 2020, we distributed 89.9% 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, 2020, commercial purpose loans comprised 63.8% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 54.0% and a weighted average nominal rate of 8.5%, 36.8% of which are BTL+ loans, 28.3% of which are commercial term loans and 34.9% 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 42.3% is residential and 57.7% 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), 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. 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 65.2% and 34.8% of our BTL+ loans, respectively, 94.9% and 5.1% of our commercial term loans, respectively, and 85.4% and 14.6% of our unregulated bridging loans, respectively, calculated by value as of September 30, 2020. We offer commercial purpose loans under the “Together” brand through our subsidiary Together Commercial Finance Limited. Historically, we also offered commercial purposes loans through our subsidiaries, Auction Finance Limited, Bridging Finance Limited and Harpmanor Limited. 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 twelve months ended September 30, 2020, we distributed 52.2% 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 47.8% of our unregulated bridging loans through our established network of mortgage intermediaries. In the twelve months ended September 30, 2020, we distributed 70.7% of our BTL+ loans, and 58.3% 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, 2020, development loans comprised 4.9% 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, 10.0% 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, 2020 had a weighted average elapsed term of 16 months. Loans originated since January 1, 2010 that had not been subsequently redeemed as of September 30, 2020 have a weighted average elapsed term of 25 months. For the twelve months ended September 30, 2020, we extended £73.3 million in further advances on loans originated prior to September 30, 2019 and underwrote £63.4 million in new development loans comprised of £28.9 million of initial advances and £34.6 million of further advances.

Our Sources of Funding

Our principal sources of funds have been cash provided by operations in the form of loan book monthly receipts and redemptions, 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, 2020, our Shareholders' Funds were £858.3 million, including Subordinated Shareholder Funding with a carrying value of £28.8 million. As of September 30, 2020, our total aggregate facilities under the Conduit Securitizations were £2,479.5 million (of which £1,679.6 million was drawn) and we had £909.2 million of Rated Notes outstanding under the Term Securitizations, £785.0 million of Senior Secured Notes outstanding and a Revolving Credit Facility of £71.9 million, which was undrawn.

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 entered into 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. On July 23, 2020, we entered into the TABS 4 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £366.0 million through the issuance of £360.5 million Rated TABS 4 Notes (including £12.8 million Class X 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 purchase 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 applicable to each of the Conduit Securitizations, 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.

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 repurchase such loans or substitute loans that become ineligible loans (including for example, loans which have defaulted 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, 2020, £100.4 million of defaulted loans were repurchased from the Conduit Securitizations compared to £88.8 million in the twelve months ended September 30, 2019. 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, 2020. 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, 2020. Principal losses recognized on defaulted loans repurchased from the HABS Securitization have been £nil since its inception in April 2018 until September 30, 2020. 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, 2020.

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, 2020 amounted to £159.0 million.

The table below provides certain characteristics of our Term Securitizations as of September 30, 2020, unless stated otherwise. For additional information in respect of the Securitizations, see "*Description of Certain Financing Arrangements—Securitizations.*"

	Together ABS 1	Together ABS 2	Together ABS 3	Together ABS 4	Total Term Securitizations
As of Issuance date	• £275.0 million principal balance • £261.3 million Rated TABS 1 Notes	• £286.9 million principal balance • £272.6 million Rated TABS 2 Notes	• £332.0 million principal balance • £315.4 million Rated TABS 3 Notes	• £366.0 million principal balance • £360.5 million Rated TABS 4 Notes (including £12.8 million class X Notes)	• £1,260.0 million principal balance • £1,209.8 million Rated Notes (including £12.8 million class X notes under the TABS 4 Securitization)
	• £13.8 million Class Z notes	• £14.3 million Class Z notes	• £16.6 million Class Z notes	• £18.3 million Class Z notes	• £63.1 million Class Z notes
	• £5.2 million Class R notes	• £7.2 million Class R notes	• £8.2 million Class R notes	• £11.0 million Class R notes	• £31.6 million Class R notes
As of September 30, 2020	• £128.9 million principal balance • £113.9 million Rated TABS 1 Notes	• £182.7 million principal balance • £168.4 million Rated TABS 2 Notes	• £295.3 million principal balance • £278.6 million Rated TABS 3 Notes	• £356.8 million principal balance • £348.3 million Rated TABS 4 Notes (including £9.8 million Class X notes)	• £963.7 million principal balance • £909.2 million Rated Notes (including £9.8 million Class X notes under the TABS 4 Securitization)(1)
	• £15.0 million Class Z notes	• £14.3 million Class Z notes	• £16.6 million Class Z notes	• £18.3 million Class Z notes	• £64.3 million Class Z notes
	• £3.8 million Cash Reserve owed to originators(2)	• £6.8 million Cash Reserve owed to originators(2)	• £7.9 million Cash Reserve owed to originators(2)	• £11.0 million Cash Reserve owed to originators(2)	• £29.5 million Cash Reserve owed to originators(2)
Surplus income paid back to the Originators, for the twelve months ended September 30, 2020	• £9.1 million	• £11.1 million(2)	• £1.7 million	• £nil	• £21.9 million

(1) Stated after the allocation of £14.2 million of principal receipts, received during the month of September 2020, for which such receipts are only formally applied to reduce the Rated Notes in the subsequent month. £2.5 million in relation to Together ABS 1, £2.9 million in relation to Together ABS 2, £3.5 million in relation to Together ABS 3, and £5.2 million in relation to Together ABS 4 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.

In May 2020, the relevant originators and each of the note purchasers under the Conduit Securitizations entered into waivers and amendments, which were subsequently extended, of certain documents under each of the Conduit Securitizations in order to support the provision of Mortgage-Payment Deferrals, in line with initial guidance from the FCA. See "*Summary—Recent Developments—Our Sources of Funding*."

The table below provides certain characteristics of our Conduit Securitizations as of September 30, 2020, 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, 2020	• £1,254.5 million	• £500.0 million	• £200.0 million	• £525.0 million	• £2,479.5 million
Total notes outstanding as of September 30, 2020	• £839.6 million	• £265.0 million	• £165.0 million	• £410.0 million	• £1,679.6 million
Principal balance as of September 30, 2020	• £926.6 million	• £313.6 million	• £182.9 million	• £484.6 million	• £1,907.8 million
Cash balance as of September 30, 2020	• £40.7 million	• £27.3 million	• £14.5 million	• £21.8 million	• £104.3 million
Net creditor / (debtor) balance as of September 30, 2020	• £4.2 million	• £3.3 million	• £(1.1) million	• £3.2 million	• £9.6 million
Total subordinated subscription notes outstanding as of September 30, 2020	• £123.4 million	• £72.6 million	• £33.6 million	• £93.2 million	• £322.8 million
Surplus income paid back to the Originators for the year ended September 30, 2020	• £69.3 million	• £26.4 million	• £12.5 million	• £29.0 million	• £137.1 million

Supplemental Cash Flow Information for the Group and Borrower Group

The group is highly cash generative with £1,248.3 million, £1,570.1 million, £1,562.5 million and £377.2 million of Cash Receipts in the years ended June 30, 2018, 2019 and 2020, and the three months ended September 30, 2020, respectively, comprising of £258.8 million, £309.0 million, £315.0 million and £74.5 million of interest and fees, respectively, and £989.5 million, £1,261.1 million, £1,247.5 million and £302.7 million of principal receipts, respectively. Cash Receipts expressed as a percentage of total average loan assets were 48.0%, 47.2% and 39.8% in the years ended June 30, 2018, 2019 and 2020. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30, 2020, were 38.3%.

The Borrower Group generated £610.8 million, £779.5 million, £735.2 million and £184.8 million of Cash Receipts in the years ended June 30, 2018, 2019 and 2020 and three months ended September 30, 2020, respectively, comprising of £77.6 million, £90.3 million, £65.4 million and £16.6 million of interest and fees, respectively, £403.8 million, £540.4 million, £504.5 million and £131.6 million of principal receipts, respectively, and £129.4 million, £148.8 million, £165.3 million and £36.6 million of 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 62.5%, 68.8% and 64.2% in the years ended June 30, 2018, 2019 and 2020, respectively. Annualized Cash Receipts divided by the total average loan assets for the three months ended September 30, 2020, were 66.2%.

The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £108.8 million, £116.9 million and £116.5 million in the years ended June 30, 2018, 2019 and 2020, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £1,139.5 million, £1,453.2 million and £1,446.0 million, respectively. The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £22.6 million in the three months ended September 30, 2020, resulting in cash available for debt service, debt repayment or originating new advances of £354.6 million.

The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £108.8 million, £111.8 million and £116.5 million in the years ended June 30, 2018, 2019 and 2020, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £502.0 million, £667.7 million and £618.7 million, respectively. The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £22.6 million in the three months ended September 30, 2020, resulting in cash available for debt service, debt repayment or originating new advances of £162.2 million.

The group paid interest costs of £78.0 million, £105.1 million and £125.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing), respectively, and debt issuance costs of £8.4 million, £9.1 million and £8.5 million in the years ended June 30, 2018, 2019 and 2020, respectively. The group paid interest costs of £37.0 million and debt issuance costs of £2.0 million in the three months ended September 30, 2020.

The Borrower Group paid interest costs of £34.1 million, £45.7 million and £50.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing), respectively, and debt issuance costs of £8.4 million, £9.1 million and £8.5 million in the years ended June 30, 2018, 2019 and 2020, respectively. The Borrower Group paid interest costs of £20.1 million and debt issuance costs of £2.0 million in the three months ended September 30, 2020.

In addition, the group (and the Borrower Group) paid dividends to its parent company, principally to allow the PIK Notes Issuer to pay interest on the PIK Notes as cash interest, of £22.9 million, £29.9 million and £15.6 million in the years ended June 30, 2018, 2019 and 2020. In connection with the election to pay interest on the PIK Notes as PIK Interest in April 2020, no dividend relating to that interest payment was made. Following the election to pay interest on the PIK Notes as PIK interest in April 2020, the annual cash interest due on the PIK Notes is £32.7 million.

Total cash at September 30, 2020 was £300.5 million, comprising of £147.9 million unrestricted cash and £152.6 million restricted cash (which is cash held by the Securitization Vehicles), compared to £91.6 million, comprising of £16.9 million unrestricted cash and £74.7 million restricted cash at September 30, 2019 and compared to £87.1 million, comprising of £24.1 million unrestricted cash and £63.0 million restricted cash at September 30, 2018.

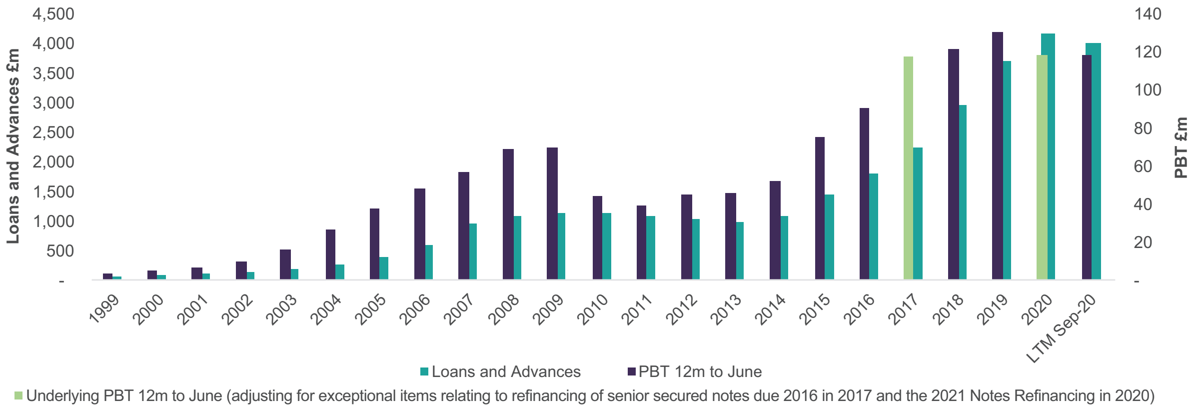
Total Accessible Liquidity at September 30, 2020 was £267.2 million, compared to £70.5 million for September 30, 2019, and compared to £148.2 million for September 30, 2018.

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

Our Strengths

Track record of continuous profitability through multiple business cycles. We have been profitable since our establishment over 46 years ago, including throughout the global financial crisis of 2007/08 and the economic downturn which followed, during which many of our competitors and financial institutions in general suffered significant losses (with a number of our competitors ceasing trading). We remained profitable throughout this recent period following the onset of Covid-19 despite making provisions under IFRS 9 for losses assumed under probability weighted scenarios reflecting the potential economic consequences of a downturn.

The chart below shows the growth of our loan book and our profit before taxation (and, with respect to the years ended June 30, 2017 and 2020, Underlying profit before taxation) in the period from the year ended June 1999 to the year ended June 2020, and our loan book and Underlying profit before taxation as of and for the twelve months ended September 30, 2020. 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, 2020 and for the twelve months ended September 30, 2020 is presented in accordance with IFRS.



For the years ended June 30, 2018, 2019 and 2020 and twelve months ended September 30, 2020, our EBITDA was £219.2 million, £251.5 million, £238.4 million and £237.6 million, respectively. Our Underlying EBITDA for the year ended June 30, 2020 and twelve months to September 30, 2020, was £255.6 million and £253.3 million, respectively.

In the years ended June 30, 2018, 2019 and 2020 and in the twelve months ended September 30, 2020, we had profit before taxation of £121.7 million, £130.3 million, £118.5 million (on an underlying basis) and £118.0 million (on an underlying basis), respectively. Historically, we have primarily reinvested our profits in our business (other than dividends principally used to service cash interest on the PIK Notes and a recently declared additional dividend to our shareholder of £10.0 million), which has supported the growth in our balance sheet and resulted in Shareholders' Funds as of September 30, 2020 of £858.3 million. In the years ended June 30, 2018, 2019 and 2020, we advanced £1,660.1 million, £1,982.9 million and £1,688.3 million of new loans, respectively. In the twelve months ended September 30, 2020, we advanced £1,290.4 million of new loans (£1,099.8 million of which is attributable to the six months ended March 31, 2020, and £190.6 million in the six months ended September 2020, following our decision to temporarily pause accepting new loan applications (other than in relation to existing commitments to customers) due to uncertainty related to credit risk as a result of the economic impact of Covid-19, with a phased return to accepting new loan applications from July 2020 onwards. See "*Summary—Recent Developments—Pause in Accepting New Loan Applications and Amending Lending Criteria.*"

Proven business model focused on building long-term value by helping underserved customers in attractive market segments. We offer a range of secured loans for both retail and commercial purposes, secured on both residential and commercial property, at low LTVs, to employed, self-employed and retired owner occupiers, 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 September 2016 to the twelve months ended September 2020 in terms of value of the annual mortgage originations at a compound annual rate of 3.1%, with increasing levels of available homeowners' and property investors' equity. While growth in property prices has been more modest over the last three years, with some regional variation, according to the UK Finance and the Bank of England, in the twelve months ended September 2020, annual mortgage originations were £246.0 billion, representing a 10.8% decrease 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 their lending needs. Our own research (according to the YouGov survey for Together, which incorporated fieldwork undertaken between May and June 2018, 2,003 people who had enquired about a mortgage but not received an offer) indicated that over half (54%) of people turned down for a mortgage had an application rejected for reasons such as self-employment, multiple income streams, lack of credit history, low credit score or non-standard property types. As a result of economic and regulatory changes 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, offering flexible lending criteria, responding quickly to our customers' needs and underwriting each application on its individual merits. 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 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 with 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.

We consider each application on its own merits taking into account the customer's individual circumstances. Our underwriting process is based on the principles of affordability, sustainability and recoverability, taking into consideration customer history and financial position, in-depth security reviews with valuations comparison, legal reviews, understanding of the repayment strategy, affordability assessments including verification of income and application of default minimums, expenditure levels and stress buffers. By applying automation where possible, supported by manual assessments where required using our extensive lending experience acquired over many years, we are able to carefully assess the relevant 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 diverse product offering, our experience and strong reputation, built over 46 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 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 lending criteria 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 attractive and 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, 2020 was 7.7%. Our net interest margin and underlying net interest margin for the twelve months ended September 30, 2020 were 6.5% and 6.7%, respectively.

Established distribution network, supported by long-standing relationships with mortgage intermediaries and our direct routes to market. Our established distribution channels consist of our network of mortgage intermediaries and our direct channels. We have built long-standing and stable relationships with a wide range of mortgage intermediaries, which has been the focal point of our business model over the last 46 years. Prior to the onset of Covid-19 in the UK, we continued to strengthen our relationships with mortgage intermediaries and to widen our reach into mortgage clubs and networks. 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. Following the decision to temporarily pause accepting new loan applications in March 2020 due to Covid-19 in the UK, we have maintained and sought to protect our relationships with our key partners in the Together+ offering, and which forms part of our return to lending strategy (albeit on a reduced scale compared to prior to the onset of Covid-19).

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 twelve months ended September 30, 2020, 64.3% were sourced from mortgage intermediaries and 35.7% were sourced from our direct channels. During the twelve months ended September 30, 2020, we originated loans through 800 mortgage intermediaries (an increase from 205 mortgage intermediaries following the global financial crisis of 2007/08 and the resulting economic downturn in the year ended June 30, 2012 and a decrease from 1,002 in the twelve months ended September 30, 2019), 186 of which each generated new advances in excess of £0.5 million (an increase from 40 such mortgage intermediaries following the global financial crisis of 2007/08 and the following economic downturn in the year ended June 30, 2012 and a decrease from 255 in the twelve months ended September 30, 2019). For the twelve months ended September 30, 2020, 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 35.5% and 48.8% of aggregate mortgage intermediary advances, respectively. In the twelve months ended September 30, 2020, our largest mortgage intermediary in commercial purpose and retail purpose lending accounted for 14.9% of total commercial purpose mortgage intermediary advances and 4.7% 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 strengthening our existing long-standing relationships with our direct customers, professional introducers and mortgage intermediaries.

As part of our direct lending initiatives, in 2019, we 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 loan book with strong asset backing and robust credit performance. Together has a significant and well-balanced loan portfolio of £4.0 billion as of September 30, 2020, 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 46 years of experience, including through various economic and property cycles, remaining profitable throughout. As of September 30, 2020, 64.7% 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 to us. 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 was 52.4% and the weighted average indexed LTV of the Borrower Group's loan portfolio was 54.8%, in each case as of September 30, 2020. As of September 30, 2020, 98.2% of our loan portfolio and 94.1% 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 years ended June 30, 2018, 2019 and 2020 and twelve months ended September 30, 2020, was 58.0%, 58.0%, 57.7% and 57.5%, respectively, with 1.6%, 3.3%, 3.2% and 3.2% of new loans underwritten having an LTV in excess of 80.0%, respectively, and for the three months ended September 30, 2019 and September 30, 2020, the weighted average origination LTV of new loans underwritten for such period was 58.1% and 56.4%, respectively, with 2.8% and 0.8% 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 global financial crisis of 2007/08) of 65.6% and 65.8%, respectively.

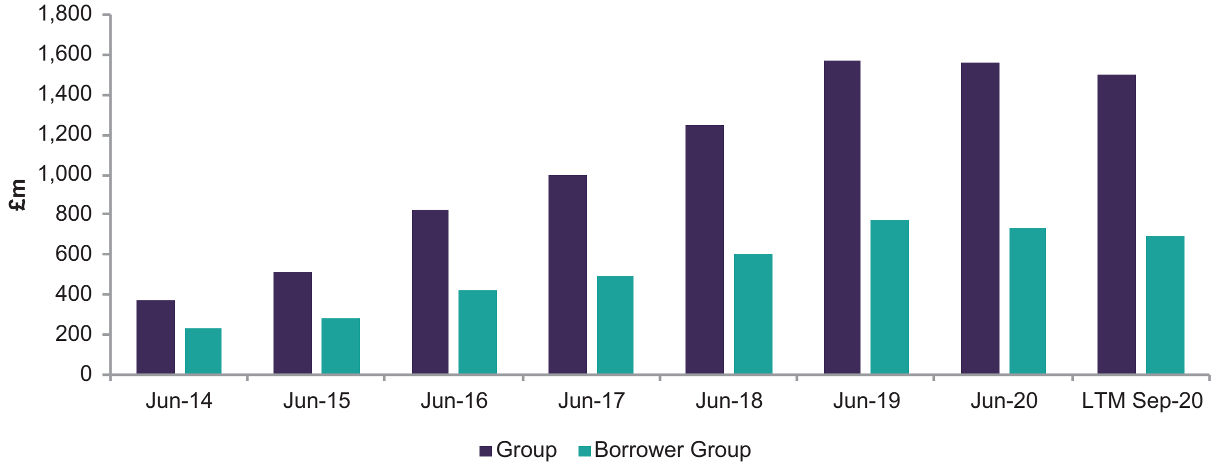
In stress testing our loan portfolio, as of September 30, 2020, when comparing our loan balances, prior to the netting of allowances for impairment, to the respective indexed valuations of the properties, an assumed 10%, 20% and 30% decline to indexed valuations on a loan by loan basis would result in an additional negative equity exposure of £7.0 million, £23.3 million and £76.4 million, respectively. In stress testing the Borrower Group's loan portfolio, as of September 30, 2020, when comparing loan balances, prior to the netting of allowances for impairment, to the respective indexed valuations of the properties, an assumed 10%, 20% and 30% decline to indexed valuations on a loan by loan basis would result in an additional negative equity exposure of £6.9 million, £22.5 million and £57.6 million, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis—Loss Sensitivities of the Total Loan Portfolio*."

Strong and diversified sources of funding with depth of maturity. 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 2026 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 joined certain of these facilities. In the past four years, we have increased the amounts committed under our Conduit Securitizations from £1,255.0 million as of June 30, 2016 to £2,479.5 million as of September 30, 2020. We have also successfully issued four public residential mortgage backed securitizations in the form of TABS 1 Securitization in September 2017, the TABS 2 Securitization in November 2018, the TABS 3 Securitization in October 2019 and the TABS 4 Securitization in July 2020, issuing £261.3 million, £272.6 million, £315.4 million and £360.5 million of Rated Notes (in the case of the TABS 4 Securitization, including £12.8 million Class X 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 £785 million.

We have a track record of successfully extending maturity, increasing the size and generally enhancing the terms of our financing arrangements in line with our growth and maturity and, where necessary, taking action and working in conjunction with our lenders/investors to amend facilities in response to external factors (such as the recent waivers and amendments we entered into in respect of the Conduit Securitizations in line with government guidance. See "*Summary—Recent Developments.*" 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, 2020 was 19.9%. We adopt a policy of regularly extending maturity of our sources of financing, and we believe that the weighted average maturity profile of such facilities provides for a level of continuity through a short economically challenging period. Our weighted average maturity profile of our drawn facilities was 3.1 years as of September 30, 2020. Our diverse funding structure has allowed us to reduce our all-in costs of third-party borrowing (including advisory fees, transaction fees, transaction expenses and non-utilization fees) from 6.5% for the year ended June 30, 2015 to 3.9% for the twelve months ended September 30, 2020.

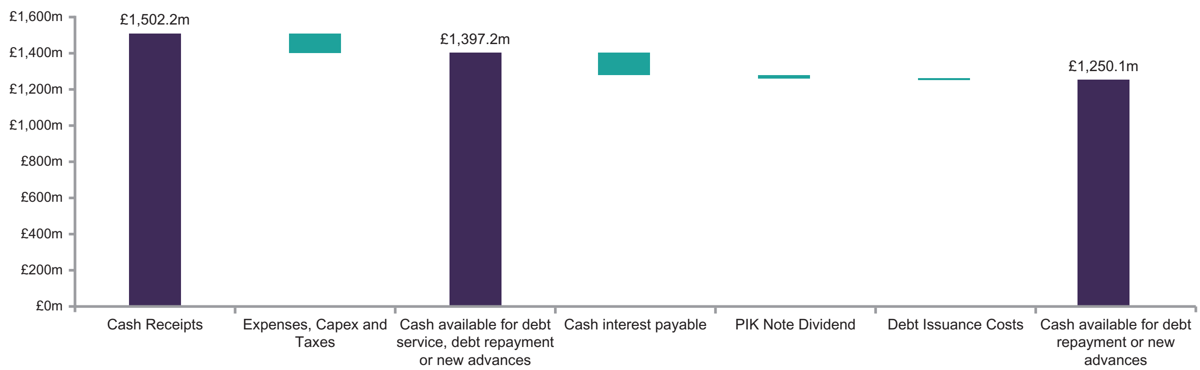
Highly cash generative. The group benefits from significant cash generation and had £1,502.2 million of Cash Receipts for the twelve months ended September 30, 2020 (of which £824.5 million was generated in the six months ended March 31, 2020 before the onset of Covid-19 in the UK, and £677.6 million in the six months ended September 30, 2020), comprising £307.2 million of interest and fees and £1,194.9 million of principal receipts. As of September 30, 2020, our total loan assets were £4,000.8 million. Prior to the onset of Covid-19 in the UK, cash generation has generally increased 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%, 39.8% and 38.1% in the years ended June 30, 2018, 2019 and 2020 and the twelve months ended September 30, 2020, respectively. The Borrower Group generated £698.7 million of Cash Receipts in the twelve months ended September 30, 2020 (of which £362.9 million was generated in the six months ended March 31, 2020 before the onset of Covid-19 in the UK, and £335.8 million in the six months ended September 30, 2020) comprised of £59.6 million in interest and fees, £480.1 million in principal receipts and £159.0 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%, 64.2% and 60.4% in the years ended June 30, 2018, 2019 and 2020 and twelve months ended September 30, 2020, respectively. The group and Borrower Group each had cash outflow related to overheads and expenses, tax, and capital expenditure of £104.9 million in the twelve months ended September 30, 2020, resulting in cash available for debt service, debt repayment or originating new advances of £1,397.2 million for the group and £593.8 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 as demonstrated since the onset of Covid-19 in the UK, when we temporarily paused accepting new loan applications, which had the effect of increasing the cash position as we closely monitored the impact of the economic consequences of Covid-19 on redemption levels. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Assets Cash Flow Metrics—Supplemental Cash Flow Information*."

The graph below sets forth Cash Receipts by the group and the Borrower Group for the years ended June 30, 2014 to 2020 and for the twelve months ended September 30, 2020.

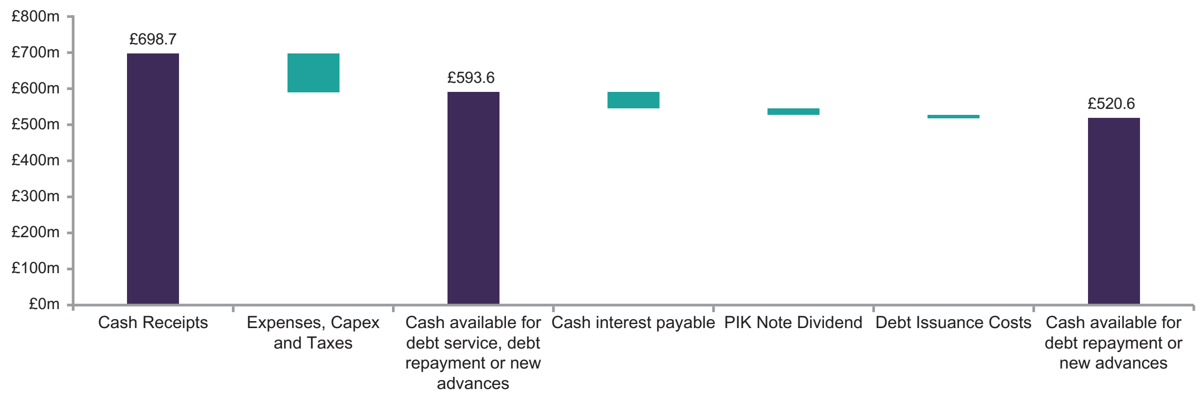


The graphs below set forth the paid interest costs and debt issuance costs for the group and the Borrower Group for the twelve months ended September 30, 2020.

Group Cash Flow



Borrower Group Cash Flow



For the twelve months ended September 30, 2020, cash available for debt repayments and originating new advances was £1,259.9 million (representing cash available for debt service, debt repayment or originating new advances of £1,397.2 million less cash interest payable of £121.7 million (including £5.9 million of exceptional interest paid in connection with the 2021 Refinancing) and payment of a dividend related to the servicing of cash interest on the PIK Notes of £15.6 million but before debt issuance costs of £9.8 million). For a reconciliation of cash available for debt service, debt repayment or originating new advances to the nearest IFRS measure, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Assets Cash Flow Metrics—Supplemental Cash Flow Information*." Cash available for debt repayments and originating new advances are equivalent to 93.7% of total Cash Receipts of £1,502.2 million. For the twelve months ended

September 30, 2020, loan advances required to maintain the size of the loan book equivalent to the size of the loan book as of September 30, 2019 are estimated to be approximately £1,108.4 million with associated debt issuance costs of £8.4 million, assuming a ratio of 0.8% debt issuance costs to loan advances.

For the twelve months ended September 30, 2020, cash flows available for debt repayments and originating new advances were 5.0 times Underlying EBITDA.

Active and effective in-house arrears and collections management. We actively manage our level of arrears by engaging with our customers to understand the reason for any arrears and employing a variety of forbearance measures and 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 year ended June 30, 2018 the impairment losses pursuant to IAS 39, amounted to 0.44%, and for the years ended June 30, 2019 and 2020, and the twelve months ended September 30, 2020, the impairment losses pursuant to IFRS 9 amounted to 0.46%, 1.70% and 1.90%, of our total average total loan assets, with the year ended June 30, 2020, and twelve months ended September 30, 2020, impairment losses, which were partially impacted by adverse forward-looking macroeconomic assumptions applied as a result of Covid-19 in the UK. 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, reduced payment plans, payment deferrals, reduced interest rates and assisted sale schemes. We continuously invest in developing our customer relationship management information technology platform in our customer services and collections area, which we use to improve the effectiveness and efficiency of our loan servicing 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 a supportive and open customer dialogue. Following the onset of Covid-19, as well as offering Mortgage-Payment Deferrals to borrowers covered by the FCA's criteria, we offered Mortgage-Payment Deferrals to certain other customers selected according to our own internal criteria. We have been actively managing cases where customers have requested Mortgage-Payment Deferrals, consistent with our usual approach for loans in arrears. See "*Summary—Recent Developments—Mortgage-Payment Deferrals.*" As we progress through Covid-19, we intend to continue to have a supportive and open dialogue with customers who request Mortgage-Payment Deferrals. We intend to appropriately support customers throughout Covid-19 and, as customers transition out of Mortgage-Payment Deferral periods, we aim to work with them to understand their circumstances and identify the most appropriate forbearance tools to support them as needed with a view to actively managing arrears. See "*—Our Operations—Loan Portfolio Characteristics*."

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 (until the recent onset of Covid-19), annual vintage delinquency rates decreased from 4.4% for loans funded in the year ended December 31, 2009 to 0.9% for loans funded in the twelve months ended, September 30, 2019. We believe that our close management of accounts in arrears supports many customers making regular payments in line with agreed payment plans. As of September 30, 2020, of our contractual arrears greater than one month's contractual installment, which represented 8.1% of our loan portfolio and 21.6% 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 installment is due), calculated by value, of which 64.1% and 51.9% 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 installments or within the last three months, 90% or more of contractual installments had been received.

Strong governance structure, risk and compliance control. Together has a unique culture that has been shaped by our 46-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. Since the onset of Covid-19, we have enhanced our customer support through the redeployment of colleagues into customer contact roles to assist with increased customer engagement and to support the application of Mortgage-Payment Deferrals and their consequential impact on the relevant customer's account. 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 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 Head of Enterprise Risk Management in the last twelve months to support the Group Chief Risk Officer and the Group Risk function.

Experienced and proven senior management team, combining long-serving colleagues and distinguished recent hires. Our business was co-founded by our current Group Chief Executive Officer, Henry Moser, in 1974. Three out of six executive members of the Group Board, which was most recently expanded through the appointment of Gerald Grimes as Group CEO Designate, have served on the Group Board for over 19 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 various board of directors 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 grown in recent years, in line with an overall upward movement in UK property prices along with record low unemployment, prior to the recent onset of Covid-19. In addition, there has been a reduction in the number of products offered by mainstream lenders since the global financial crisis of 2007/08, in response to regulatory and economic trends, and certain customer segments are no longer serviced by these lenders. While it remains too early to reliably estimate the full economic impact of Covid-19 and Brexit on the UK economy, as national and local measures continue to be updated to control the spread of Covid-19, the UK has left the European Union, we expect conditions to remain challenging for some time and, with unemployment rising and government stimulus packages set to terminate over the coming months, many people will find themselves in a very different financial position compared to how they entered the Covid-19-related crisis. We are shaping our business to meet customers' evolving needs and to help us play our part in supporting the UK's economic recovery. Following an initial pause to accepting new loan applications, we have cautiously resumed lending on a phased approach with stricter lending criteria, taking the opportunity to simplify our product range and deliver application process improvements to enhance the customer journey and reduce costs. As we gain more certainty around credit risk, we will expand the supply of our offering, leveraging our distribution capabilities and supporting this by reinvesting our reserves and further increasing and diversifying our sources of funding.

In March 2020, we took the decision to temporarily pause accepting new loan applications. In May 2020, we took the decision to cancel certain non-binding commitments and temporarily suspended new intermediary registrations. See "*Summary—Recent Developments—Pause in Accepting New Loan Applications and Amending Lending Criteria*." During the period since March 2020, we have been working closely with our intermediary partners, clubs and networks and packagers to ensure that they are aware of the rationale behind these decisions and are kept informed about our progress in resuming accepting loan applications for certain products through a phased approach thereby supporting strong engagement with our intermediaries. Maintaining good relationships with our partners provides us with confidence that we will be able to satisfy our lending appetite going forward. We have since recommenced accepting new applications on a phased basis initially using a selected panel of intermediaries from our well-established distribution network and using stricter underwriting criteria. As part of our return to lending strategy we have, and will further, develop application process improvements to improve the customer journey and reduce costs together with fostering a balanced mix of direct and intermediary originations.

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.

Deliver positive outcomes by putting customers at the heart of our business, providing flexible, simple products, experienced underwriters, high levels of service and constantly seeking to improve the customer journey. We aim to deliver positive outcomes by applying a common sense approach to lending in order to help our customers to achieve their ambitions. We will continue to offer a more individualized service to accommodate customers who are not served by mainstream lenders ensuring that we underwrite each application based on the individual customer's circumstances. Our high levels of service are informed by a recognition that customers may need to move quickly to realize opportunities and we will strive to move in line with their timescales.

We have begun a process of modernization and transformation to take advantage of technological enablers to help to further improve the customers' and brokers' journey in terms of consistency, user input and speed. We are committed to using technology to do what technology does best and our people to do what people do best by automating processes and easy decisions, while manually underwriting more complex cases. Investing in and utilizing the right technologies will help us evolve and enhance our business. We are integrating new technologies through incremental change, which will enable us to efficiently scale and introduce additional IT solutions gradually as technology advances and our customers' needs evolve. We are automating certain manual stages of the lending journey, for example, with our recent introduction of e-files as part of the mortgage underwriting process and online conveyancing. In addition, we recently introduced the Together app for our Commercial Finance direct customers. The app allows our customers to track the status of their application and interact with our colleagues through secure texts. Throughout our modernization process, we will continue to learn from our customers, taking regular 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 feedback or complaints. Our vision is for the group to be recognized as a modern, technology enabled, rapidly scalable lender that blends automation, flexibility, service and expertise to make finance work to help our customers and intermediaries to realize their ambitions.

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, and were also 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 of providing them 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 as is managing any new-found risk in the current climate. We will continue to provide secured loans, focusing on prudent underwriting policies and LTV's, with appropriate affordability assessment and delivering appropriate risk adjusted margins, thereby enabling us to achieve efficient and sustainable returns. Over the past ten years, we have implemented more stringent affordability metrics which, combined with enhancements to our service collections activity, has supported a significant decrease in the number of our customers who are unable to service their loans, contributing to a significant decline in annual vintage delinquency rates from 4.4% for loans funded in the twelve months ended December 31, 2009 to 0.9% for loans funded in the twelve months ended September 30, 2019. We have historically targeted an average origination LTV of between 55% and 65% for new loans secured primarily on properties in England, Wales and Scotland and continue to operate with appropriate caution in the current climate.

Our business model is based on creating long-term sustainable value. 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 our focus on both divisions.

Increase depth and diversity of funding and reinvest profits to support future growth ambitions. Together's business model is underpinned by an established, diverse and flexible funding structure, comprised of our Senior Secured Notes, Revolving Credit Facility, 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 our diversified loan book and the products we offer, providing a deep maturity profile and strong levels of liquidity. Our diverse funding sources enhance 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. Having multiple funding facilities also permits us to compare relative funding terms, supporting our negotiation of terms, including pricing and structure efficiency, on both refinancing of existing and raising of new facilities, including in the public markets. 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 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, and to match our range of products to those funding structures which best suit the relevant product characteristics.

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 loan book. We will seek to continue to extend and refinance our existing funding channels as appropriate, while also exploring alternative sources of funding to give comfort that our funding structure continues to be 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 Group Chief Executive Officer of Together Financial Services Limited, and Barrie Pollock, who sold his minority shareholding in 2006. In our 46-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. Henry Moser indirectly owns 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 Office of Fair Trading ("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, 2020 and for the twelve months ended September 30, 2020, as applicable.

	Retail Purpose 31.3%	**Commercial Purpose[(1)] 63.8%**			**Development 4.9%**
		BTL+ 23.5%	**Commercial Term 18.1%**	**Unregulated Bridging 22.3%**	
Specialty	• Loans to individuals	• Loans to SMEs, property investors and high net-worth and other individuals	• Loans to SMEs, property investors and high net-worth and other individuals	• Loans to SMEs, property investors and high net-worth and other individuals	• Loans to SMEs, 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	• £1,253.5 million	• £940.6 million	• £723.4 million	• £891.2 million	• £195.2 million
Number of Loans	• 20,524	• 8,694	• 3,610	• 2,743	• 221
Average Inception Loan Size[(2)]	• £65.7 thousand	• £112.7 thousand	• £211.3 thousand	• £338.5 thousand	• £465.5 thousand
Weighted Average Indexed LTV	• 48.0%	• 55.9%	• 50.4%	• 54.8%	• 59.9%
Weighted Average Nominal Rate	• 6.8%	• 7.1%	• 7.9%	• 10.4%	• 10.5%
% of which are Fixed Rate	• 50.4%	• 7.6%	• 1.3%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 7.6%	• —	• —	• 100.0%	• 98.1%
% of which are MPD Live Loans	• 10.2%	• 5.6%	• 4.3%	• 4.1%	• 0.5%
% of which are MPD Total Loans	• 31.2%	• 23.7%	• 23.4%	• 16.9%	• 2.3%

	Retail Purpose 31.3%	Commercial Purpose[1] 63.8%			Development 4.9%
		BTL+ 23.5%	Commercial Term 18.1%	Unregulated Bridging 22.3%	
Comprising first lien and second lien split as follows:					
First Lien Loan Portfolio					
Loan Portfolio Value	• £702.8 million	• £613.8 million	• £686.2 million	• £761.4 million	• £156.2 million
Number of Loans	• 7,065	• 4,750	• 3,310	• 2,311	• 158
Average Inception Loan Size[2]	• £103.6 thousand	• £135.0 thousand	• £218.5 thousand	• £343.5 thousand	• £570.6 thousand
Weighted Average Indexed LTV	• 46.0%	• 55.5%	• 50.6%	• 53.9%	• 58.2%
Weighted Average Nominal Rate	• 5.9%	• 6.9%	• 7.8%	• 10.3%	• 10.6%
% of which are Fixed Rate	• 70.5%	• 7.9%	• 1.1%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 13.4%	• —	• —	• 100.0%	• 98.4%
% of which are MPD Live Loans	• 8.8%	• 5.0%	• 4.1%	• 4.1%	• 0.5%
% of which are MPD Total Loans	• 29.8%	• 23.2%	• 23.6%	• 14.7%	• 2.8%
Second Lien Loan Portfolio					
Loan Portfolio Value	• £550.7 million	• £326.9 million	• £37.2 million	• £129.9 million	• £39.0 million
Number of Loans	• 13,459	• 3,944	• 300	• 432	• 63
Average Inception Loan Size[2]	• £45.7 thousand	• £85.9 thousand	• £131.9 thousand	• £312.0 thousand	• £201.8 thousand
Weighted Average Indexed LTV	• 50.7%	• 56.6%	• 46.7%	• 60.0%	• 66.6%
Weighted Average Nominal Rate	• 8.0%	• 7.5%	• 8.3%	• 11.3%	• 10.4%
% of which are Fixed Rate	• 24.7%	• 7.2%	• 3.7%	• —	• 0.1%
% with Term less than 24 months Loan Portfolio Value	• 0.3%	• —	• —	• 100.0%	• 96.3%
% of which are MPD Live Loans	• 11.9%	• 6.8%	• 7.9%	• 4.0%	• 0.5%
% of which are MPD Total Loans	• 33.1%	• 24.6%	• 19.1%	• 29.4%	• 0.5%
Total Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £145.5 million)	• £332.9 million	• £188.3 million	• £171.6 million	• £423.3 million	• £28.9 million
Number of Loans	• 3,045	• 1,555	• 635	• 1,743	• 61
Average Inception Loan Size[2]	• £109.3 thousand	• £121.1 thousand	• £270.2 thousand	• £242.8 thousand	• £473.2 thousand
Weighted Average Indexed LTV	• 51.1%	• 61.7%	• 58.6%	• 60.4%	• 53.9%
Weighted Average Nominal Rate	• 6.0%	• 6.6%	• 7.0%	• 9.5%	• 10.1%
% of which are Fixed Rate	• 77.9%	• 15.2%	• 2.5%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 22.6%	• —	• —	• 100.0%	• 94.5%

	Retail Purpose 31.3%	Commercial Purpose(1) 63.8%			Development 4.9%
		BTL+ 23.5%	Commercial Term 18.1%	Unregulated Bridging 22.3%	

Comprising first lien and second lien split as follows:

First Lien Loans underwritten in last 12 months

Loan Portfolio Value (excluding further advances of £106.0 million)	• £266.1 million	• £130.0 million	• £163.4 million	• £374.2 million	• £18.4 million
Number of Loans	• 2,063	• 951	• 604	• 1,607	• 52
Average Inception Loan Size(2)	• £129.0 thousand	• £136.7 thousand	• £270.6 thousand	• £232.9 thousand	• £354.1 thousand
Weighted Average Indexed LTV	• 49.3%	• 61.2%	• 58.4%	• 60.1%	• 49.6%
Weighted Average Nominal Rate	• 5.7%	• 6.5%	• 7.0%	• 9.4%	• 10.0%
% of which are Fixed Rate	• 85.9%	• 15.3%	• 2.6%	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 27.3%	• —	• —	• 100.0%	• 91.4%

Second Lien Loans underwritten in last 12 months

Loan Portfolio Value (excluding further advances of £39.5 million)	• £66.8 million	• £58.3 million	• £8.2 million	• £49.1 million	• £10.5 million
Number of Loans	• 982	• 604	• 31	• 136	• 9
Average Inception Loan Size(2)	• £68.0 thousand	• £96.5 thousand	• £263.0 thousand	• £360.7 thousand	• £1,161.3 thousand
Weighted Average Indexed LTV	• 58.1%	• 62.7%	• 61.0%	• 62.7%	• 61.5%
Weighted Average Nominal Rate	• 6.9%	• 6.9%	• 7.1%	• 10.2%	• 10.5%
% of which are Fixed Rate	• 45.8%	• 14.9%	• —	• —	• —
% with initial term less than 24 months Loan Portfolio Value	• 3.8%	• —	• —	• 100.0%	• 100.0%

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 £177.5 thousand.

(2) The aggregate average inception loan size of retail, commercial purpose and development loans is £115.1 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, 2020 of £332.9 million includes £15.7 million of CBTL loans and £75.1 million of regulated bridging loans. Such loans are segmented into first and second lien as appropriate.

(5) The retail loan portfolio value of £1,253.5 million as of September 30, 2020 includes £75.7 million of CBTL loans and £95.7 million regulated bridging loans. Such loans are segmented into first and second lien loans, as appropriate.

Retail Purpose Lending

As of September 30, 2020, 31.3% 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 purchasing a new home (including chain breaks), refinancing an existing mortgage, making home improvements, making large personal purchases and debt consolidation. In the twelve months ended September 30, 2020, 20.4% of retail purpose loans were underwritten for debt consolidation, 14.9% for debt consolidation and home improvement, 7.0% for home improvement, 13.0% for large personal purchases, 32.6% for property purchases and 12.2% for other purposes.

We specialize in offering retail purpose loans to segments of the markets that are underserved and offering solutions for those who are in such underserved market segments, which includes among others, mortgages for property purchase, 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 EU Mortgage Credit Directive (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 or thin credit history, being self-employed, having seasonal or complex income streams, requiring a loan where the 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 to identify underserved markets or gaps in the market 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. Over recent years, we expanded our distribution to also work with mortgage networks and clubs with 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 account for only a relatively small amount of our new originations.

In the twelve months ended September 30, 2020, 89.9% of our retail loans were originated from mortgage intermediaries. We are not reliant on any one mortgage intermediary, with no single mortgage intermediary providing more than 4.7% of our mortgage intermediaries-sourced retail purpose business and the top ten mortgage intermediaries representing approximately 28.5% of our mortgage intermediaries-sourced retail purpose business for the twelve months ended September 30, 2020. 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 the "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 onboarding 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" or "DAs") 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 twelve months ended September 30, 2020, we sold 10.1% 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.

Recent Distribution Strategy

Due to Covid-19, we decided to temporarily pause accepting new loan applications from March 24, 2020 onwards. As part of this decision, we cancelled certain non-binding commitments and at such time suspended new intermediary registrations to focus our support on existing customers and those who had already submitted an application to us at that point. During the period since March 2020, we have maintained close dialogue with our intermediary partners, clubs and networks and packagers via the intermediary relationship team to keep them informed and aware of our evolving lending appetite.

Since the onset of Covid-19, we have also reassessed our distribution strategy to ensure it adequately takes into consideration the challenges of the current economic environment. This has led to a simplified distribution model with a focus on a smaller number of preferred partners at the recommencement of lending, which we intend to gradually increase over time. We will also continue to offer a direct route for consumers.

In January 2019, we 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. We have maintained the relationships with all key partners in the Together+ offering, which forms part of our return to lending strategy (albeit on a reduced scale compared to prior to the onset of Covid-19).

Over the medium to long-term, we remain committed to growing our existing distribution relationships, we plan to evolve our distribution to include emerging channels such as online mortgage brokers, aggregators and digital distribution, to further extend our reach to underserved customers.

Security

Most residential property securing our retail purpose loans is traditional housing stock, principally located in England, Scotland and Wales. As of September 30, 2020, geographically, 8.4%, 28.3% and 63.3% 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 15.9% was originated in the North West region of the United Kingdom, 26.7% in London and 57.4% 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 2006 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, 2020 were 213 months. The weighted average elapsed term of live retail purpose loans as of September 30, 2020 was 40 months. Retail purpose loans that were redeemed in the year ended September 30, 2020 had an average elapsed term of 33 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 year ended September 30, 2020 was 50 months.

The table below sets forth certain information about the retail purpose loans as of September 30, 2020. For a more detailed information on the retail purposes loans, see *"Management's Discussion and Analysis of Financial Condition and Results of Operations—Borrower Group Loan Analysis*" and *"Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

	Loan portfolio as September 30, 2020
Weighted Average Indexed LTV	48.0%
Average Inception Loan Size	£ 65.7 thousand
Weighted Average Inception Loan Term	213 months
Outstanding Balance	£1,253.5 million
Percentage first lien	56.1%

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, along with the loan size and LTV of the property, 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.

As part of our ongoing modernization and transformation program we have recently made certain enhancements to the underwriting process, successfully deploying an e-file and new workflow system, removing an estimated 80% of the paper files our colleagues work on in connection with the mortgage underwriting process, improving our efficiency and enhancing the customer experience. We have also implemented the first phase, of a three phase project, to streamline the customer payment process enhancing the customer experience at completion and increasing the efficiency of the finance operation, with the final phases due to be completed in early 2021.

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 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, which has been developed since the onset of Covid-19 to include further consideration to region and industry assessments. 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. We are also exploring the use of open banking and other provisions of data by third-party providers to automatically assess income and expenditure. 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 "*Our Operations—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 where appropriate, 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 help 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 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, 2020, 63.8% 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 SMEs, property investors and high net worth and other individuals. In the twelve months ended September 30, 2020, 58.4% of the unregulated bridging loans were underwritten for first lien property purchase, 19.6% for raising capital and 22.0% for other purposes. In the same period, 30.1% of the BTL+ loans were underwritten for capital raising and major purchases, 32.5% for first lien purchases (including buy-to-let properties), 16.9% for remortgages including buy-to-let properties and 20.5% for other purposes. In the same period, 21.3% of the commercial term loans were underwritten for capital raising and major purchases, 33.5% for first lien purchases, 33.0% for remortgages and 12.3% 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. 34.9% of our commercial purpose loans are unregulated bridging loans, 36.8% of our commercial purpose loans are BTL+ loans and 28.3% of our commercial purpose loans are commercial term loans.

Unregulated Bridging Loans

As of September 30, 2020, 22.3% of our total loan portfolio and 34.9% 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 SMEs, 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 twelve months ended September 30, 2020, we distributed approximately 52.2% 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 twelve months ended September 30, 2020, we distributed 47.8% of our unregulated bridging loans through our network of mortgage intermediaries which spans across the United Kingdom.

We have made 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 multiple areas within mainland UK.

These direct channels have been complemented with the addition of the internal direct sales team and, more recently, the corporate team. Most recently, and partly as a consequence of Covid-19 impact to near-term targeted origination activities, the various direct channel teams have been consolidated into one direct sales team to create a multi-skilled resource across the direct distribution channel, rather than having multiple departments and functions, creating a more efficient business function to complement the intermediary relations team.

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 46-year operating history and continue to invest 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. At present, there are 279 active UK auction houses, with the largest 85 of which we maintain individual auction relationships. Our strategic investments in growing our digital presence at auctions and creating exclusive partnerships with auction houses proved beneficial when online auction sales accelerated due to the onset of Covid-19. Exclusive partnerships with auction houses support our presence in auctions across the United Kingdom and allow us to offer financing directly to individuals and businesses bidding at auctions (predominantly on residential investment properties). We continue to increase our presence at auctions and our strong, established reputation in this marketplace has been key to our success over the last few years. Digital initiatives have been developed, 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 our exclusive arrangements with key auction houses so that mortgage loans can be approved before (subject to conditions) or after the auction.

Mortgage Intermediaries

For the twelve months ended September 30, 2020, 47.8% 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, 2020, 85.4% of our unregulated bridging loans are secured by first liens and 14.6% are secured by second liens. 42.3% and 57.7% of the properties securing our unregulated bridging loans are residential and commercial, respectively. As of September 30, 2020, geographically, 19.3%, 26.6% and 54.1% 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, 2020, 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, 2020 was 22 months. Unregulated bridging loans that were redeemed in the twelve months ended September 30, 2020 had an average elapsed term of 24 months.

The table below sets forth certain information about the unregulated bridging loans held by TCFL, BDFL, HARPL and AFL as of September 30, 2020. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

	Unregulated bridging loans
	Loan portfolio as of September 30, 2020
Weighted Average Indexed LTV	54.8%
Average Inception Loan Size	£338.5 thousand
Weighted Average Inception Loan Term	14 months
Outstanding Balance	£ 891.2 million
Percentage first lien	85.4%

BTL+ Loans

As of September 30, 2020, 23.5% of our loan portfolio and 36.8% 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 SMEs, 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 twelve months ended September 30, 2020, we distributed approximately 70.7% and 29.3% of our BTL+ loans through mortgage intermediaries (including mortgage networks and clubs) and direct sales (including repeat customers), respectively. While the overall BTL market has reduced in size in recent years as additional regulation and tax requirements have curbed demand, it has also become more specialized.

Security

As of September 30, 2020, of our BTL+ loans, approximately 65.2% are secured by first liens and approximately 34.8% are secured by second liens, calculated by value. As of September 30, 2020, geographically, 11.9%, 35.8% and 52.3% 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, 2020 was 201 months. The weighted average elapsed term of live BTL+ loans as of September 30, 2020 was 30 months. BTL+ loans that were redeemed in the twelve months ended September 30, 2020 had an average elapsed term of 35 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, 2020.

	BTL + Loans
	Loan portfolio as of September 30, 2020
Weighted Average Indexed LTV	55.9%
Average Inception Loan Size	£112.7 thousand
Weighted Average Inception Loan Term	201 months
Outstanding Balance	£ 940.6 million
Percentage first lien	65.2%

Commercial Term Loans

As of September 30, 2020, 18.1% of our loan portfolio and 28.3% 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 SMEs, 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 twelve months ended September 30, 2020, we distributed approximately 58.3% and 41.7% of our commercial term loans through mortgage intermediaries and direct sales (including repeat customers and our network of professionals), respectively.

Security

As of September 30, 2020, of our commercial term loans, approximately 94.9% are secured by first liens and approximately 5.1% are secured by second liens, calculated by value. As of September 30, 2020, geographically, 20.0%, 17.5% and 62.4% 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, 2020 was 175 months. The weighted average elapsed term of live commercial term loans as of September 30, 2020 was 28 months. Commercial term loans that were redeemed in the twelve months ended September 30, 2020 had an average elapsed term of 41 months, respectively.

The table below sets forth certain information about the commercial term loans offered by TCFL, HARPL and BFL as of September 30, 2020. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

	Commercial Term Loans
	Loan portfolio as of September 30, 2020
Weighted Average Indexed LTV	50.4%
Average Inception Loan Size	£211.3 thousand
Weighted Average Inception Loan Term	175 months
Outstanding Balance	£ 723.4 million
Percentage first lien	94.9%

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 are generally consistent with the PRA Buy-to-Let Underwriting requirements. 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 installments. 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 a mandator, who has designated authority from the business to approve the release of funds in line with their respective authority level.

Development Loans

As of September 30, 2020, development loans comprised 4.9% 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 significant experience of working with development loans over many years, with a strong understanding of where potential or common complexities can arise.

While 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).

In March 2020, at the onset of Covid-19, we reviewed the loan applications that we had received until this stage and decided to reduce, pause or withdraw offers where necessary due to the uncertainty of the economic consequences of Covid-19. On March 23, 2020, we took the decision to temporarily pause accepting new loan applications and reallocated experienced resource from the wider commercial lending function to support the management and monitoring of our existing customers. Where possible, and in accordance with government guidelines, site visits have still taken place. With engagement with our customers, we have in certain cases agreed changes to the phasing of planned drawdowns of funds to provide increased protection to the group's position while ensuring planned works could still proceed. During the Covid-19 lockdown, some construction sites temporarily closed, while the majority remained open and operational, albeit works progressed at a slower rate than originally forecasted, resulting in the extension of projects which we intend to monitor and support as appropriate. Since the start of September 2020, while remaining cautious, we have commenced lending on new developments applying stricter criteria as part of our thorough assessment of the proposals.

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, for around 80% of originated loans, by value, 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 lower value and lower LTV lending and is only accepted where certain minimum confidence levels are achieved within the valuation model. With respect to loans originated in the twelve months ended September 30, 2020, 65.6% of retail purpose loans and 82.8% 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 conservative in assessing property valuations. 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.

Following the onset of Covid-19, RICS released an update (updated on July 10, 2020) stating that valuations will be subject to 'material valuation uncertainty' (as set out in VPS3 and VPGA of the RICS Valuation—Global Standards) where there is a shortage of market evidence for comparison purposes, and that consequently less certainty and a higher degree of caution should be attached to valuations more generally. Where there is a material valuation uncertainty, the loan amounts we will be able to offer may be reduced accordingly.

The effects and aftermath of Covid-19 will impact the work carried out by RICS regulated members in a variety of ways. Inspecting property may be difficult either through their firm's own internal procedures, government-imposed restrictions or the occupant's unwillingness to grant access. Access to evidential data such as comparables, may also be less freely available.

RICS reminds regulated members that, in addition to following the directions of government authorities, they should act in a transparent and professional manner. Where there are changes to the way RICS regulated members normally proceed with instructions, this must be agreed with the client and any agreed changes must be recorded. RICS regulated members should make detailed file notes to support the rationale that underpinned the changes.

Any restriction of information and/or the ability to inspect and investigate must be made clear, agreed with the client and clearly stated in the report. All affected terms of engagement must be amended to confirm this. These requirements also apply to any valuation assumptions that are made as a consequence of restricted access and/or valuation information. If the regulated member considers that it is not possible to provide a valuation on a restricted basis, the instruction should be declined.

Where a valuation refers to rental or other income, a considered assessment of that income in light of Covid-19 and, where relevant, its aftermath may be required. Valuers are advised to make sure they are acting upon the latest and most accurate information in respect of rental and other income, where this is relevant. The valuer may need to reflect upon structural and behavioral effects on markets either caused or heightened by Covid-19. See "*Risk Factors—Risks Relating to Our Business—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured*."

Collection and Arrears Management

We actively manage our collections and arrears book using a risk-based approach 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 deferrals 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. For example, we have been in contact with customers who requested Mortgage-Payment Deferrals to proactively support them to return to payment, and will seek to continue to do so as their Mortgage-Payment Deferrals expire, to ensure we manage both the conduct and potential loss risks.

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 payment deferrals, 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 for those who are experiencing a reduced ability to pay their mortgage loans. We continuously invest in our customer relationship management IT platform seeking to improve the customer experience and efficiencies and effectiveness within the collection team. The system allows us to record and track detailed information about our customers and their financial positions, allowing us to better establish the circumstances that are causing payment difficulties and to find the most appropriate and sustainable solution to help the customer.

In 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 2018.

In response to Covid-19 the UK Government instructed lenders to offer Mortgage-Payment Deferrals of up to three months to their customers who were suffering financial difficulty as a result of Covid-19. Subsequently, the period for which Mortgage-Payment Deferrals should be continued to be offered has been extended on multiple occasions to July 2021, subject to a maximum Mortgage-Payment Deferral of six months. While not included within the FCA scope which extended to regulated mortgages and BTL customers, we also offered Mortgage-Payment Deferrals to all our commercial customers.

For loans to customers who have been granted a Mortgage-Payment Deferral, where such customer reaches the end of their Mortgage-Payment Deferral, we have a defined contact strategy in place which seeks to ensure that we are able to assess the customer's ability to resume payment of monthly installments. If needed, we will work with the customer to evaluate their circumstances and agree forbearance to support recovery after the Mortgage-Payment Deferral period. See "*Summary—Recent Developments—Mortgage-Payment Deferrals*."

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 or outbound telephone contact is made with all our customers 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, assess any changes in the customer's circumstances affecting their ability to make scheduled 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 level of forbearance measures being used and the rate at which our customers adhere to payment plans known as an informal payment plan kept rate ("IPP kept rate"), which allows us to evaluate the success of our affordability assessments when establishing payment plans or other forbearance measures.

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. Since the global financial crisis of 2007/08 and further to the introduction of the mortgage market review in 2014, we have increased our emphasis on the ability of the borrower to service and repay the loan as part of our underwriting process, an improvement in the credit quality of the customers to whom we lend and made significant investment in our collections processes. Alongside the improvement in economic conditions between 2011 and early 2020, 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 installments within twelve months of funding decreasing from 4.4% for loans funded in the year ended December 31, 2009 to 0.9% for loans funded in the twelve months ended September 30, 2020. As of September 30, 2020, of our contractual arrears greater than one month's contractual installment, which represented 8.1% 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 installment is due), calculated by value, of which 64.1% were performing arrears loans.

Repossessions and LPA Sales

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 twelve months ended September 30, 2020, we conducted 30 repossessions, representing less than 0.1% of our total loan assets, calculated by value, and placed 149 properties in LPA receivership, representing 0.3% of our total loan assets, calculated by value.

As discussed above, the FCA has issued guidance for lenders to suspend repossession for their regulated mortgage contract customers, with the FCA not expecting any proceedings to commence or continue before January 31, 2021, subject to certain exceptions. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis—Repossessions and LPA Receivership*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Factors Affecting Results of Operations—Loan Assets Performance*," "*Regulation—Mortgage Repossessions*" and "*Regulation—Recent Regulatory Changes*."

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 touchpoints throughout the loan lifecycle. For the period from October 1, 2019 to September 30, 2020, our net promoter score, which is based on a combination of loan origination and loan serving metrics, was 54 for our Personal Finance division and 32 for our Commercial Finance division. During the same time period, over 86% 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 Board 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 Board 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 including internal control measures and assurance activity such as sample audits and exception reporting and comprises all managers and staff within the Personal Finance and Commercial Finance divisions and the support units at the group and divisional levels, 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 Enterprise Risk Management 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 report to the Group Board via the following:

- the Group Credit Risk Meeting, Personal Finance Credit Risk Forums 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 Group Operational, Conduct and Compliance Committee, which provides second line monitoring and oversight, across the group and divisions, for those three risk types, including of the risk and control framework, risk appetite, key risk indicators and operational incidents.

- the Personal Finance Executive Risk Committee has responsibility for oversight and advice to the TPFL Board Risk Committee on the current risk exposures to and future risk strategy of TPFL, to oversee management activity to ensure that there are proper systems in place to allow the appropriate consideration and assessment of future risk, overseeing the management and development of appropriate policies and strategies to secure the long-term sustainability of the business. It is responsible for embedding and maintaining a supportive culture in relation to risk management. It is also responsible for providing assurance to the TPFL Board Risk Committee that the processes for risk management and internal control are adequate and effective;
- the Group Board Executive Risk Committee operates under delegated authority from the TFSL Board Risk Committee on matters of risk management and internal controls. It has responsibility for oversight and advice to the TFSL Board Risk Committee on the current risk exposures to and future risk strategy of TFSL, to oversee management activity to ensure that there are proper systems in place, to allow the appropriate consideration and assessment of future risk, overseeing the management and development of appropriate policies and strategies to secure the long-term sustainability of the business. It is responsible for embedding and maintaining a supportive culture in relation to risk management. It is also responsible for providing assurance to the TFSL Board Risk Committee that the processes for risk management and internal control are adequate and effective; and
- the Group Board and Personal Finance Board Risk Committees. In respect of the Group Board Risk Committee see "*Management—Committees of the Group Board—Risk Committee*." The Personal Finance Board Risk Committee is a committee of the Board of Directors for TPFL. As such, it operates under delegated authority from the TPFL Board on matters of risk management and internal controls. It has responsibility for oversight and advice to the TPFL Board on the current risk exposures to and future risk strategy of TPFL, to ensure that there are proper systems in place to allow the appropriate consideration and assessment of future risk, ensuring that management develop appropriate policies and strategies to secure the long-term sustainability of the business. It is responsible for ensuring the embedding and maintaining of a supportive culture in relation to risk management. It is also responsible for providing assurance to the TPFL Board that the 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 Group Board—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

The 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.

The majority of principal risk categories in the group's risk universe are underpinned by appropriate risk policies for monitoring and controlling risks.

Data Governance Framework

We are currently in the process of implementing a new data governance framework (the "Data Governance Framework") which, once introduced and embedded, will allow us to better identify business risks that arise in processing, managing and storing data. See "*Risk Factors—Risks Relating to Our Business—We are subject to the GDPR relating to personal data that we collect and retain*."

Communication with customers

As a result of, among other things, regulatory reviews on certain segments in our industry, during the course of 2018, we implemented several improvements to enhance our customer communications where a customer had an outstanding balance on their account, especially where an account would not be repaid at maturity.

As part of this enhanced customer facing contact strategy, colleagues received additional training to ensure they had a "whole of balance" conversation whenever they had contact with a customer. This took place across the post funding customer journey. To enable this to be effective, we designed, developed and implemented a tool that allowed our colleagues to provide our customers with projected estimates for their balance remaining at term (if nothing were to change) and the adjustment in payments that would be required to address the off schedule element of that balance.

Throughout the course of 2019, we implemented several proactive contact strategies over and above our standard customer communication. These strategies focused on contacting customers who had the following characteristics:

- Customers who were likely to have a balance remaining at maturity (they have an "off schedule balance") who were not in arrears
- Customers in long-term arrears (greater than 6 months)
- Customers who had reached the end of their mortgage term and had a balance outstanding
- Customers who had an increasing balance
- Customers whose payments were not covering their monthly interest

Customers were contacted through a combination of letters and outbound calls. During these conversations, our customers were advised of their most current account position; the reasons for this and the tools available to help resolve. We sought to understand the customers' circumstances and customers were encouraged to complete a financial statement so that their affordability could be fully understood. Where the discussions indicated that the customer required support, forbearance was offered.

We also have additional workstreams dedicated to aiming to ensure fair customer outcomes. For example, where we identified that we may not have effectively communicated the ongoing impact of additional interest, fees and charges being added to an account, we have proactively engaged with the FCA of our intention to remediate this population of customers and have made appropriate provisions for the same in our financial results.

We have also completed a one-time rate reduction for in-scope customers who were paying a higher rate of interest in support of the current economic circumstances and as a result of Covid-19.

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 as such, all of the work detailed above, has had the oversight and assurance of second line risk and compliance. Assurance activity is planned to continue to ensure that the initiatives introduced have been successfully implemented and are effective in delivering fair outcomes to our customers. See "*Risk Factors—Risks Relating to Our Business— Calculation and application of interest and fees in certain segments of our industry has formed part of regulatory reviews in recent years*."

Financial Crime Control Framework

Our financial crime control framework incorporates policies, standards, procedures and guidance relating to anti-money laundering (including customer due diligence), counterterrorism 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 Operational Conduct and Compliance Risk Committee and Executive Risk Committees within which financial crime risk metrics are reported and scrutinized.

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 financial crime 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 Agreed upon Procedure

Pursuant to the terms of our Conduit Securitizations, with the exception of the DABS 2 Securitization (see below), loan asset reviews have been conducted annually. An external, independent reviewer is required to conduct agreed upon procedures ("AUPs") and provide a report on the underlying loan assets within our Securitizations. As part of the most recent review for the twelve months to June 30, 2020, the external, independent reviewer selected a minimum of 59 loans, along with a further 20 loans selected for review from the population of accounts that are delinquent. An additional sample of loans were also included to provide a minimum of ten loans with a Mortgage-Payment Deferral applied. 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. Additional date fields were also tested to capture loans which have had a mortgage-payment deferral applied. 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 portfolio calculations and as a result of the waivers entered into following the onset of Covid-19 the additional reporting of accounts in Mortgage-Payment Deferral periods (see "*Summary—Recent Developments—Our Sources of Funding*"), confirming that the figures included within the monthly information reports, which are shared with our lenders, are calculated correctly and match our underlying system reports. As a result of Covid-19 and restrictions related travel and working from home, the AUPs were delayed but completed in November 2020, in line with revised dates agreed with lenders under the terms of the Conduit Securitizations. The scope and sample methodology is agreed in advance with each of the lenders prior to each review. Each of the reviews performed as of the date of this offering memorandum 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. The external verifier undertook a review on a random sample of 20 loans sold into the securitization facility on a quarterly basis. As part of the most recent review in November 2020, an additional sample of loans that were subject to Mortgage-Payment Deferrals were also reviewed. 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. As with the other Conduit Securitizations described above, due to Covid-19, the reviews were delayed. However, a timeline was agreed with the lender to deliver reviews in November 2020. The last review was performed in November 2020 and covered Q1, Q2 and Q3 loans, with the Q4 review timetable for January 2021. 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 effectively. These systems are integrated with our CRM package (MS Dynamics 365), 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) and direct customers (a mobile first journey, available on the togethermoney.com for Auction customers). For a number of our 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 are managed via an electronic file throughout the underwriting process, and mortgage intermediaries can monitor online the progress of their applications.

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, operational dashboards and regulatory reporting. 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.

We have implemented the market-leading Robotic Process Automation technology UIPath and over the last twelve months have automated 22 processes with this technology, and continue to invest, automating approximately two new processes per month. The automation saves human effort, increases responsiveness and improves consistency for processes.

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, 2020) 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.

We have commenced specific projects, with the help of specialist information technology advisors, around sourcing new systems to replace certain of our internally-developed system applications to enable us to provide a new back office system, securitization system and certain other systems, which is expected to increase the efficiency and flexibility of our system applications and support enhanced API applications in the future.

At the onset of Covid-19, our ongoing risk horizon scanning enabled a quick deployment of encrypted laptops for all colleagues. Additional multi-geo and multi-network remote access gateways which are monitored via system information and event management tools were implemented. An already embedded cloud technology platform, including call recording, allowed all customer contact facing facilities to continue with a remote workforce. All existing IT change procedures, risk and problem assessments continued as normal. 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, 2020, 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

As the group operates in the financial services sector, we do not believe our actions have a significant environmental impact. However, we do recognize the importance of protecting the environment and act to reduce our impact by recycling and reducing energy consumption. Under the Companies Regulations 2018, we are required to comply with the streamlined Energy and Carbon report (SECR) reporting framework.

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 such 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 and available.

Compliance and Quality Control

We have standalone retail purpose loans and commercial purpose loans 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 in adherence to the applicable terms and conditions schedules. 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 advice, oversight and challenge to the business ensuring we meet our regulatory obligations including ensuring fair customer outcomes. In addition, we also undertake horizon scanning to ensure that any legal or regulatory change is identified within the business and incorporated into our policies and processes ahead of its introduction. An annual compliance audit 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 and substantive reviews during the 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 provide training programs across the business, focusing on other customer-facing departments. 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, ensure adherence to our policies and procedures, review each lending decision, consider the underwriter's rational and consider 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 Police, 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, among others, allegations of unfair relationships and breach of fiduciary duties in relation to non-disclosure of loan commissions and irresponsible lending. 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 or subject to further future claims that are not provided for. 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 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. We have since received a number of 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 experienced a greater number of DSARs from both current and historic customers, including as a result of publicity campaigns related to PPI up until August 29, 2019. 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 future. "*Risk Factors—Risks Relating to Our Business—Our business could suffer as a result of current or future litigation*."

Colleagues

Our corporate culture is best defined by 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 respect for people, delivering positive outcomes, engagement, creating opportunities, providing straightforward solutions, having balanced commerciality and having accountability: it's the way we do what we do. In recognition of how our colleagues view the Company and their level of engagement with the Together DNA, on our first ever application we were awarded the accolade of being the 34th in the "Sunday Times Top 100 Companies to Work For 2018" in 2018, and received its special award for "Giving Something Back" for our commitment to corporate social responsibility, placing 9th in the UK with our score for charity and 10th for community efforts. On our second submission in 2019, we positioned 52nd in the "Sunday Times Top 100 Companies to Work For 2019." We offer development, training and competence programs to our colleagues 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 colleagues the opportunity to develop their skills and experience.

For the years ended June 30, 2018, 2019 and 2020, we had an average of 663, 740 and 750 colleagues, respectively. With the exception of the working from home arrangements adopted by the group, following the UK Government's guidance in response to Covid-19, the majority of our colleagues are based in our offices in Cheadle, England, with a small number considered "remote," as their positions require frequent travel. None of our colleagues are represented by a labor union. We consider our relations with our colleagues to be good. With the severity of Covid-19 and its impact on our business, the group made the difficult decision to launch an employee consultation process on proposals to reduce colleague numbers reflecting the anticipated future levels of lending activity and efficiencies in a revised operating structure. This employee consultation process ended on September 7, 2020 and as a result 175 colleagues were made redundant.

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 a small value of loans previously underwritten as part of the pilot program which will reach their maturity within the near term.

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) credit broking; (iii) debt-counseling (not including debt management); and (iv) 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. From March 21, 2016, second charge mortgage lending 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, 2020, 63.8% of our total loan book represented unregulated commercial purpose loans, 4.9% of our total loan book represented unregulated development loans, 1.4% represented unregulated retail purpose loans, 17.5% represented FCA regulated first charge residential mortgages, and 12.5% represented FCA regulated second charge residential mortgages. 6.3% and 8.0% 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, 2020, approximately 29.9% 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. As a solo-regulated firm, 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 eleven 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. In recent years, 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 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.

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"), and breaching this General Prohibition is a criminal offence. Entering into a regulated credit agreement as a lender, exercising/having right to exercise lender's rights and duties under a regulated credit agreement, as well as agreeing to carry on a regulated activity are all regulated activities. It is therefore important that Spot Finance Limited maintains its regulatory authorization.

The EU Mortgage Credit Directive (the "MCD", Directive 2014/17/EU of the European Parliament and of the Counsel of 4 February 2014 on credit agreements for consumers relating to residential immovable property and amending Directives 2008/48/EC and 2013/36/EU and Regulation (EU) No 1093/2010) primarily sets the minimum regulatory requirements that Member States are required to meet to protect consumers taking out credit agreements relating to residential property. Member States, including the UK, were required to implement requirements set out in the MCD 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 "*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 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 global financial crisis of 2007/08, 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 three 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 global financial crisis of 2007/08 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, should we choose to, or become required to, adopt these in 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.

On January 17, 2020 the FCA published further detail from its review on “mortgage prisoners.” Its data showed that around 250,000 are in closed mortgage books or have mortgages by firms not regulated by the FCA. Of these, around 170,000 are up to date with payments and would be eligible to switch because of the FCA’s aforementioned interventions. However, over half of the “mortgage prisoners” in this group are paying relatively low interest rates and would be unlikely to find a more favorable offer if they did switch. The FCA expressed a desire for larger lenders to begin offering more products to mortgage prisoners.

Additionally, on January 31, 2020, the FCA also published PS20/1 Mortgage advice and selling standards: feedback to CP19/17 and final rules, which contain details for changes to its mortgage advice and selling standards to address harms identified through the mortgage market study. The changes entail amendments to the Perimeter Guidance on mortgage advice to: (i) make clear that tools that allow search and filtering based on objective criteria are not necessarily giving advice; and (ii) more closely align with the regulator’s approach with recently updated guidance on advising on retail investments as well as permitting more customer interaction before firms are required to give advice. These changes will prevent consumers from being diverted to advice where the interaction does not influence purchasing decisions and encourages firms to make execution-only sales channels easier to use. Additionally, the requirement for advisers to explain why they have not recommended the cheapest suitable mortgage allows consumers to understand how price and other factors are considered in the recommendation they receive, giving them an opportunity to challenge that recommendation.

Additionally, on July 28, 2020, the FCA published CP20/13: Consultation on mortgages: Removing barriers to intra-group switching and helping borrowers with maturing interest-only and part-and-part mortgages, which also addresses deficiencies identified by the mortgage market study by building upon the changes proposed in PS19/27, as discussed above. The proposed changes amend MCOB to make it easier for those borrowers in closed mortgage books to switch to new mortgage deals with firms in the same corporate groups as their current lenders. CP20/13 also proposes new guidance that would allow borrowers on interest-only or part-and-part mortgages to delay the repayment of the outstanding capital at the end of the term of their mortgage to 31 October 2021, provided they are up to date with and, continue to make, interest payments.

The FCA wrote to closed-book lenders on May 1, 2020, asking them to review and consider reducing the rates charged to customers with higher risk mortgages as a matter of urgency in response to the additional pressure placed on many borrowers as a result of Covid-19. The FCA stated that such reductions should be considered in line with the requirements in PRIN 6 and MCOB 12.5 that customers on variable interest rates are treated fairly. Where the responsibility for rate setting lies with an entity that is not authorized by the FCA, such as our Securitization SPVs, the letter requested firms to bring this letter to the attention of these entities and reminded firms that unauthorized firms must still comply with consumer protection law more generally, including the Consumer Protection from Unfair Trading Regulations 2008.

On July 15, 2020 the FCA published FS20/11: Further support for consumers impacted by coronavirus: feedback on draft guidance and rules (motor finance and high-cost credit products). See "*—Recent Regulatory Changes*."

On September 30, 2020 the FCA published Final Guidance: Consumer credit and Coronavirus: Additional Guidance for Firms, which came into force on October 2, 2020. See "*—Recent Regulatory Changes*."

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 eleven 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. The new Group Operational, Conduct and Compliance Risk Committee has responsibility for the 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.

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 ("SM&CR")

The SM&CR came into effect on December 9, 2019. Following successful initial implementation and embedding of the regime, the associated policies and procedures which ensure the firm meets its on-going regulatory obligations with the SM&CR are now moving into a "business as usual" state.

From March 2016, the FCA's application of the Senior Managers and Certification Regime ("SM&CR") and the Senior Insurance Managers Regime entered into effect for banking firms and Solvency II insurers. 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 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 UK 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, CP17/42), on July 4, 2018 and July 26, 2019, the FCA and PRA published policy statements PS18/14, PS18/16 and PS19/20 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 (each an "SMF"). "Enhanced" firms were required to submit a conversion notification, a statement of responsibilities for each SMF holder and a management 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 by March 9, 2020. All other firms, including our Personal Finance division, will be required to submit data as of March 31, 2021, following commencement of the SM&CR for FCA solo-regulated firms. SM&CR requires firms to assess the fitness and propriety of certified persons on an ongoing basis, and at least once a year. The deadline for the first assessment was delayed by the FCA on June 30, 2020 from December 9, 2020 to March 31, 2021.

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"). Following a program of activity throughout 2019 delivered via a dedicated internal project team, including members of senior management, second and third lines of defense teams, 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 from Approved Persons (as used in the FCA regulations, "APER") to SM&CR) and three Long Form A applications (in respect of individuals performing new SMF roles that were not in place under APER and as such could not convert) in respect of three new SMFs 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, all conversions and applications were approved by the FCA without any requirement for supplementary submissions or regulatory interviews, and the FCA register entry for each regulated entity detailing the SMFs for each firm.

To ensure that the firms comply with all associated regulatory requirements under the SM&CR, a full traceability of the rules was conducted within the second line of defense compliance department. A three lines of defense assurance approach was in place throughout the project which carried out oversight of activity to ensure compliance with the SM&CR. Following the introduction of the regime, a dedicated resource, the SM&CR Office was created to manage the activities of those captured by the regime, to provide first-line oversight over their activities, and to measure and assess by using monthly dashboards, Management Information and other controls how the entities are meeting the requirements of the regime.

The processes and oversight activities related to SM&CR have remained in place throughout Covid-19 and have been enhanced where appropriate. Despite some temporary easing of regulatory expectations during Covid-19, activities requiring regulatory applications, such as the amendments to statements of responsibility or an amendment to our management responsibilities maps, have continued throughout Covid-19.

During Covid-19, there has also been a focus on ensuring that the firm's senior manager population are taking 'reasonable steps' in relation to significant activities, such as the furloughing of colleagues, the move to working from home and the implementation of Mortgage-Payment Deferrals.

We recently undertook a significant consultation process with colleagues. The SM&CR Office introduced a program to provide oversight of this consultation process with the aim of ensuring that the Senior Manager population, in being responsible for significant elements of the consultation, continued to discharge their duties in line with the requirements of the regime. The SM&CR Office also provided oversight of impact assessments of the potential and actual outcomes of the consultation to agree these were in line with the regime and that any required changes to the firm's SM&CR artefacts are carried out in the correct way.

Recent Regulatory Changes

The onset of Covid-19 in the UK has prompted numerous changes to the regulatory landscape that we operate in and is likely to prompt further changes in the short and medium term. On April 7, 2020, the FCA published its 2020/2021 Business Plan in which it outlined its key priorities. Their business plan focuses on the challenges presented by Covid-19, while also highlighting a number of areas of focus, including protecting the most vulnerable and ensuring the fair treatment of consumers. Our compliance function monitors all regulatory developments, including the matters identified by the FCA in their business plan.

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. As a consequence of Brexit, some or all of our regulatory framework may be amended or modified. See "*Risk Factors—Risks Relating to Our Business—The United Kingdom's exit from the European Union may adversely impact our business, results of operations and financial condition*."

More generally, the response of the UK Government, HM Treasury and UK regulators to Covid-19 has resulted in a number of rapid changes to the regulatory environment. These modifications have been implemented at short notice with limited consultation. The measures are also subject to revision as Covid-19 and the severity of its impact on the UK develops.

On March 20, 2020, the FCA published guidance for, *inter alia*, mortgage lenders and administrators entitled 'Mortgages and coronavirus: our guidance for firms', in connection with Covid-19 in the UK. This guidance was updated on June 4, 2020 and again on June 16, 2020 (the "FCA Covid-19 Guidance"). The updated guidance uses the term "payment deferrals" as opposed to "payment holidays" (however, note that the FCA's guidance to consumers on this subject still uses the term "payment holiday"). Among other things, this guidance provides that UK mortgage lenders are required, where a customer is experiencing or may reasonably expect to experience payment difficulties as a result of circumstances relating to Covid-19, and wishes to receive a mortgage-payment deferral, to grant a customer a full or partial mortgage-payment deferral for up to three monthly payments, unless it can demonstrate it is obviously not in a customer's best interests. A request for a full or partial mortgage-payment deferral for three monthly payments may be made by a customer at any time until October 31, 2020 when the current guidance expires.

Where the FCA guidance has not expired and a customer (whether they were given a mortgage-payment deferral under the original March 20, 2020 guidance or the guidance effective June 4, 2020 (which was updated on June 16, 2020)) indicates that they cannot immediately resume full payments at the end of that initial mortgage-payment deferral, mortgage lenders are required to offer them a further full or partial mortgage-payment deferral (where the mortgage lender permits the customer to make reduced payments of any amount) for up to (a further) three monthly payments, based on what the customer considers they can then afford to repay, provided that such request for an extension is made prior to October 31, 2020 and further provided that no such mortgage-payment deferral or extension to any initial payment deferral; granted pursuant to the FCA guidance extends beyond January 31, 2021. A mortgage lender may not depart from this unless it can demonstrate that such a mortgage-payment deferral is obviously not in the customer's best interests and a different option is more appropriate. The effect of this is that mortgage lenders could be required to give certain customers mortgage-payment deferral of up to 6 monthly payments.

Interest will continue to accrue on the sum temporarily unpaid as the result of a mortgage-payment deferral, however no additional fee or charge may be levied. Any such sums which are temporarily unpaid as a result of such mortgage-payment deferral will not constitute arrears and will not be reported as such to Noteholders.

As discussed above at "*Mortgage Repossession*," the FCA Covid-19 Guidance provides that firms should not commence or continue repossession proceedings against customers before January 31, 2021 and should not enforce a possession order already obtained.

The FCA makes clear in the FCA Covid-19 Guidance that it expects lenders of both owner-occupied and buy to let mortgage loans to act in a manner consistent with the guidance.

On July 31, 2020, the FCA published Call for input: Ongoing support for consumers affected by coronavirus: mortgages and consumer credit. The call for input consulted credit providers, mortgage providers and consumer groups on further measures to support consumer credit customers facing temporary payment difficulties as a result of Covid-19 who have been given second deferrals that end from the beginning of September. The FCA requested input on extending these reliefs past October 31, 2020.

On September 14, 2020, the FCA published FS20/14 Mortgages and coronavirus: Additional guidance for firms—Feedback on draft guidance. FS20/14 supplements the guidance given in June and will remain in force after that guidance was due to expire on 31 October. It sets out the FCA's expectation for firms to extend more tailored support to customers who are either newly affected by coronavirus or have previously benefitted from the temporary support measures, including payment deferrals, included in earlier guidance. FS20/14 emphasizes the need for firms to consider a full range of forbearance options appropriate for each customer's financial circumstances, and to engage and treat customers fairly, especially those who are vulnerable or approaching the end of payment deferral periods. While FS20/14 confirms that firms may carry out repossession of property after the expiry of the grace period for consumers under the FCA's guidance, which was expected to expire on October 31, 2020, they should do so only when all other reasonable resolutions have failed and should generally not do so when a customer may be affected by local lockdowns or the need to self-isolate. Firms should also review their systems and policies to ensure that there is sufficient oversight of matters within the scope FS20/14, as well as ensuring they are in alignment with fair customer outcomes.

On November 17, 2020, the FCA published Mortgages and Coronavirus: Payment Deferral Guidance, which provides that lenders should allow borrowers up to six payment deferrals, provided that no payment deferrals last beyond July 31, 2021 and no new payment deferrals are made after March 31, 2021. Existing payment deferrals may be extended beyond March 31, 2021, provided that the deferral is continuous, does not go beyond July 31, 2020 and the customer's total deferral does not exceed six months. When a customer benefits from a payment deferral, firms should not report worsening credit status on the customer's credit file. The FCA stated that firms should apply the guidance before November 20, 2020. Additionally, the guidance provides that where a customer faced financial difficulties between the expiry of the guidance in FS20/14 on October 31, 2020 and November 20, 2020, firms must assess whether the treatment the customer has received or will receive is equally or more favourable to the treatment they would receive under Mortgages and Coronavirus: Payment Deferral Guidance, and if it is not, to take reasonable steps to contact the customer and provide support under that guidance.

On November 17, 2020, the FCA published Mortgages and Coronavirus: Tailored Support Guidance, which applies to customers who are experiencing difficulty making repayments and are not receiving support under Mortgages and Coronavirus: Payment Deferral Guidance, in particular those who have already had the maximum deferral period. Mortgages and Coronavirus: Tailored Support Guidance provides that firms should not enforce or seek repossession, absent exceptional circumstances such as the borrower's consent, prior to January 31, 2020. However, firms may commence or continue litigation up to and including a possession order, provided they do not seek or exercise a warrant for possession or a warrant of restitution before this date, except where exceptional circumstances apply. Any such litigation must take into account the lender's wider regulatory obligations regarding the treatment of its customers, as well as the support discussed below

Mortgages and Coronavirus: Tailored Support Guidance recommends various ways to ensure that firms treat customers fairly when exiting a deferral period, including by considering forbearance options and allowing the customer to request the full range of support. Firms that offer forbearance options to customers should have written policies considering the type of forbearance options they will offer, how they will direct customers to the appropriate option and the types of customers for which each option is suitable. Firms are urged to consider the appropriateness of forbearance measures, in particular when dealing with customers with second-charge mortgages for whom forbearance may result in debt escalating. Additionally, where amounts accrued during the deferral period amount to a payment shortfall under MCOB 13, a firm should not repossess without the customer's consent as a result of such shortfall unless the customer is unreasonably refusing to engage with the firm in relation to addressing the payment shortfall.

On July 15, 2020 the FCA published FS20/11: Further support for consumers impacted by coronavirus: feedback on draft guidance and rules (motor finance and high-cost credit products). FS20/11 provided further consumer credit support for motor finance, buy-now pay-later, rent-to-own, high-cost short-term credit (HCSTC) and pawn-broking customers, beyond the more general measures brought in response to the economic effects of Covid-19. The new rules provide that (i) where a customer is having difficulty making payments, firms should support them by freezing or reducing payments to an affordable level; (ii) customers can request a payment freeze up to October 31, 2020 (or for HCSTC customers, once until October 31, 2020); (iii) a ban on repossessions shall continue until January 31, 2020; and (iv) reliefs claimed under FS20/11 shall not have a negative impact on customers' credit files.

On September 30, 2020 the FCA published Final Guidance: Consumer credit and Coronavirus: Additional Guidance for Firms, which came into force on October 2, 2020. This Final Guidance provides protections for consumers affected by the expiry of the protections contained in FS20/11. The Final Guidance provides that where consumers are considered to be in arrears under FCA Consumer Credit sourcebook 7 at the expiry of the deferral period, firms should contact customers explaining that deferred amounts will be included in future arrears on their account and that no negative credit status has been reported. However, firms must be reminded of their duty to treat customers fairly and the fact that the arrears arose in exceptional circumstances and by agreement. Firms should continue to make efforts to reach an agreement with each customer and to avoid taking possession actions until all forbearance options have been considered and exhausted. If the firm does take possession actions, it should be mindful of any local lockdowns or any requirement for customers to self-isolate as a result of Covid-19 exposure. Additionally, firms should make explicit provisions in their arrears policies to address arrears relating to deferrals under FS20/11. The Final Guidance also reminds firms of their duties under FCA Consumer Credit sourcebook 5 and FCA Consumer Credit sourcebook 6 when refinancing. When a customer is refinancing, they should be given sufficient information to consider other options, including whether interest waivers may be available, the general forbearance options under the Final Guidance and other guidance relating to Covid-19, the impact on their credit report and any charges they would incur. The Final Guidance also provides that normal credit reporting should resume, but that where a customer agrees to repay any deferred amounts, this should not be reported as an arrangement. Where no agreement to make repayment is reached and a missed payment is reported, firms are still expected to work with customers to rectify the negative impact on their credit status, usually within one payment period. Where customers expect to have difficulties paying beyond October 31, 2020, and regardless of whether they have previously benefitted from one, two or no deferrals, the FCA expects firms to continue to use a variety of short and long-term forbearance options and to treat customers fairly with a view to achieving various outcomes: customers must be given sustainable arrangements, not be pressured into repaying debt within an unreasonably short timeframe, be protected from escalating debt, be given time to consider their options and, if necessary, to seek debt support, and be referred to debt support if appropriate. Firms must also recognize and respond to the particular needs of vulnerable customers. Firms are reminded to ensure that new staff that are required to meet additional customer support requirements are properly trained and that the uptick in activity is met with additional prompt quality assurance measures. The senior manager responsible for providing support to customers should also thoroughly review the firm's procedures and policies to ensure they are sufficient to provide that support to customers.

On November 17, 2020 the FCA published Finalised Guidance: Motor finance agreements and coronavirus: Payment Deferral Guidance. This Finalised Guidance provides that firms should permit a customer facing difficulties in paying under a motor finance agreement up to six payment deferrals, provided that no payment deferrals last beyond July 31, 2021 and no new payment deferrals are made after March 31, 2021. When a customer benefits from a payment deferral, firms should not report worsening credit status on the customer's credit file.

Additionally, on November 17, 2020, the FCA published Consumer credit and Coronavirus: Updated Additional Guidance for Firms ("Updated Additional Guidance"), which supplements Finalised Guidance: Motor finance agreements and coronavirus: Payment Deferral Guidance and other Finalised Guidance relating to consumer credit, and which updates Final Guidance: Consumer credit and Coronavirus: Additional Guidance for Firms. The Updated Additional Guidance provides that when customers have had two payment deferrals and are still having difficulties making repayments or have had one payment deferral, firms should, when the deferred amounts constitute arrears for the purposes of CONC 7, communicate that fact to the customer and make reasonable efforts to reach an agreement with the customer as part of wider forbearance offered by the firm, and not start action against the customer until these efforts have been exhausted. When proposing refinancing to a customer, firms must comply with CONC 5 and CONC 6, give customers enough information to consider alternative options to refinancing, and consider whether refinancing is against the customer's best interests. Firms are expected to resume credit file reporting after deferral periods expire and are expected to explain the impact of forbearance on customers' credit files to customers to whom forbearance options are offered. Additionally, firms should not, save exceptional circumstances, initiate repossession proceedings prior to January 31, 2021.

Additionally, on November 19, 2020, the FCA published Tailored Support Guidance, which applies to customers who are experiencing difficulty making repayments who are not receiving support under Final Guidance: Consumer credit and Coronavirus: Additional Guidance for Firms in the form of deferrals, in particular those who have already had the maximum deferral period. The Tailored Support Guidance recommends various ways to ensure that firms treat customers fairly when exiting a deferral period, including by considering forbearance options and allowing the customer to request the full range of support. Firms that offer forbearance options to customers should have written policies considering the type of forbearance options they will offer, how they will direct customers to the appropriate option and the types of customers for which each option is suitable. Firms are expected to resume credit file reporting after deferral periods expire and are expected to explain the impact of forbearance on customers' credit files to customers to whom forbearance options are offered. Additionally, firms are expected to signpost appropriate debt advice and general money-management help to customers who are exiting a deferral period. Firms should not, save for in exceptional circumstances, commence proceedings to repossess goods or vehicles prior to January 31, 2021.

Regulation of Residential Mortgages

FSMA and its secondary legislation regulate residential mortgages in the UK. 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 that is covered by the General Prohibition. See "*Regulation—FCA Regime*."

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 and BFL 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 document to replace the previous key fact illustration document, 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 document 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 or the UK, 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 led to a change in the regulatory regime of pre-2004 first charge loans that were regulated by the CCA (see "*—Regulatory Framework*"). The UK 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 Directive 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. 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 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 various factors including the borrower's net income, expenses and credit commitments and other committed expenditures. 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). 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 SMEs. 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 taxpayers. The interest cover ratio is then increased proportionately for those incurring tax at the higher and additional rates. 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. On July 23, 2020, the FCA published the second phase of their consultation on best practice guidance for managing consumer vulnerability (GC20/3). GC20/3 includes feedback from firms, trade bodies and consumer groups who provided feedback following the first phase of consultation (GC19/3) which was released in July 2019. The draft proposed guidance aims to provide a framework that allows all firms to accurately assess whether they are treating vulnerable consumers fairly, ensuring consistency across the financial services sector. The aim of the guidance is to ensure that vulnerable consumers experience outcomes as good as those for other consumers and receive consistently fair treatment across the sectors regulated by the FCA. For these purposes, a vulnerable consumer is defined as someone who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care. The guidance is relevant to all firms involved in the supply of products and services to retail customers who are natural persons, even if they do not have a direct client relationship with the customers. In GC19/3 the FCA set out a distinction between 'actually vulnerable' and 'potentially vulnerable' consumers. This was to flag up that there are consumers who may not be vulnerable at this point in time, but that firms will need to take particular account of them because they are at greater risk of harm than others. Respondents to the consultation questioned the distinction between actual and potential vulnerability. It caused some firms to think about 3 distinct groups of consumers who were actually vulnerable, potentially vulnerable and not vulnerable, which was not the intention of the FCA. As a result of the feedback, the FCA have altered their approach and think it may be easier for firms to consider vulnerability as a spectrum of risk. Beyond GC19/3 and GC20/3, the FCA's 2020/21 Business Plan emphasizes protecting the most vulnerable in society. It notes that the protection of vulnerable customers has particular relevance in three of its priority areas: firstly, the protection of vulnerable customers must be considered by the FCA in how it responds to Covid-19. Secondly, when intervening in consumer credit markets, the FCA will act to ensure customers can find suitable products, do not become overly indebted, can access credit to meet unexpected costs and can take control of their debt promptly. All of these considerations may affect vulnerable customers more than others. Thirdly, the FCA seeks to ensure that customers benefit from the digitization of financial services, and ensuring that vulnerable customers are not excluded from this and are not targeted with inappropriate products.

Breathing Space

On July 14, 2020, following an initial proposal made in August 2019, HM Treasury published The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations

2020. The regulations, which are expected to come into force on May 4, 2021, provide for qualifying individuals who take professional debt advice to benefit from a 60-day moratorium. During the moratorium period, a creditor is prevented from: requiring the individual to pay interest accruing on debt subject to the moratorium; requiring the individual to pay any penalties, charges or fees in relation to debt accumulating during the moratorium; taking any enforcement action, including attempting to collect debt; and instructing an agent to carry out any of the aforementioned steps. The regulations also require debt proceedings that are already in progress in relation to moratorium debt to be stayed. Secured debts, but not non-capitalized arrears, are excluded from the regulations. Therefore, mortgage customers will benefit from the moratorium in relation to their arrears, but will still be obliged to make mortgage repayments during the moratorium. A moratorium is also available to individuals receiving mental health crisis treatment, such as when they are detained under the Mental Health Act 1983.

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 Consumer Credit Act 1974 (as amended and/or supplemented from time to time, 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 installment 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 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 fourteenth 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 installments (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 Homeowner 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.

The FCA Covid-19 Guidance, as defined in "Mortgages and Coronavirus: Payment Deferral Guidance" below, provides that firms should not commence or continue repossession proceedings against customers before January 31, 2021, irrespective of the stage that repossession proceedings have reached and of any steps taken in pursuit of repossession. Where a possession order has already been obtained, the FCA Covid-19 Guidance states that firms should refrain from enforcing it. The only exception to delaying proceedings is where a customer has specifically requested that the repossession proceedings continue.

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 levy 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 personal data that we collect and retain*" and "*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.*"

We have prepared for the impact of Brexit on the group's data protection compliance requirements and have determined that the group is not required to appoint a European Representative for the purposes of its data processing activities.

The recent ruling issued by the Court of Justice of the European Union ("CJEU") on July 16, 2020 invalidated the EU-US Privacy Shield and upheld the validity of Standard Contractual Clauses ("SCCs"). Guidance by the European Data Protection Board ("EDPB") applicable to UK controllers clarified that a company transferring personal data to a person or company based outside of the EU by way of SCCs must verify, prior to any data transfer, considering all circumstances of such transfer, whether the level of data protection guaranteed to such person or company outside of the EU is essentially equivalent to the level of data protection such person or company would be guaranteed by the GDPR if it was based in the EU. The CJEU found that U.S. law does not ensure an essentially equivalent level of protection. Therefore, the lawfulness of any transfer of personal data to the U.S. on the basis of SCCs depends on a case-by-case analysis of the circumstances surrounding the personal data transfer and any supplementary measures put in place. The group has implemented measures allowing it to identify arrangements that involve the transference of data between the UK and the EU, the U.S. and any other third country, so that the group can agree SCCs that ensure the lawfulness of any transfer of personal data to persons or companies based outside of the EU or the UK, and to assess the circumstances of the relevant data transfer.

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 United Kingdom will also depend on the future relationship between the United Kingdom and the European Union, which has not been conclusively defined yet in this respect through the Trade and Cooperation Agreement.

Industry Bodies

TPFL is a member of UK Finance (which has assumed the industry standard making activities of the Council of Mortgage Lenders) and of the Finance Leasing Association BFL and Spot Finance Limited are no longer members of the FLA. TPFL complies with the relevant standards set out by these organizations.

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, year of birth 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
Gary D. Beckett	1969	Director
Marc R. Goldberg	1971	Director
Henry N. Moser	1949	Director

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 Officer 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 Group Board in 2011.

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.

Group Board

The operational affairs of the group are managed by the Group Board which is 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, years of birth and titles of the members of the Group Board, as of the date of this offering memorandum.

Name	Year of birth	Title
Wayne Bowser	1952	Independent Non-Executive Director
Robert M. McTighe	1953	Independent Non-Executive Director and Chairman
Joseph M. Shaoul	1940	Independent Non-Executive Director
Peter S. Ball	1968	Personal Finance Chief Executive Officer
Gary D. Beckett	1969	Group Managing Director and Chief Treasury Officer
Marcus J.J.R. Golby	1970	Group Chief Operating Officer
Marc R. Goldberg	1971	Commercial Finance Chief Executive Officer
Gerald Grimes	1964	Group CEO Designate
Henry N. Moser	1949	Group Chief Executive Officer

The following is biographical information for each member of the Group Board who does not serve on the Board of Directors of the Issuer.

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.

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 was 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.

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.

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.

Gerald Grimes joined Together in April 2020, as Group CEO Designate, and was appointed to the Board in May 2020. Gerald has over 30 years of financial services experience having held senior executive and consultancy roles in a number of organizations including Barclays, GE Capital, The Funding Corporation, Hitachi Capital and, most recently, PCF Bank. In addition, he serves in an advisory role with the FCA Small Business Practitioner Board and previously served as a director of the board and chairman of the Finance and Leasing Association and as a member of the Bank of England Advisory Board.

Senior Management of the Company

The following table sets forth the names, years of birth 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
Peter S. Ball	1968	Personal Finance Chief Executive Officer
Gary D. Beckett	1969	Group Managing Director and Chief Treasury Officer
Simon Carter	1961	Information Technology Director
Kevin G. A. Fisher	1959	Group People Director
Marcus J.J.R. Golby	1970	Group Chief Operating Officer
Marc R. Goldberg	1971	Commercial Finance Chief Executive Officer
Gerald Grimes	1964	Group CEO Designate
Steve Miller	1963	Group Chief Risk Officer
Henry N. Moser	1949	Group Chief Executive Officer
Paul A. Wilson	1971	Finance Director, Personal Finance
Chris Adams	1986	Interim Group Finance Director
Andrew J. Wicken	1966	Chief Operating 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.

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. As Mr. Carter intends to enter retirement, we are currently in an advanced stage of appointing a new IT Director as his replacement.

Kevin G. A. Fisher joined Together Financial Services in 2010 as Interim HR Director and was appointed Director of Human Resources in 2011. Mr. Fisher assumed the role of Group People Director in December 2020. 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.

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.

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 is a Qualified Chartered Accountant.

Chris Adams was promoted to the interim position of Group Finance Director following the departure of John Lowe as Group Finance Director in September 2020, Mr. Adams joined Together Financial Services in 2017 overseeing Group financial control, tax and external reporting before assuming his current role. Mr. Adams trained as a chartered accountant with Deloitte and has 13 years of experience in financial services and banking. Mr. Adams has worked with a range of organizations with roles covering accounting and finance, prudential regulation and risk management in both the UK and Australia.

Andrew J. Wicken joined Together Financial Services in January 2021 as Chief Operating Officer of Together Personal Finance Limited. Mr. Wicken previously held a variety of Executive roles at HomeServe, a FTSE 100

Home Services business, where he served as Managing Director from May 2018 to August 2019 and People Director for the three preceding years. Prior to his time at HomeServe, he gained over 20 years' experience in financial services and telecommunication, including through senior roles at Barclays, Orange and First Direct. He holds business leadership qualifications from the University of Chicago Business School.

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 independent non-executive directors to support the respective Boards of Directors of the various companies in the group. 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. All companies within the division have common directors, which we refer to as the Personal Finance Board.

In preparation for the move to the SM&CR regime, we 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, previously independent non-executive director and Chair of the Personal Finance Board stepped down and was replaced with Richard J. Gregory. See "*Regulation—Senior Managers and Certification Regime ("SM&CR")*" and "*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 following table sets forth the names, years of birth and titles of the members of the Board of Directors of TPFL, BFL and Spot Finance Limited (collectively referred to as "Personal Finance Board") as of the date of this offering memorandum.

Name	Year of birth	Title
Elizabeth A. Blythe	1966	Independent Non-Executive Director
Richard J. Gregory	1954	Independent Non-Executive Director and Chair
John E. Hooper	1961	Independent Non-Executive Director
Peter S. Ball.	1968	Personal Finance Chief Executive Officer
Gary D. Beckett	1969	Shareholder Non-Executive Director
Paul A. Wilson	1971	Finance Director, Personal Finance

The following is biographical information for each member of the Personal Finance Board who does not serve on the Board of Directors of the Issuer or the Group Board and is not a member of the senior management of the Company.

Elizabeth A. Blythe was appointed in September 2019 as an independent non-executive director on the Personal Finance Board and is Chair of the Audit Committee for the Personal Finance division. Mrs. Blythe joined 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 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 and was appointed to the Boards of Investment

Bank, Peel Hunt LLP, Car Care Plan Holdings Limited, Car Care Plan Limited and Motor Insurance Company Limited in 2020. Mrs. Blythe. is also a qualified Chartered Accountant.

Richard J. Gregory OBE was appointed in January 2019 as independent non-executive director and Chair of the Personal Finance Board. Mr. Gregory has 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 and joined the Board of Places for People Group Limited in November 2020. 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.

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. 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. Mr. Hooper is also Chair of the Risk Committee for the Together Personal Finance division.

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
Wayne Bowser	1952	Independent Non-Executive Director
Robert M. McTighe	1953	Independent Non-Executive Director and Chair
Gary D. Beckett	1969	Group Managing Director and Chief Treasury Officer
Marc R. Goldberg	1971	Commercial Finance Chief Executive Officer
Gerald Grimes	1964	Group CEO Designate
Henry N. Moser	1949	Group Chief Executive Officer

Group Board

The Group Board is responsible for setting risk appetite and for setting and overseeing delivery of our strategy within that risk appetite. The Group Board 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 Group Board meets a minimum of six times during the year.

The Group Board delegates specific powers for certain matters to committees. All committees of the Group Board operate within defined terms of reference and sufficient resources are made available to them to undertake their duties.

Committees of the Group Board

Audit Committee

Our Audit Committee is comprised of Mr. McTighe and Mr. Shaoul and is chaired by Mr. Bowser. Mr. Grimes, Mr. Beckett and Mr. Adams 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 and progress on completion of audit actions. 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. Grimes, Mr. Beckett, Mr. Goldberg, Mr. Ball and Mr. Golby are regular attendees of the Risk Committee, along with the Chief Risk 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 Group Board 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 Governance and Oversight*."

Remuneration & Nomination Committee

Our Remuneration & Nomination Committee is comprised of Mr. Shaoul and Mr. Bowser and is chaired by Mr. McTighe. Mr. Moser, Mr. Grimes, 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 Group Board 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 Group Board and the committees of the Group Board. 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 Group Chief Executive Officer and the chairman of the Group Board. The remuneration of the chairman of the Group Board is a matter for the Group 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 Group Board after each meeting on matters within its duties and responsibilities. In addition, the committee makes recommendations to the Group Board 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 "*—Group Board*," "*—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, 2020 was £8.3 million.

Share Ownership

Henry Moser, our Group Chief Executive Officer, controls directly or indirectly 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. The scheme accrues over a six-year period with payments made at two-year intervals, assuming we have met the agreed milestones in 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 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 Henry Moser.

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 owned 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. On March 9, 2020, all shares held by the D.L. Moser 1995 Family Settlement No. 1 Trust were transferred to Henry Moser, making him the sole owner and controlling party of the group.

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 limited liability partnership controlled by Henry Moser, 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, 2020, rent and services fees charged to us by Bracken House Properties LLP amounted to £1,415,236. £1,440,663 was paid to Bracken House Properties LLP in respect of that period (comprising £1,045,702 in respect of Lake View, £369,534 in respect of No. 1 Lakeside and £25,427 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, 2020, 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 any potential borrowers to whom we cannot lend, for various reasons, including for those who fall 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. 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 Sales*.” For the year ended June 30, 2020, property management fees paid by us to Sterling Property Co. Limited amounted to £18,211.

The Blemain Finance Pension Fund

The Blemain Finance Pension Fund, of which Henry Moser, our Group 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, 2020, such loans, which were all originated prior to 2008, represented 0.1% of our total loan assets. In addition, as of June 30, 2020, 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 the 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 2026 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 2026 and is interest free. Concurrently with the Offering, it is intended that the maturity date of the Other Shareholder Indebtedness Intercompany Loan and the Shareholder Loan Notes Repayment Intercompany Loan be extended to September 2027.

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 £21.2 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

2026 Notes

General

On February 10, 2020, the Issuer issued £435.0 million 4⅞% Senior Secured Notes due 2026 (the "2026 Notes"). The offering was not subject to the registration requirements of the U.S. Securities Act. The 2026 Notes are governed by an indenture entered into by, *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.

Maturity and Interest

The 2026 Notes mature on January 15, 2026. The 2026 Notes bear interest at a rate of 4.875% per annum and the Issuer pays interest on the 2026 Notes semi-annually in arrears on January 15 and July 15 of each year.

Ranking

The 2026 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 2026 Notes. The 2026 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 2026 Notes.

The 2026 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 "2026 Notes Subsidiary Guarantors" and, together with the Company, the "2026 Notes Guarantors"). The guarantees rank senior in right of payment to the respective 2026 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 2026 Notes Guarantor's existing and future debt that is not so subordinated, including such 2026 Notes Guarantor's obligations under the Revolving Credit Facility.

Subject to the terms of the Intercreditor Agreement (as defined below), secured indebtedness up to an amount equal to 15% 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 2026 Notes with respect to any proceedings received upon any enforcement action over the collateral.

The 2026 Notes are secured by first-priority fixed and floating security interests in:

- all of the issued capital stock in the Issuer and each 2026 Notes Subsidiary Guarantor; and
- substantially all of the existing and future property and assets of the Issuer and the 2026 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 and excluding assets of the Securitizations.

The 2026 Notes are also secured by an assignment of the rights under the 2026 Notes Proceeds Loan from the Issuer to the Company with respect to the proceeds of the 2026 Notes. The 2026 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, 2022:

- the Issuer may redeem some or all of the 2026 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 2026 Notes at 104.875% plus accrued and unpaid interest with the proceeds of certain equity offerings, provided that at least 50% of the aggregate principal amount of the 2026 Notes remains outstanding.

The Issuer may redeem the 2026 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 2026 Notes. If the Issuer decides to exercise such redemption right, it must pay a price equal to 100% of the principal amount of the 2026 Notes plus interest and additional amounts, if any, to the date of redemption.

On or after January 15, 2022, the Issuer may redeem some or all of the 2026 Notes at 102.43750% of the principal amount plus accrued and unpaid interest, if any. On or after January 15, 2023, the Issuer may redeem some or all of the 2026 Notes at 101.21875% of the principal amount plus accrued and unpaid interest, if any. On or after January 15, 2024, the Issuer may redeem some or all of the 2026 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 2026 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 2026 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 2026 Notes at 100% of the maximum principal amount that may be purchased, repaid or redeemed out of the Excess Proceeds (as defined in the 2026 Notes Indenture).

Dividends

Under the terms of the 2026 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 10, 2020; 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 LTM EBITDA (as defined in the 2026 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 (as defined in the 2026 Notes Indenture) has occurred and is continuing or would occur as a consequence of such dividend or similar payment pursuant to the 2026 Notes Indenture; or
- pursuant to customary carve outs, including a "general basket" of up to £50.0 million.

Events of Default

The 2026 Notes Indenture contains customary events of default, including, without limitation, payment defaults, incurrence covenant defaults, breach of other obligations set forth in the 2026 Notes Indenture, the Intercreditor Agreement (as defined below) or any security document with respect to the 2026 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 2026 Notes being found to be unenforceable or invalid, breach of any material representation or warranty or agreement in the security documents securing the 2026 Notes or the unenforceability of the security documents securing the 2026 Notes (in each case, 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 2026 Notes becoming due and payable or, with respect to certain other events of default, would allow noteholders to declare the 2026 Notes due and payable.

Covenants

The 2026 Notes Indenture contains covenants for the benefit of the holders of the 2026 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 2026 Notes.

These limitations are, however, subject to a number of important qualifications and exceptions. If the 2026 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 the Senior PIK Toggle Notes (the "PIK Notes") with an initial principal amount of £350.0 million, which was increased to £368.2 million following the payment of PIK Interest in April 2020. 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 2026 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 2026 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, as amended and restated on April 27, 2018, and as amended and restated pursuant to an amendment and restatement agreement dated September 18, 2020 (the "2020 Restatement") 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 October 2020, 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 the date of this offering memorandum, the Revolving Credit Facility is undrawn. The Revolving Credit Facility expires on June 15, 2023. 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 of any of our high yield senior secured notes (the "High Yield Senior Secured Debt") or liabilities under and in respect of our Pari Passu Liability Finance Documents (as defined in the Intercreditor Agreement) ("Pari Passu Liability Debt")).

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, The Royal Bank of Scotland plc (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) an event treated as a change of control (under either the Revolving Credit Facility or the Senior Secured Notes) occurs 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 guarantees any High Yield Senior Secured Debt or any Pari Passu Liability Debt, and their respective successors and assigns, in each case, until such guarantee is released in accordance with the provisions of the applicable documents, and secured by charges over the collateral securing the High Yield Senior Secured Debt or Pari Passu Liability Debt (as applicable).

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 high yield senior secured notes (including the 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 IFRS 9 (net of any stage 3 provisions (but not stage 1 and 2 provisions) and excluding any such principal amounts held by a guarantor or borrower under any qualified securitization financing) is equal to or less than 85% 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 or redeem (or otherwise retire for value) any High Yield Senior Secured Debt or Pari Passu Liability Debt (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 High Yield Senior Secured Debt and Pari Passu Liability Debt repaid, prepaid, purchased, defeased or redeemed (or otherwise retired for value) since the restatement date of the 2020 Restatement (other than from the proceeds of High Yield Senior Secured Debt and Pari Passu Liability Debt) is 50% or less of the aggregate principal amount of such High Yield Senior Secured Debt and Pari Passu Liability Debt 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 High Yield Senior Secured Debt and Pari Passu Liability Debt on the restatement date of the 2020 Restatement, 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 Intercreditor Agreement (as 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, NatWest Markets 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 September 18, 2020, 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 the other Senior Secured Notes, collectively, the "High Yield Senior Secured Notes"), and those party to any indentures or other documents governing such High Yield Senior Secured Notes; (iii) the finance parties in our Pari Passu Liability Finance Documents; (iv) the lenders under our overdraft arrangements; (v) the hedge counterparties to our hedging arrangements; and (vi) the creditors of our Subordinated Debt (including intercompany 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, finance parties and hedge counterparties referred to in (i) to (v) above being the "Priority Creditors" and the indebtedness owing to those Priority Creditors under the documents referred to in (i) to (v) 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 the Priority Debt (as defined above); and
- second, all other debt, including the Noteholder Debt, Investor Debt and Intercompany Debt (each as defined in the Intercreditor Agreement and which collectively includes the Subordinated Shareholder Funding) and any debt owing by an obligor to MidCo2 under or in connection with a Parent Loan Document (as defined in the Intercreditor Agreement) ("Parent Debt") (collectively, "Subordinated Debt"), is subordinated in right and priority of payment.

The Intercreditor Agreement provides that the liabilities in respect of the Revolving Credit Facility (or any replacement or additional credit facility) up to the Super Senior Debt Limit and the liabilities in respect of all Hedging Debt (together, the "Super Senior Debt"), will receive priority in respect of the proceeds from any Distressed Disposal 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, High Yield Senior Secured Finance Document, Pari Passu Liability Finance Document, Hedging Document and Overdraft Document (together, the "Secured Documents") will:

- rank as security for the Priority Debts, pari passu among themselves, irrespective of the order of execution, creation, registration, notice, enforcement or otherwise; and
- secure the Priority Debts, *pari passu* among themselves, irrespective of:
  - the date on which the Priority Debts arose;

- whether a Senior Finance Party, Overdraft Lender or Hedging Bank (each as defined in the Intercreditor Agreement) is obliged to advance any Priority Debt; or
- any fluctuation in the amount, or any intermediate discharge in whole or in part, of any Priority 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, any High Yield Senior Secured Debt (including the 2026 Notes), and any Pari Passu Liability Debt in accordance with their respective governing documents.

Members of our group may make payments in respect of our Overdraft Debt, 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 Debt, 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 Senior Facility Debt, the High Yield Senior Secured Debt, the Pari Passu Liability Debt, the Overdraft Debt and the Hedging Debt (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, Revolving Credit Facility, any Pari Passu Liability Primary Document and the Intercreditor Agreement (as applicable).

Until the Senior Discharge Date and subject to certain restrictions, members of our group may make certain payments in respect of our Intercompany Debt, in accordance with the terms of the Revolving Credit Facility, any indenture governing any High Yield Senior Secured Debt (including the Indenture) and any Pari Passu Liability Primary Document, so long as certain defaults have not occurred and to the extent that such payment is not prohibited by any terms of the Indenture, Revolving Credit Facility or any Pari Passu Liability Primary 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 Pari Passu Liability Debt, the High Yield Senior Secured Debt or Overdraft 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, any Pari Passu

Liability Debt, any Overdraft Debt and the Hedging Debt 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 Debt (the "Majority Super Senior Creditors"), or (ii) creditors representing at least 50% of the aggregate principal amount of (A) the High Yield Senior Secured Notes, (B) the Senior Facility Debt (but excluding any such credit participants as will be counted towards the Super Senior Debt), (C) the Pari Passu Liability Debt, and (D) the Overdraft Debt, voting as a single block (the "Majority Pari Passu Creditors"). If the Majority Super Senior Creditors or the Majority Pari Passu Creditors wish to instruct the Security Agent to commence enforcement of any Transaction Security, the Senior Agent, Pari Passu Liability Representative or High Yield Senior Secured 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 ten business days unless: (i) the Majority Super Senior Creditors and the Majority Pari Passu Creditors otherwise agree; (ii) there is an absence of conflicting enforcement instructions; (iii) an Insolvency Event has occurred; or (iv) the Creditor Representative(s) 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 (as defined below) 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 (as defined below).
- 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 Creditors where such security enforcement instructions are in accordance with the Security Enforcement Principles (as defined below).
- If under either of the bullet points above, the Security Agent is required to act on the instructions of the Majority Pari Passu Creditors and either (i) enforcement has not commenced within 6 months of the date of the proposed enforcement instructions; or (ii) the Super Senior Debt has not been irrevocably discharged and repaid in full within 6 months of the date of the proposed enforcement notice, 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 Creditors provided that such instructions are consistent with the Security Enforcement Principles (as defined below).
- If under the first bullet point above, the Security Agent is required to act on the instructions of the Majority Super Senior Creditors and either (i) enforcement has not commenced within 6 months of the date of the proposed enforcement instructions; or (ii) the High Yield Senior Secured Debt or the Pari Passu Liability Debt 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 High Yield Senior Secured Trustee, the Security Agent may, upon receipt of a written notice from the High Yield Senior Secured Trustee, act on the enforcement instructions of the Majority Pari Passu Creditors provided that such instructions are consistent with the Security Enforcement Principles (as defined below).

If the Majority Super Senior Creditors or the Majority Pari Passu Creditors (each acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the Security Enforcement Principles (as defined below), the Creditor Representative for such Majority Super Senior Creditors or Majority Pari Passu Creditors 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 security enforcement principles (the "Security Enforcement Principles") 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 Revolving Credit Facility, any High Yield Senior Secured Debt, the Pari Passu Liability Debt, the Overdraft Debt and the Hedging Debt (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 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 Debt is repaid and discharged in full in cash or cash equivalents (unless the Majority Super Senior Creditors 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 and a Pari Passu Liability Trustee (each 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 Senior Security Documents or the Intercreditor Agreement; and

- any unpaid fees, costs, expenses and liabilities (including any interest thereon as provided in the documents governing any High Yield Senior Secured Debt, the Pari Passu Liability Debt or in any documents governing any other Priority Debt) incurred by or on behalf of the trustee or creditor representative under any document governing any High Yield Senior Secured Debt, any Pari Passu Liability Debt or 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, such Pari Passu Liability 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 Debt, on a *pari passu* basis as between themselves; and
    - second, in or towards payment of all Priority Debt, other than Super Senior Debt and the Hedging Debt, 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 Debt, 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, 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) 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, then 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 set forth above under "*—Application of Amounts Recovered*"; 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.

In addition, the Intercreditor Agreement provides that if any New Senior Security Document (as defined in the Intercreditor Agreement) creates Transaction Security of the same nature and in favor of the same Secured

Parties as any previously granted and continuing Transaction Security (such security being “Historic Transaction Security”) and if (i) two years (or, if longer, the applicable hardening period) have elapsed since the date of the New Senior Security Document, and (ii) the Company requires the release of the Historic Transaction Security and notifies the Security Agent in writing, then a release of Historic Transaction Security is permitted and the Security Agent shall promptly enter into any release and/or other document and take any action to effect such release of the relevant Historic Transaction Security.

Amendments

Until the Senior Discharge Date, no amendments are permitted under the documents governing the Overdraft Debt or Hedging Debt to the extent such amendments would conflict with the provisions of the Intercreditor Agreement and no amendments are permitted under the documents governing any Noteholder Debt, Parent Debt or any Investor Debt to the extent such amendment would adversely affect the holders of the Priority Debt or the ranking and/or subordination contemplated by the Intercreditor Agreement.

Governing Law

The Intercreditor Agreement is governed by English law.

Securitizations

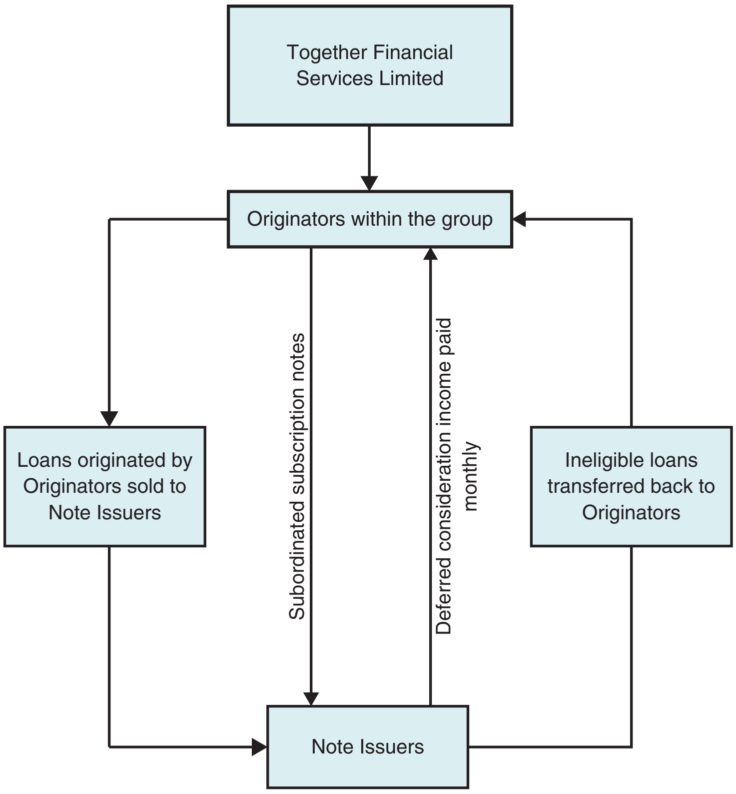
Since 2007, we have funded our business, in part, through securitization transactions. Our Securitizations currently consist of our Conduit Securitizations (the CABS Securitization, the LABS Securitization, the DABS 2 Securitization and the HABS Securitization) and our Term Securitizations (the TABS 1 Securitization, the TABS 2 Securitization, the TABS 3 Securitization and the TABS 4 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. The aggregate principal amount of notes outstanding under the Term Securitizations can vary because of ongoing payments made by borrowers in respect of the loans held by the Term Securitization SPVs.

Charles Street ABS, Lakeside ABS, Together ABS 1, Highfield ABS, Together ABS 2, Delta ABS 2, Together ABS 3 and Together ABS 4 (following July 16, 2020), 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, Together ABS 3 and Together ABS 4 (following July 16, 2020) 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, Together ABS 3, Together ABS 4 (following July 16, 2020) 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/asset managers, 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 mortgage loans sold to the Conduit Securitizations are pooled into “collection accounts” of the relevant originators 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/asset managers (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 May 28, 2020, waivers and an amendment and restatement agreement were executed by, *inter alios,* Charles Street ABS and the originators, servicers and note purchasers under the CABS Securitization, each in respect of certain documents under the CABS Securitization to prevent technical breaches to the CABS Securitization in light of the granting of Mortgage-Payment Deferrals following guidance from the UK Government in March 2020. On September 3, 2020, such waivers were amended and restated, and a further amendment and restatement agreement was entered into, each in respect of certain documents under the CABS Securitization, to prevent technical breaches relating to the CABS Securitization following updated guidance issued by the UK Government in May 2020 to extend the period for granting Mortgage-Payment Deferrals to October 31, 2020. See "*Summary—Recent Developments—Mortgage-Payment Deferrals*."

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 May 22, 2020, waivers were executed by, *inter alios,* Lakeside ABS and the originators, servicers and note purchasers under the LABS Securitization in respect of certain documents under the LABS Securitization to prevent technical breaches relating to the LABS Securitization in light of the granting of Mortgage-Payment Deferrals following guidance from the UK Government in March 2020. On August 19, 2020, such waivers were amended and restated, and an amendment and restatement agreement was entered into, each in respect of certain documents under the LABS Securitization to prevent technical breaches relating to the LABS Securitization following updated guidance issued by the UK Government in May 2020 to extend the period for granting Mortgage-Payment Deferrals to October 31, 2020. See "*Summary—Recent Developments—Mortgage-Payment Deferrals*."

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 May 18, 2020, waivers were executed by, *inter alios,* Delta ABS 2 and the originators, servicers and note purchasers under the DABS Securitization in respect of certain documents under the DABS Securitization to prevent technical breaches relating to the DABS 2 Securitization in light of the granting of Mortgage-Payment Deferrals following guidance from the UK Government in March 2020. On June 19, 2020, such waivers were amended and restated to prevent technical breaches relating to a number of loan assets following updated guidance issued by the UK Government in May 2020 to extend the period for granting Mortgage-Payment Deferrals to October 31, 2020. See "*Summary—Recent Developments—Mortgage-Payment Deferrals*."

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). On May 22, 2020, waivers were executed by, *inter alios,* Highfield ABS and the originators, servicers and note purchasers under the HABS Securitization in respect of certain documents under the HABS Securitization to prevent technical breaches relating to the HABS Securitization in light of the granting of Mortgage-Payment Deferrals following guidance from the UK Government in March 2020. On July 2, 2020, such waivers were amended and restated to prevent technical breaches relating to the HABS Securitization following updated guidance issued by the UK Government in May 2020 to extend the period for granting Mortgage-Payment Deferrals to October 31, 2020. See "*Summary—Recent Developments—Mortgage-Payment Deferrals*."

The various agreements comprising the Conduit Securitizations are governed by English law (or Scots law, as applicable).

The special purpose vehicles established for the purposes of the Conduit Securitizations are limited recourse 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, 2020 (unless specified otherwise). The table does not reflect the effect of the temporary waivers obtained in respect of the Conduit Securitizations. See "*—Conduit Securitizations*" and "*Summary—Recent Developments—Our Sources of Funding*."

Securitization	CABS	LABS	DABS 2	HABS
Structure[(1)]	• Class A1 and Class A2 Notes: Natwest Markets, Barclays, Lloyds, HSBC, BNPP and Natixis • Class B and Class C Notes: 5 institutional investors/asset managers • Subordinated Notes: Originators within the group	• Senior Notes: Lloyds, Natixis, HSBC, Natwest Markets and BNP Paribas • 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 • £839.6 million issued	• £500.0 million facility size • £265.0 million issued	• £200.0 million facility size • £165.0 million issued	• £525.0 million facility size • £410.0 million issued
Subordinated notes balance	• £123.4 million	• £72.6 million	• £33.6 million	• £93.2 million
Maturity[(2)]	• 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	• £926.6 million	• £313.6 million	• £182.9 million	• £484.6 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[(3)]	• Delinquency rate (arrears >1m) 7.46% • Rolling 3-month average default rate 0.45%	• Delinquency rate (arrears >1m) 3.63% • Rolling 3-month average default rate 0.42%	• Delinquency rate (arrears >1m) 5.33% • Rolling 3-month average default rate 1.88%	• Delinquency rate (arrears >1m) 3.80% • Rolling 3-month average default rate 0.43%
Excess spread and subordinated debt interest (LTM)	• Average monthly excess spread of £5.6 million • Average monthly subordinated debt interest of £0.3 million	• Average monthly excess spread of £2.3 million • Average monthly subordinated debt interest of £0.1 million	• Average monthly excess spread £1.4 million • Average monthly subordinated debt interest £0.1 million	• Average monthly excess spread of £2.5 million • Average monthly subordinated debt interest of £0.2 million[(2)]

(1) Certain affiliates of the listed financial institutions purchase notes issued under the relevant Conduit Securitizations.

(2) The notes issued under the Conduit Securitizations, as relevant, will begin to amortize from the end of their revolving period until their maturity date.

(3) Delinquency rate includes technical arrears. We define delinquency as being where the relevant loan is more than one month in arrears. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis.*"

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, or institutional investors/asset managers), 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. The table does not reflect the effect of the temporary waivers obtained in respect of the Conduit Securitizations. See "*—Conduit Securitizations*" and "*Summary—Recent Developments—Our Sources of Funding*."

Securitization	CABS	LABS	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 £2.25million; • 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	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. This does not reflect the effect of the temporary waivers obtained in respect of the Conduit Securitizations. See "*—Conduit Securitizations*" and "*Summary—Recent Developments—Our Sources of Funding*."

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 (see "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*"), 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, 2020 for the years ended June 30, 2018, 2019 and 2020, as indicated below.

	For the year ended June 30,		
	2018	2019	2020
	(£ millions, unless otherwise indicated)		
Principal Balance of defaulted loans transferred	46.7	30.8	42.1
Percentage of average loan balances held by Charles Street ABS during the period	4.3%	2.6%	3.3%
Status as of September 30, 2020			
Performing loans	12.6	12.8	12.9
Non-performing arrears loans	5.9	3.2	11.6
Repossession and LPA Sales	0.7	1.9	8.8
Principal Balance of defaulted loans remaining live(1)	**19.2**	**17.9**	**33.3**
% of Principal Balance of defaulted loans transferred remaining live(1)	41.1%	58.0%	79.0%
Net loan balance (after allowances for impairment) of defaulted loans remaining live(1)	20.0	18.0	31.8
Allowances for impairment	1.0	0.7	2.7
Weighted average indexed LTV(2)	51.7%	51.9%	55.9%

(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, 2020. The net loan balance (after allowances for impairment) represents the amount of such loans as of September 30, 2020 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, 2020.

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, 2020, for the years ended June 30, 2018, 2019 and 2020, as indicated below.

	For the year ended June 30,		
	2018	2019	2020
Principal Balance of defaulted loans transferred	14.2	24.2	25.2
Percentage of average loan balances held by Lakeside ABS during the period	6.3%	10.0%	8.4%
Status as of September 30, 2020			
Performing loans	3.2	4.7	7.4
Non-performing arrears loans	2.2	3.1	1.5
Repossession and LPA Sales	0.2	0.5	6.0
Principal Balance of defaulted loans remaining live(1)	**5.6**	**8.3**	**14.9**
% of which are of the Principal Balance of defaulted loans transferred remaining live(1)	39.5%	34.1%	58.9%
Net loan balance (after allowances for impairment) of defaulted loans remaining live(1)	5.7	7.7	14.4
Allowances for impairment	0.5	1.2	2.1
Weighted average indexed LTV(2)	54.7%	53.6%	58.6%

(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, 2020. The net loan balance (after allowances for impairment) represents the amount of such loans as of September 30, 2020 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, 2020.

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 as of September 30, 2020, in the years ended June 30, 2018, 2019 and 2020, as indicated below.

	DABS 1		DABS 2	
	For the year ended June 30, 2018	Period from July 1, 2018 to March 2019	Period from March 2019 to June 30, 2019	For the year ended June 30, 2020
Principal Balance of defaulted loans transferred	8.6	2.4	0.1	11.8
Percentage of average loan balances held by Delta ABS during the period	9.0%	2.3%	0.1%	5.5%
Status as of September 30, 2020				
Performing loans	1.8	—	—	8.6
Non-performing arrears loans	0.0	0.3	—	0.1
Repossession and LPA Sales	—	—	—	2.2
Principal Balance of defaulted loans remaining live(1)	**1.8**	**0.3**	**—**	**10.9**
% of which are of the Principal Balance of defaulted loans transferred remaining live(1)	21.2%	12.6%	—	92.7%
Net loan balance (after allowances for impairment) of defaulted loans remaining live(1)	1.4	0.3	—	10.1
Allowances for impairment	2.3	0.0	—	1.8
Weighted average indexed LTV(2)	64.2%	46.2%	—	49.2%

(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, 2020. The net loan balance (after allowances for impairment) represents the amount of such loans as of September 30, 2020 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, 2020.

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 as of September 30, 2020, for the years ended June 30, 2019 and 2020, 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	For the year ended June 30, 2020
Principal Balance of defaulted loans transferred	16.1	22.7
Percentage of average loan balances held by Highfield ABS during the period	5.1%	5.0%
Status as of September 30, 2020		
Performing loans	5.5	13.0
Non-performing arrears loans	0.3	4.5
Repossession and LPA Sales	3.5	1.0
Principal Balances of defaulted loans transferred remaining live	**9.2**	**18.5**
% of which are of the Principal Balance of defaulted loans transferred remaining live(1)	57.3%	81.4%
Net loan balance (after allowances for impairment) of defaulted loans remaining live(1)	7.9	17.9
Allowances for impairment	0.4	0.9
Weighted average indexed LTV(2)	47.2%	47.5%

(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, 2020. The net loan balance (after allowances for impairment) represents the amount of such loans as of September 30, 2020 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, 2020.

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, or institutional investors/asset managers), 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.

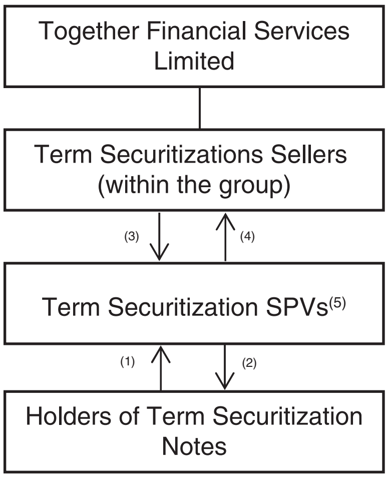
Hedging

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 (and amended and/or restated from time to time, including on May 29, 2020 and July 23, 2020), a portion of the notional amount of which was subsequently terminated in connection with the repurchase and re-transfer of certain mortgage loans concurrent with the closing of each of the TABS 3 Securitization and the TABS 4 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, the TABS 3 Securitization and TABS 4 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, Together ABS 3 and Together ABS 4 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, Together ABS 3 or Together ABS 4 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.

On July 23, 2020, we entered into a series of agreements (the "TABS 4 Securitization") related to a securitization vehicle, Together Asset Backed Securitisation 2020-1 plc ("Together ABS 4"), 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 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,*" "*TABS 3 Securitization Notes*" and "*TABS 4 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:

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)
Class D	11.0	100%	7.0%	3.96	Three Month LIBOR	2.4% per annum	3.4% per annum	(sf) 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 September 30, 2020, £113.9 million of Rated TABS 1 Notes were outstanding, with a principal balance of assets of £128.9 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:

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)
Class E								
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, 2020, £168.4 million of Rated TABS 2 Notes were outstanding, with a principal balance of assets of £182.7 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:

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. As of September 30, 2020, £278.6 million of Rated TABS 3 Notes were outstanding, with a principal balance of assets of £295.3 million. 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.

TABS 4 Securitization Notes:

As part of the TABS 4 Securitization, to fund the purchase of the relevant mortgages, Together ABS 4 issued eight different classes of notes (together, the "TABS 4 Notes") and residual certificates with the following characteristics on July 23, 2020:

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 4 Notes								
Class A	290.97	100	20.5%	3.70	Compounded Daily SONIA	1.45% per annum	2.90% per annum	Aaa(sf)/ AAA(sf)
Class B	23.79	100	6.5%	3.88	Compounded Daily SONIA	2.25% per annum	3.25% per annum	Aa2(sf)/ AA+(sf)
Class C	14.64	100	4.0%	3.88	Compounded Daily SONIA	2.75% per annum	3.75% per annum	A3(sf)/ AA(sf)
Class D	9.15	100	2.5%	3.88	Compounded Daily SONIA	3.75% per annum	4.75% per annum	Baa3(sf)/ A+(sf)
Class E	9.15	100	2.5%	3.88	Compounded Daily SONIA	5.00% per annum	6.00% per annum	Ba2(sf)/ A(sf)
Class X	12.81	100	N/A	N/A	Compounded Daily SONIA	5.25% per annum	5.25% per annum	B1(sf)/ BB(sf)
Other TABS 4 Notes								
Class R	10.988	100	N/A	N/A	N/A	N/A	N/A	Not Rated
Class Z	18.331	100	5.0%	N/A	N/A	N/A	N/A	Not Rated
Total	**389.829**	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 3.16% reserve fund balance, which can be used as credit enhancement before an enforcement event.

(2) Based on 0.0% CPR and call option exercised in full on the optional redemption date (the interest payment date falling in June 2024).

The final maturity date for the Class A, Class B, Class C, Class D, Class E, Class X, Class R and Class Z notes issued under the TABS 4 Securitization is the interest payment date falling in December 2061. As of September 30, 2020, £348.3 million of Rated TABS 4 Notes (including £9.8 million of Class X notes) were outstanding, with a principal balance of assets of £356.8 million. The optional redemption call date for the Rated TABS 4 Notes is the interest payment date falling in June 2024, 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. Together ABS 4 has paid to the TABS 4 Securitization sellers the initial gross purchase price of £366.0 million, the X notes of £12.8 million, representing an advance of the excess spread, and deferred consideration consisting of residual payments based on any amounts generated by the loans sold to Together ABS 4 in excess of the amounts payable under the priority of payments as described in the TABS 4 Securitization mortgage sale agreement.

Under the mortgage sale agreements, legal title to the mortgage loans and their collateral security remains with each relevant 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, the TABS 3 Securitization and the TABS 4 Securitization, as set out in the relevant loan warranties, are outlined below:

Securitization	TABS 1	TABS 2	TABS 3	TABS 4
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	• 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	• 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	• 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,	• 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[(2)]; each mortgage loan was originated on or after October 1,

Securitization	TABS 1	TABS 2	TABS 3	TABS 4
	registered limited companies; and no mortgage loan is a self-certified mortgage loan	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	2018; all borrowers are individuals or UK incorporated registered limited companies; and no mortgage loan is a self-certified mortgage loan	2017; 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.

(2) For the avoidance of doubt, mortgage loans granted a Mortgage-Payment Deferral are not treated as "in arrears" or further ("in arrears") or subject to a debt restructuring process.

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 by the servicers of the 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 and under the TABS 4 Securitization pursuant to an interest rate swap entered into on July 23, 2020. The hedging in place relates only to certain fixed rate mortgage loans under the TABS 2 Securitization, the TABS 3 Securitization and the TABS 4 Securitization, as applicable (and not to any other mortgage loans of the Borrower Group).

DESCRIPTION OF NOTES

Jerrold FinCo plc (the "**Issuer**") will issue £450.0 million aggregate principal amount of % Senior Secured Notes due 2027 (the "**Notes**") under an indenture, to be dated as of , 2021 (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 description does not restate those agreements in their entirety. The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement. The terms of the Intercreditor Agreement are important in order to understand the relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees and the payment waterfall for amounts received by the Security Agent. See "*Description of Other Indebtedness—Intercreditor Agreement*." 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, *inter alia*, the 2024 Notes, the 2026 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 (if any) 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, *inter alia*, Indebtedness incurred under the 2024 Notes, the 2026 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, 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 and any Qualified Securitization Financings entered into in the future;
- 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 and any Qualified Securitization Financings entered into in the future.

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, 2020, we would have had approximately £205 million "restricted payment" capacity under the "build-up basket" under the Indenture, the 2024 Notes Indenture, the 2026 Notes Indenture and the Revolving Facility Agreement. On October 9, 2020, the Company paid a dividend of £26.4 million to Bracken Midco2 Limited and, in turn, to Bracken Midco1 plc to, among other things, fund the cash interest payment on the 2023 PIK Notes with respect to the October 15, 2020 interest payment date. 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, *inter alia*, the 2024 Notes, its guarantee of the 2026 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 (if any) 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, *inter alia*, its obligations under its guarantee of the 2024 Notes, its guarantee of the 2026 Notes, its guarantee of 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 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, 2020, the Issuer and the Guarantors on an aggregate basis 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 of the Existing Qualified Securitization Financings is a special purpose securitization orphan company used in connection with the relevant Existing Qualified Securitization Financing, and none of such 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 £450.0 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 , 2027.

Interest on the Notes will accrue at the rate of % per annum. Interest on the Notes will be payable semi-annually in arrears on and , commencing on , 2021 (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 and 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 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. While 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 automatically and unconditionally terminated, released and discharged:

(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 accordance with the Intercreditor Agreement or any Additional 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;

(9) in connection with a Permitted Reorganization; or

(10) with respect to any Guarantor (other than the Company), in connection with a solvent liquidation of such Guarantor pursuant to which, following the solvent liquidation, substantially all of the assets of such Guarantor are owned by the Company or any other Guarantor.

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 2026 Notes, the Revolving Credit Facility, certain Hedging Obligations and certain other 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, *inter alia*, the 2024 Notes and the 2026 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, the 2024 Notes Proceeds Loan and the 2026 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, 2026 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. 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 2026 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 accordance with the Intercreditor Agreement or any Additional 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;

(10) in the case of any security interests over intra-group receivables (if any), upon partial repayment or discharge thereof, the security interests created over such receivables will be automatically reduced in proportion to such partial repayment or discharge and, upon full repayment or discharge thereof, the security interests shall be automatically and fully released and of no further effect; or

(11) as otherwise permitted in accordance with the Indenture and the Security Documents;

provided, however, that the Company shall have the right, in its sole discretion, by written notice to the Trustee and the Security Agent delivered prior to the automatic release and discharge of any Lien as specified above, to (A) waive such automatic release and discharge of such Lien and maintain such Lien in effect until such time as the Company shall instruct and direct the Trustee to instruct the Security Agent in writing to release and discharge such Lien or (B) elect that the release of such Lien shall not occur automatically as contemplated by this paragraph but shall occur at such other time or times, in such manner and order and upon the occurrence of such other events as shall be specified by the Company in such notice to the Trustee and the Security Agent; provided further that nothing in this clause (B) shall allow the Company to require the release and discharge of any Lien prior to (unless such release and discharge is to occur substantially concurrently with) the occurrence of the applicable event(s) set forth in clauses (1) through (11) above providing for the release and discharge thereof (and the Trustee, at the request of the Company and the Security Agent, at the request of the Trustee, shall execute and deliver any document requested by the Company to effect and evidence the release and discharge of such Lien). Any release and discharge of a Lien on any Collateral under this paragraph may be evidenced, at the Company's option, by the delivery by the Company to the Trustee and the Security Agent of an Officer's Certificate, and the Trustee and the Security Agent shall, at the Company's request, acknowledge and confirm receipt of such certificate.

Each of the releases set forth above shall occur automatically without the consent of the Holders, and without any action on the part of the Security Agent or the Trustee (unless action is required by it to give effect to such release). If such action is necessary, 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, the Intercreditor Agreement, any Additional Intercreditor Agreement 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 2026 Notes, the Revolving Credit Facility, certain pari passu liability arrangements (if any), certain Hedging Obligations (if any) and Deeply Subordinated Shareholder Indebtedness, the Issuer, each Guarantor, the agent under the Revolving Credit Facility, the 2024 Notes Trustee, the 2026 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 2026 Notes, the Revolving Credit Facility, certain overdraft arrangements, certain pari passu liability arrangements (if any) and certain Hedging Obligations (if any) 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 herein 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 (if any). 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 2026 Notes, the Revolving Credit Facility, other priority obligations in relation to certain overdraft arrangements, certain pari passu liability arrangements (if any) and certain Hedging Obligations (if any). 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, *inter alia*, the 2024 Notes and the 2026 Notes). 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 , 2023, 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 % 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 , 2023, 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 , 2023.

On or after , 2023, 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 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
2023	%
2024	%
2025 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 both the 2024 Notes and the 2026 Notes under the terms of the 2024 Notes Indenture and the 2026 Notes Indenture, respectively, 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 either a definitive agreement is in place providing for the Change of Control or an offer or other transaction that the Issuer believes would more likely than not result in a Change of Control at the time the Change of Control Offer is made. If such notice is delivered prior to the occurrence of a Change of Control, such notice may state that the Change of Control Offer and/or the Change of Control payment is conditional upon the occurrence of such Change of Control and, in the Company's sole discretion, the Change of Control payment may be delayed until such time (including more than 60 days after the notice is sent) as the Change of Control shall be completed.

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 £53.0 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 and the 2026 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

(7) 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 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 of the Company or any Deeply Subordinated Shareholder Indebtedness except:

   (a) dividends or distributions payable in Capital Stock of the Company (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and

   (b) dividends or distributions payable to the Company or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Company or another Restricted Subsidiary on no more than a pro rata basis, measured by value);

(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 prepayment, 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 prepayment, 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 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 (in each case, 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) £265.0 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, the 2026 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), 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 or consistent with past practice 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 or consistent with past practice, 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 consistent with past practice or in respect of any governmental requirement in the ordinary course of business or consistent with past practice; (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 consistent with past practice 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 or consistent with past practice; and (d) 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 consistent with past practice; 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 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 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 or consistent with past practice 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 or consistent with past practice;

(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 or consistent with past practice 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 or consistent with past practice; *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 £10.0 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. Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant.

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 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:

    (a) the Fair Market Value of such assets at the date of determination; and

    (b) 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 rateable *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 Guarantor, 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 Guarantor; 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 (in the reasonable determination of 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 2026 Notes Indenture, the 2026 Notes, the guarantees of the 2026 Notes, the Revolving Credit Facility, the Intercreditor Agreement, any Additional Intercreditor Agreement, the Security Documents and the Existing Qualified Securitization Financings;

(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 (in the reasonable determination of 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 (in the reasonable determination of the Company);

(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 or consistent with past practice;

(7) purchase money obligations for property acquired in the ordinary course of business or consistent with past practice 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 (in the reasonable determination of 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 or consistent with past practice (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 or consistent with past practice;

(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 (in the reasonable determination of 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: 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) in the event an Affiliate Transaction or series of related Affiliate Transactions involves an aggregate consideration in excess of £15.0 million, the terms of such Affiliate Transaction or series of related transactions have been approved by a resolution of the majority of the members of the Board of Directors of the Company resolving that such Affiliate Transaction or series of transactions complies with clause (1) above.

Any Affiliate Transaction shall be deemed to have satisfied the requirements set forth in clause (2) of this paragraph if such Affiliate Transaction is approved by a majority of the Disinterested Directors of the Company, if any.

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 or consistent with past practice;

(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 (including under customary insurance policies) 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 or consistent with past practice 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); (b) any risk or liability for the officers, directors or shareholders of such Restricted Subsidiary; (c) any significant cost, expense, liability or obligation other than reasonable out-of-pocket expenses; or (d) any inconsistency with the Intercreditor Agreement or any Additional Intercreditor Agreement.

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 or any Additional Intercreditor Agreement; (b) the Company and its Restricted Subsidiaries may incur Permitted Collateral Liens;(c) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, error or inconsistency therein; (d) the Company or any Restricted Subsidiary may discharge and release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization; and (e) the Security Interests, and the related Security Documents may be (A) amended, extended, renewed, restated, supplemented or otherwise modified or released followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets or (B) otherwise amended, extended, renewed, restarted, supplemented or otherwise modified in any manner that does not materially adversely affect the holders of the Notes; *provided*, 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, 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, the 2026 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, the 2024 Notes and the 2026 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), the 2024 Notes and the 2026 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 as reasonably determined by the Issuer.

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 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 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.

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, 2021 (or such additional period solely to the extent reflecting any temporary dispensation permitted by the FCA as if the Company were a listed company that is required to comply with DTR 4.1), 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, 2020 (or such additional period solely to the extent reflecting any temporary dispensation permitted by the FCA as if the Company were a listed company that is required to comply with DTR 4.2 (as applicable, *mutatis mutandis*, to quarterly reports)), 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 30% 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 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) 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 or any Additional 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); and

(9) other than on a solvent basis, 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 30% 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 30% 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 Default or Event of Default which is continuing 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 30% 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 contractual 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 on or after the due dates 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;

(11) to make any amendment to the provisions of the Indenture relating to the transfer and legending of the Notes as permitted by the Indenture; including to facilitate the issuance and administration of the

Notes; provided that (i) compliance with the Indenture as so amended would not result in the Notes being transferred in violation of the Securities Act or any other applicable securities law and (ii) such amendment does not adversely affect the rights of the holders of Notes to transfer the Notes in any material respect;

(12) to make any amendment of an administrative or ministerial nature to the provisions of the Indenture, the Notes, the Intercreditor Agreement or any Additional Intercreditor Agreement or security Document to facilitate a Permitted Reorganization; or

(13) 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 may be Incurred under the Indenture by the Issuer or any Restricted Subsidiary 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 Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement; (4) further secure the Notes (including Additional Notes); (5) make provisions for equal and rateable pledges of the Collateral to secure Additional Notes; (6) implement any Permitted Collateral Liens or to facilitate any Permitted Reorganization; (7) amend the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof; (8) 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*"; or (9) 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 the Intercreditor Agreement and any 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 the Intercreditor Agreement, any 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 Director 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 87/8% / 103/8 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 61/8% Senior Secured Notes due 2024 issued by the Issuer on February 22, 2017 together with the £150.0 million aggregate principal amount of additional 61/8% 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.

"**2026 Notes**" means the £435.0 million aggregate principal amount of 47/8% Senior Secured Notes due 2024 issued by the Issuer on February 10, 2020 pursuant to the 2026 Notes Indenture.

"**2026 Notes Indenture**" means the Indenture, dated as of February 10, 2020, 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.

"**2026 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 offering of the 2026 Notes, pursuant to the 2026 Notes Proceeds Loan Agreement.

"**2026 Notes Proceeds Loan Agreement**" means the loan agreement made as of February 10, 2020 by and between the Company, as borrower, and the Issuer, as lender.

"**2026 Notes Trustee**" means the trustee under the 2026 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 , 2023 (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 , 2023 (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 £17.5 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 or consistent with past practice 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 consistent with past practice 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 or consistent with past practice;

(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 Securitisation 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 the Issuer (except to the extent such liquidation, dissolution or adoption would constitute an Event of Default);

(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.

For the purposes of determining "Consolidated EBITDA," pro forma effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Senior Secured Non-Securitization Leverage Ratio.

"**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 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, 2026 Notes, 2026 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 (in the reasonable determination of 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 (in the reasonable determination of the Company) 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 the reasonable determination of 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 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 (for the avoidance of doubt, such pro forma calculation shall not give any effect to (i) Indebtedness incurred on the Calculation Date pursuant to provisions described in the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" (other than with respect to any Indebtedness that is Incurred under the Consolidated Senior Secured Non-Securitization Leverage Ratio pursuant to clause (14) of the second paragraph under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*") 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*").

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.

"**Disinterested Director**" means, with respect to any Affiliate Transaction, a member of the Board of Directors having no material direct or indirect financial interest in or with respect to such Affiliate Transaction. A member of the Board of Directors shall be deemed not to have such a financial interest by reason of such member's holding Capital Stock of the Issuer or any options, warrants or other rights in respect of such Capital Stock.

"**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 or consistent with past practice; 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 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) or Deeply Subordinated Shareholder Funding of the Company,

in each case, designated as "Excluded Contributions" pursuant to an Officer's Certificate, 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, TABS 3 and TABS 4 under the CABS Securitization, the LABS Securitization, the DABS 2 Securitization, the HABS Securitization, the TABS 1 Securitization, the TABS 2 Securitization, the TABS 3 Securitization and the TABS 4 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 , 2023; *provided*, however, that if the period from such redemption date to , 2023 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 September 18, 2020, 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 or consistent with past practice), advances or capital contributions (excluding commission, travel and similar advances to officers and employees made in the ordinary course of business or consistent with past practice), 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 , 2021.

"**LABS**" means Lakeside Asset Backed Securitisation 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" and "Consolidated EBITDA."

"**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 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,

(2) U.S. Exchange Act or the respective rules and regulations promulgated thereunder;

(3) 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;

(4) obligations of any Parent Holdco in respect of director and officer insurance (including premiums therefor);

(5) fees and expenses payable by any Parent Holdco in connection with the 2016 Exit Transactions;

(6) 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;

(7) 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;

(8) expenses incurred by any Parent Holdco in connection with any Public Equity Offering or other sale of Capital Stock or Indebtedness: where the net proceeds of such offering or sale are intended to be received by or contributed to the Company or a Restricted Subsidiary; 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 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; and

(9) any income taxes, to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided*, however, that the amount of such payments in any fiscal year do not exceed the amount that the Company and its Subsidiaries would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Company and its Subsidiaries.

"**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—Incurrence of Indebtedness and Issuance of Preferred Stock*" 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 of the second paragraph of the covenant described under "*—Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" 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) and the 2026 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.

For purposes of determining compliance with this definition, in the event that a Lien meets the criteria of more than one of the categories of Permitted Collateral Liens described in clause (1) and (8) above, the Company will be permitted to classify such Lien on the date of its Incurrence and reclassify such Lien at any time and in any manner that complies with this definition.

"**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: such Person becomes a Restricted Subsidiary; or 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 or consistent with past practice, 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 or consistent with past practice;

(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, the 2026 Notes and any additional notes related thereto and any other Indebtedness of the Company or any Restricted Subsidiary and Investments pursuant to the Proceeds Loan, the 2024 Notes Proceeds Loan and the 2026 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 £102.5 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 or consistent with past practice (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 or consistent with past practice;

(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;

(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 or consistent with past practice;

(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 or consistent with past practice;

(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 or consistent with past practice; 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 or consistent with past practice 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 or consistent with past practice;

(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 or consistent with past practice;

(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 or consistent with past practice;

(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 or consistent with past practice; *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 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 or consistent with past practice (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 business or consistent with past practice 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 £26.5 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, cost and expenses, including premiums, interest or required tax-gross-ups, incurred in connection therewith);

(2) 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 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 (ignoring for the purpose of assessing such equivalency any hardening periods (or any similar or equivalent concept));

(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 the 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; and

(4) no Default is continuing or would arise as a result of such Reorganization.

"**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 (in the reasonable determination of the Company).

"**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 (in the reasonable determination of 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 (in the reasonable determination of 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, TABS 4 or other transferees of such accounts receivable and related assets) except to a limited extent customary for such transactions.

"**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, civil partners, children and other descendants) of any Permitted Holder;

(2) in the case of an individual, any spouse (or former spouse), civil partner (or former civil partner), family member or relative of such individual, any trust or partnership for the benefit of one or more such individual and any such spouse, civil partner, 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, *inter alia*, the Company, as borrower, and The Royal Bank of Scotland plc, as 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 or consistent with past practice 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, TABS 4 or any other subsidiary or special purpose vehicle through which a Qualified Securitization Financing is operated.

"**Security Agent**" means NatWest Markets PLC, as security agent pursuant to the Intercreditor Agreement, or any successor or replacement security agent acting in such capacity.

"**Security Documents**" means the security agreements, pledge agreements, collateral assignments, and 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, creating the security interests in the Collateral as contemplated by the Indenture.

"**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, which, for the avoidance of doubt, shall not include any Securitization Subsidiary.

"**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 Securitisation 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 Securitisation 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 Securitisation 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.

"**TABS 4**" means Together Asset Backed Securitisation 2020-1 PLC.

"**TABS 4 Securitization**" means the series of agreements entered on or about July 23, 2020, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the trust deed, entered into by, among others, TABS 4, 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.

"**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 listing on the Official List of the Exchange and to trading on the Global Exchange Market thereof. 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.

If applicable, the following legend will be included: ORIGINAL ISSUE DISCOUNT. THE NOTES HAVE BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT FOR U.S. FEDERAL INCOME TAX PURPOSES ("OID"). THE ISSUE PRICE, THE AMOUNT OF OID, THE ISSUE DATE AND THE YIELD TO MATURITY MAY BE OBTAINED BY CONTACTING THE PAYING AGENT.

(1) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(2) 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.

(3) 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.

(4) 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 in the European Economic Area. 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.

Each person located in the United Kingdom 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 these purposes, a retail investor means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

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. References to "interest" refer to interest as that term is understood for UK tax purposes. The UK tax treatment of holders of Notes depends on their individual circumstances and may be subject to change in the future. 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

Payments by the Issuer

Interest on the Notes will be payable by the Issuer without withholding or deduction for or on account of UK income tax provided the Notes carry a right to interest and are and remain listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "ITA"). The Exchange is a recognised stock exchange for these purposes. Securities such as the Notes will be treated as listed on the Exchange for this purpose if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the Exchange.

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 in respect of relief under an applicable double taxation treaty).

Payments by a 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.

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, a holder of Notes (other than certain trustees) who is not resident for tax purposes in the United Kingdom who receives interest with a UK source without withholding or deduction for or on account of UK income tax will not be liable for UK tax 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.

UK Corporation Taxpayers

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 Taxpayers

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, see "*—Taxation of Discount*."

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, holders of the Notes who liable to UK income tax in respect of those Notes will be subject to UK income tax on any gain made on the sale or other disposal (including redemption) of the relevant Notes (notwithstanding that they are not subject to any tax on chargeable gains). 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

No UK stamp duty or stamp duty reserve tax 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. Other than the discussion of FATCA below, 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 impact of federal alternative minimum tax or the Medicare tax on net investment income, and does not address the special situations that may apply to particular holders including, but not limited to, tax-exempt entities, 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, holders of 2024 Notes, 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, U.S. holders 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 of 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 (as defined in the section "*Description of Notes—Additional Notes*") 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.

Original issue discount

The Notes may be issued with original issue discount ("OID") for U.S. federal income tax purposes. In such an event, U.S. holders generally will be required to include such OID in gross income as ordinary interest income for U.S. federal income tax purposes as it accrues on a constant yield to maturity basis regardless of their regular method of accounting for U.S. federal income tax purposes. As a result, U.S. holders will generally include any OID in income in advance of the receipt of cash attributable to such OID.

The Notes will be treated as issued with OID if the stated principal amount of the Notes exceeds the issue price of the Notes (as defined above) by an amount equal to or greater than a statutorily defined de minimis amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date).

In the event that the Notes are issued with OID, the amount of OID includible in income by a U.S. holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such U.S. holder holds the Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity," determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period generally is equal to its issue price, increased by the accrued OID for each prior accrual period. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

OID, if any, will constitute income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income. OID, if any, on the Notes will be determined for any accrual period in pounds sterling and then translated into U.S. dollars in accordance with either of the two alternative methods described above in the third paragraph under "—Payments of Stated Interest."

A U.S. holder will recognize exchange gain or loss when OID is paid (including, upon the disposition of a Note, the receipt of proceeds that include amounts attributable to OID previously included in income) to the extent of the difference, if any, between the U.S. dollar value of the pounds sterling payment received (translated at the spot rate of exchange on the date such payment is received) and the U.S. dollar value of the accrued OID, as determined in the manner described above. For these purposes, all receipts on a Note other than stated interest will be viewed first, as receipts of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first; and second, as receipts of principal. Any such 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.

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 and any accrued OID) 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 (including accrued OID, if any) 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 Citigroup Global Markets Limited, Goldman Sachs International, Barclays Bank PLC, Credit Suisse Securities (Europe) Limited, 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
Citigroup Global Markets Limited	£
Goldman Sachs International	£
Barclays Bank PLC	£
Credit Suisse Securities (Europe) Limited	£
HSBC Bank plc	£
J.P. Morgan Securities plc	£
Total	£450,000,000

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."

EEA

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 Regulation (EU) 2017/1129 (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. 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 (as defined in the paragraph above) 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.

UK

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 Notes referred to herein in the UK will be made pursuant to an exemption under the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "UK 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 the UK 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 UK 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 any of the initial purchasers to publish a prospectus for such offer.

The Notes described in the preliminary 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 UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK 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 (as defined in the paragraph above) in the UK. 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 any relevant initial purchaser that considers itself a manufacturer pursuant to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "UK MiFIR Product Governance Rules") (each a "UK Manufacturer" and, together, the "UK Manufacturers"), the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("COBS"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("UK MiFIR"); 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 "UK distributor") should take into consideration the UK Manufacturers' target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the UK 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. Application will be made through our listing agent to the Exchange for the Notes to be admitted to listing on the Official List and to trading 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, Citigroup Global Markets 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 the Exchange.

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 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 + "). 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 on the next business day 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. In addition, certain of the initial purchasers are lenders under the Revolving Credit Facility, holders of the 2024 Notes, holders of the 2026 Notes and note purchasers or lenders or arrangers under certain of our Securitizations, including the CABS Securitization. The proceeds from the offering of the Notes will be used, in part, to reduce the drawn balances under the CABS Securitization.

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 AUDITORS

The consolidated financial statements of Together Financial Services as of and for the years ended June 30, 2018 and 2019, prepared in accordance with IFRS as adopted by the European Union included in this offering memorandum have been audited by Deloitte LLP, independent auditor, as stated in their reports included in this offering memorandum

The consolidated financial statements of Together Financial Services Limited as of and for the year ended June 30, 2020, prepared in accordance with IFRS included elsewhere in this offering memorandum have been audited by Ernst & Young LLP, independent auditor, as stated in their report included elsewhere in this offering memorandum.

The independent auditors' reports for Together Financial Services Limited for the years ended June 30, 2018, 2019 and 2020 are included on pages F-190, F-132 and F-57, 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.

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 admitted to the Official List of the Exchange and to trading on the Global Exchange Market thereof and the rules of the Exchange so require, copies of such information, the organizational documents of the Issuer and each Guarantor, the most recent 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. Although the Issuer and the Guarantors will agree to accept service of process in the United States in relation to certain transaction documents by an agent designated for such purpose, it may not be possible for investors: (i) to effect service of process in the United States upon the Issuer or the Guarantors or their respective directors and officers or (ii) to enforce against either the Issuer or the Guarantors or their respective directors and officers, judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal or state 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. To the extent that recognition and enforcement is necessary elsewhere, you should consult with your own advisers in any relevant jurisdictions.

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 (or a non-US court) between the same parties; and
- the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England and Wales 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 and Wales. 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 through our listing agent to The Irish Stock Exchange plc (trading as Euronext Dublin) (the "Exchange") for the Notes to be admitted to listing on the Official List and to 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 admitted to listing on the Official List of the Exchange and to trading on the Global Exchange Market thereof, 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 twelve 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.

The auditors of Together Financial Services Limited for the year ended June 30, 2020 were Ernst & Young LLP, which is a member firm of the Institute of Chartered Accountants in England and Wales. 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, 2020. Except as disclosed in this offering memorandum, there has been no material adverse change in our financial or trading position since June 30, 2020.

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		
Regulation S Global Notes		

Issuer and Guarantor Information

All subsidiaries of the Company other than the Issuer and certain dormant and non-material subsidiaries are Subsidiary Guarantors. The Securitization Vehicles will not guarantee the Notes. The group's audited consolidated financial statements include both guarantor and non- guarantor companies. As of and for the twelve months ended September 30, 2020, the Issuer had EBITDA of £(0.2) million, representing (0.1)% of our consolidated EBITDA (consolidated EBITDA was £237.6 million) and total assets of £19.5 million, representing 0.4% of our consolidated total assets (consolidated total assets were £4.3 billion) and the Guarantors had EBITDA of £237.6 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 2020. These financial statements are prepared for Together Financial Services Limited and its subsidiaries, trading as Together (the Group).

Business review

Key performance indicators

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 nature of the Group's activities, though the Covid-19 pandemic will impact the Group's operations and results.

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 2020.

	As at 30 September 2020	As at 30 September 2019	As at 30 June 2020
Loans and advances to customers (£m)	4,000.8	3,878.4	4,162.2
Shareholder funds (£m)[1]	858.3	814.9	856.4
Net debt gearing (%)	77.2	78.6	78.6
Weighted average indexed LTV of portfolio (%)	52.4	55.0	54.9

	Three months ended 30 September 2020	Three months ended 30 September 2019	Year ended 30 June 2020
Average monthly lending volumes (£m)	43.6	176.2	140.7
Weighted average LTV of originations (%)	56.4	58.1	57.7
Net interest margin (%)	6.4	6.4	6.4
Interest receivable (£m)	95.3	92.5	388.4
Impairment charge (£m)	13.4	5.5	66.9
Profit before tax (£m)	32.4	31.5	94.6
Interest cover ratio	2.1:1	2.0:1	1.7:1
Cost-to-income ratio (%)	31.8	39.3	36.5
Return on equity (%)	13.2	13.8	10.4
Cost-to-asset ratio (%)	1.9	2.4	2.2
Cost of risk (%)	1.3	0.6	1.7

Results and dividends

The unaudited interim consolidated condensed financial statements and related notes for the three months ended 30 September 2020 are set out on pages 11 to 43. Despite the challenging climate, the Group's profit before tax has increased to £32.4m compared with £31.5m for the three month period to 30 September 2019, with further detail set out below.

Interest receivable and similar income increased by 3.0% to £95.3m for the period to 30 September 2020 (30 September 2019: £92.5m). This is consistent with the increase in the loan book, but offset by the continued trend of recent years as higher-yielding loans originated following the credit crisis continued to be replaced by loans at market rates that reflected the increasing competition before the coronavirus pandemic. Interest payable and similar charges decreased by 5.3% to £30.1m (30 September 2019: £31.8m). This reduction is due to improvements in the cost of funding achieved through refinancing and the new securitisation completed in the period, combined with lower market interest rates. The resultant net interest margin of 6.4% (30 September 2019: 6.4%) remained highly attractive given the high levels of collateral underpinning the quality of the loan book.

Careful management of costs in the period included staffing reductions implemented in response to the coronavirus pandemic. As a result, the ratio of the Group's costs to income fell from 39.3% last year to 31.8% including £1.5m one-off redundancy costs, 29.6% (30 September 2019: £34.3%) excluding one-off costs.

[1] This is equity of £828.6m plus subordinated shareholder loans of £28.8m (30 September 2019: £27.6m; 30 June 2020: £28.4m)

Interim management report (continued)

Business review (continued)

Results and dividends (continued)

Cost of risk increased to 1.3% for the period to 30 September 2020 (30 September 2019: 0.6%) due to a significant increase in impairment charge principally to reflect deterioration in the macroeconomic outlook due to Covid-19. Further detail on impairment losses is set out in Note 9.

The Group declared an interim dividend of £26.4m during the period ended 30 September 2020 (period ended 30 September 2019: £nil).

Position

As shown in the unaudited consolidated statement of financial position on page 12, loans and advances to customers have increased by 3.2% to £4,000.8m compared with £3,878.4m at 30 September 2019. The increase in loans and advances compared with 30 September 2019 is due to strong originations before the onset of the coronavirus pandemic, however the total hase fallen from £4,162.2m at 30 June 2020. The Group has resumed lending but with a revised risk appetite and at lower volumes compared to before the onset of the pandemic; with lending for the period to 30 September 2020 of £131m, compared with £422m in the previous year.

Shareholder's funds have increased by 5.3% to £858.3m compared with £814.9m at 30 September 2019.

Net debt gearing has decreased to 77.2% (30 September 2019: 78.6%) reflecting a lower proportion of debt to equity compared with the prior year. 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 2020 except as discussed below.

On 16 July 2020, Together successfully priced the latest and largest issuance in its residential mortgage backed securitisation programme, the Together Asset Backed Securitisation 2020—1 PLC ('TABS 4'). The issuance, which has an effective advance rate of 92%, received strong support from investors and resulted in £361m of additional funding being raised. TABS 4 is supported by a portfolio of first and second charge owner-occupied and buy-to-let residential mortgages, secured against properties in England, Wales and Scotland, and refinances assets forming part of the Group's AA rated £1.25bn Charles Street facility ('CABS').

Given the government's announcement on 22 May 2020 to extend mortgage-payment deferrals to support individuals and families and the uncertainty surrounding the economic outlook, the Group has agreed further modifications to waivers for each of its private securitisations, including agreement of modifications to Lakeside Asset Backed Securitisation ('LABS') in August 2020 and CABS in September 2020. Further disclosure relating to mortgage-payment deferrals is included in Note 9 whilst the most up-to-date information is detailed in Note 22.

In September 2020, the maturity date on the undrawn £71.9m RCF facility was extended from June 2021 to June 2023.

Further disclosure relating to the assessment of the going-concern basis of accounting is included in Note 2.

Macroeconomic conditions

Many of the current economic indicators are at levels similar to those seen at the time of publication of the annual report for the year to 30 June 2020, while the uncertainty associated with the outlook continues to be very high.

Annual inflation is slightly lower at 0.7%, and Bank of England Bank Base Rate remains at 0.1%. As expected, unemployment has started to rise, reaching 4.8% in the quarter to September 2020. The surge in house prices, seen after the easing of the initial lockdown and following reductions in stamp duty, appears to be continuing, being 5.8% for the year to October 2020 according to the Nationwide, and 7.5% according to the Halifax. As expected, GDP continued to increase following its low point in April 2020, but at the end of September 2020 was still c8% below pre-pandemic levels.

Business review (continued)

Macroeconomic conditions (continued)

The economic outlook continues to be extremely uncertain. New restrictions had been imposed regionally within the UK and subsequently restrictions have been introduced in England since early November. While the government's fiscal measures continue to change in response to the changing infection rate and lockdown restrictions, there is again greater uncertainty over the economic outlook. An autumn budget, which would normally set out the government's strategy for the coming years, will now not be held this year. Separately, the government's Brexit negotiations with the EU have not yet concluded with the current transition period expiring at the end of December 2020. Note 9 to the financial statements sets out the macroeconomic assumptions the Group has made in deriving expected credit losses (ECLs) at the reporting date.

An economic downturn adversely impacts the Group, including reducing growth in our lending markets and can reduce the value of property used as security against loans extended. Against such a backdrop, the Group benefits from all its lending being secured on property and/or land within the UK at prudent average LTVs. It also benefits from its specialist through-the-cycle expertise and strong, diversified funding base. Management believes these factors continue to provide the Group with the resilience needed in such uncertain times.

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 in conduct and compliance risk within the principal risks and uncertainties section of this report and within Note 15 to the financial statements.

The Group complies with UK laws including General Data Protection Regulation.

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 2020.

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 2020.

Credit risk

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

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

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

The Group's approach to managing and mitigating credit risk is unchanged from the annual report and accounts for the year ended 30 June 2020.

Note 9 to the financial statements provides detail on expected credit losses, including mortgage-payment deferrals as a result of Covid-19, for the period ended 30 September 2020.

Interim management report (continued)

Principal risks and uncertainties (continued)

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 be able to do so only 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 2020, and the Group's activities during the period are included within the Business review above.

The Group's risk profile and approach to managing and mitigating liquidity and funding risk is unchanged from the annual report and accounts for the year ended 30 June 2020.

The ability of the Group to service debt is measured using an interest cover ratio, being EBITDA[2] divided by interest payable. This was 2.1:1 for the three months ended 30 September 2020 compared with 2.0:1 for the three months ended 30 September 2019).

The weighted average maturity[3] of the Group's existing debt facilities is 3.0 years at 30 September 2020 (30 September 2019: 2.9 years). The Group has £872m (30 September 2019: £255m) of undrawn facility headroom at 30 September 2020. 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. The coronavirus outbreak has had an impact on the capital markets and the availability and pricing of wholesale funding. Market uncertainty may also increase pricing in the short-to-medium term. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk; the earliest maturity of wholesale funding is the Highfield Asset Backed Securitisation ('HABS') facility (the amount drawn at the reporting date representing 12% of the Group's borrowings) in June 2022 and the earliest call date on our public securitisations is Together Asset Backed Securitisation 1 ('TABS 1') facility (representing 3% of the Group's borrowings) in September 2021. Further detail is set out in Note 14.

A key management action to mitigate funding and liquidity risk is the ability to control levels of new lending, which in combination with other management actions, has increased cash balances to £300.5m at 30 September 2020 (30 September 2019: £91.6m). The Group also benefits from a cash-generative business model with a high level of redemptions and therefore a reduction in the level of cash inflows. Liquidity is monitored daily to ensure the Group can meet its financial obligations, including the outstanding pipeline of loan offers, as and when they fall due.

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

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.

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 2020.

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2 Earnings before interest, tax, depreciation and amortisation.

3 Weighted average maturity calculation is based on size of the facility at a period end date, and the maturity date. For amortising facilities, the call date is used for this calculation.

Interim management report (continued)

Principal risks and uncertainties (continued)

Market risk (continued)

The table below sets out the impact on profit before tax of an immediate decrease of 0.1% and an increase of 0.1%, 0.5% and 1.0% in interest rates, based on the interest rates prevalent at 30 September 2020 and 30 September 2019.

	30 September 2020 £m	30 September 2019 £m
0.1% decrease	(1.6)	(1.1)
0.1% increase	1.6	1.1
0.5% increase	8.1	5.6
1.0% increase	16.2	11.2

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.

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. Regulatory capital requirements must also be met at all times within certain of the Group's subsidiaries.

The Group's approach to managing and mitigating capital risk is materially unchanged from the annual report and accounts for the year ended 30 June 2020.

Note 2 to the financial statements provides further detail on the assessment of the going-concern basis of accounting. This includes an assessment of the risks presented to the Group arising from any potential breaches of lending covenants, including gearing tests, and potential mitigating actions.

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 2020.

Conduct and compliance risk

Conduct risk is the risk arising from business activities that fail to deliver appropriate and consistent outcomes to customers and other stakeholders. This risk can arise from the failure to embed an appropriate culture, 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.

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, legal and/ or regulatory action against the Group.

Interim management report (continued)

Principal risks and uncertainties (continued)

Conduct and compliance risk (continued)

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 2020.

As a result of undertaking internal reviews within the regulated division[4] for the year ended 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, including 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 colleagues 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. Colleagues are consulted regularly on a wide range of matters affecting their current and future interests.

Because of the severity of the pandemic and its impact on the business, the Group has had to make difficult restructuring decisions. As a result the Group launched an employee consultation process to reduce colleague numbers reflecting the anticipated future levels of lending activity and efficiencies in a revised operating structure. This employee consultation process ended on 7 September 2020 and as a result 191 colleagues were made redundant.

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 operation for a period of a least twelve months from the date of this report.

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. Further detail on this assessment is set out in Note 2 to the financial statements.

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

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[4] The regulated division refers to the Personal Finance division which comprises Together Personal Finance Limited, Blemain Finance Limited and Spot Finance Limited.

Interim management report (continued)

Directors

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

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors.

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 to the extent that they relate to the remaining nine months of the financial year.

HN Moser
Director
12 November 2020

G Grimes
Director
12 November 2020

Unaudited consolidated statement of comprehensive income
Three months ended 30 September 2020
Unless otherwise indicated, all amounts are stated in £m.

Income statement	**Note**	**Three months ended 30 September 2020**	**Three months ended 30 September 2019**
Interest receivable and similar income		95.3	92.5
Interest payable and similar charges	4	(30.1)	(31.8)
Net interest income		**65.2**	**60.7**
Fee and commission income		0.8	1.1
Fee and commission expense		(0.2)	(0.6)
Net fair value gains /(losses) on derivatives held for risk-management purposes measured at fair value through income statement	8	0.1	(0.3)
Other income	5	1.2	—
Operating income		**67.1**	**60.9**
Administrative expenses		(21.3)	(23.9)
Operating profit		**45.8**	**37.0**
Impairment losses	9	(13.4)	(5.5)
Profit before taxation		**32.4**	**31.5**
Income tax	6	(4.5)	(4.4)
Profit after taxation		**27.9**	**27.1**
Other comprehensive income and expense			
Items that may be reclassified to the income statement			
Movement in the cashflow-hedging reserve:			
Effective portion of changes in fair value of derivatives	8	—	(1.3)
Amounts reclassified to income statement		0.1	—
		0.1	**(1.3)**
Movement in the cost-of-hedging reserve:			
Effective portion of changes in fair value of derivatives	8	(0.1)	—
Amounts reclassified to income statement		—	—
		(0.1)	**—**
Other comprehensive expense for the period, net of tax		—	(1.3)
Total comprehensive income for the period		**27.9**	**25.8**

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

Unaudited consolidated statement of financial position
As at 30 September 2020
Unless otherwise indicated, all amounts are stated in £m.

	Note	30 September 2020	30 September 2019	30 June 2020
Assets				
Cash and cash equivalents	7	300.5	91.6	252.5
Loans and advances to customers	9	4,000.8	3,878.4	4,162.2
Inventories		0.6	0.6	0.6
Other assets	10	4.4	4.9	6.3
Investments		0.1	0.1	0.1
Property, plant and equipment	11	14.4	13.6	13.9
Intangible assets	12	8.0	9.1	8.1
Current tax asset		1.4	—	3.2
Deferred tax asset	13	7.6	7.8	7.6
Total assets		**4,337.8**	**4,006.1**	**4,454.5**
Liabilities				
Derivative liabilities held for risk management	8	2.4	1.6	2.9
Current tax liabilities		—	2.6	—
Borrowings	14	3,414.0	3,164.8	3,550.1
Provisions for liabilities and charges	15	21.8	8.9	22.3
Other liabilities	16	70.1	40.9	51.2
Total liabilities		**3,508.3**	**3,218.8**	**3,626.5**
Equity				
Share capital		9.8	9.8	9.8
Subordinated shareholding funding reserve		39.3	40.5	39.7
Cashflow-hedging reserve		(2.6)	(1.3)	(2.7)
Cost-of-hedging reserve		(0.2)	(0.2)	(0.1)
Other reserves		10.6	10.8	10.6
Retained earnings		772.6	727.7	770.7
Total equity		**829.5**	**787.3**	**828.0**
Total equity and liabilities		**4,337.8**	**4,006.1**	**4,454.5**

Unaudited consolidated statement of changes in equity
Three months ended 30 September 2020
Unless otherwise indicated, all amounts are stated in £m.

Three months to 30 September 2020	Called-up share capital	Subordinated shareholder funding reserve	Cashflow-hedging reserve	Cost-of-hedging reserve	Other reserves	Retained earnings	Total
At beginning of the period	9.8	39.7	(2.7)	(0.1)	10.6	770.7	828.0
Total comprehensive income	—	—	0.1	(0.1)	—	27.9	27.9
Dividend declared	—	—	—	—	—	(26.4)	(26.4)
Transfer between reserves	—	(0.4)	—	—	—	0.4	—
At end of the period	**9.8**	**39.3**	**(2.6)**	**(0.2)**	**10.6**	**772.6**	**829.5**

Three months to 30 September 2019	Called-up share capital	Subordinated shareholder funding reserve	Cashflow-hedging reserve	Cost-of-hedging reserve	Other reserves	Retained earnings	Total
At beginning of the period	9.8	41.0	—	(0.2)	10.8	701.4	762.8
Changes on initial application of IFRS 16	—	—	—	—	—	(1.3)	(1.3)
Restated balances at beginning of period	**9.8**	**41.0**	**—**	**(0.2)**	**10.8**	**700.1**	**761.5**
Total comprehensive income	—	—	(1.3)	—	—	27.1	25.8
Transfer between reserves	—	(0.5)	—	—	—	0.5	—
At end of the period	**9.8**	**40.5**	**(1.3)**	**(0.2)**	**10.8**	**727.7**	**787.3**

Other reserves consist of the following:

	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Total
As at 30 September 2020	17.5	(9.6)	1.1	1.6	10.6
As at 30 September 2019	17.5	(9.6)	1.3	1.6	10.8
As at 30 June 2020	17.5	(9.6)	1.1	1.6	10.6

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

Unaudited consolidated statement of cash flows
Three months ended 30 September 2020
Unless otherwise indicated, all amounts are stated in £m.

	Note	Three months ended 30 September 2020	Three months ended 30 September 2019
Cash flows from operating activities			
Profit after tax		27.9	27.1
Adjustment for non-cash items included in profit after tax	18	(42.4)	(44.8)
Changes in operating assets and liabilities	18	147.3	(198.3)
Interest income		95.3	92.5
Income tax paid		(2.7)	(10.5)
Net cash inflow/(outflow) from operating activities		**225.4**	**(134.0)**
Cash flows from investing activities			
Cash paid on purchase of property, plant and equipment		—	(0.2)
Investment in intangible assets		(0.6)	(1.1)
Proceeds on disposal of property, plant and equipment		0.1	—
Net cash outflow from investing activities		**(0.5)**	**(1.3)**
Cash flows from financing activities			
Drawdown of loan notes		—	137.5
Repayment of loan notes		(487.4)	—
Proceeds from issuance of loan notes		360.5	—
Net cash outflows from bank facilities		(10.0)	—
Interest paid		(39.0)	(30.3)
Purchase and cancellation of derivatives		(0.6)	—
Payment of lease liabilities		(0.4)	(0.5)
Net cash inflow/(outflow) from financing activities		**(176.9)**	**106.7**
Net increase/(decrease) in cash and cash equivalents		48.0	(28.6)
Cash and cash equivalents at beginning of period		252.5	120.2
Cash and cash equivalents at end of period		**300.5**	**91.6**

At 30 September 2020 cash and cash equivalents included £152.6m (30 September 2019: £74.7m) 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 interim consolidated 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 interim consolidated 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 2020 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 2020 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.

Presentation of risk disclosures

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

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 Group closely monitors and manages its liquidity, funding and capital position and compliance with financial covenants and produces regular forecasts and scenarios.

These projections have been updated in light of the changing outlook due to the coronavirus outbreak to assess the impact of a range of factors which might arise as a result and in particular the impact that this has on our customers, the property market and on the wholesale-funding market. Specific consideration was given to the impact of: offering of mortgage-payment deferrals in line with government guidance, the exit strategies for customers post the mortgage-payment deferrals, the slowing of customer-repayment behaviour, increases in credit risk, declining property values, reduced access to wholesale-funding markets, changes in market rates of interest, reductions in new mortgage-origination volumes and changes to operating costs.

The Group's business model, being one which is ordinarily highly cash generative, operating in profitable market segments and lending at low average loan-to-value (LTV) ratios, provides mitigation to many downside risks. Expectations are for continued economic uncertainty which may lead to a reduction in the level of cash inflows, and stress testing undertaken includes the impact of severe haircuts to expected redemption inflows.

The risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquidity resources held as cash. A key management action to improve cashflow is the ability to control

2. Significant accounting policies (continued)

Going concern (continued)

levels of new lending which, in combination with other management actions, has increased total cash balances to £300.5m at 30 September 2020 (30 September 2019: £91.6m, 30 June 2020: £252.5m), of which £147.9m is unrestricted cash (30 September 2019: £16.9m, 30 June 2020: £112.9m) as shown in Note 7.

Alongside the shareholder funding and retained profit which has primarily been reinvested back into the business, the Group is reliant on the wholesale-funding markets, including a combination of public securitisations, private revolving securitisations, senior secured notes and a revolving credit facility (RCF).

A key risk associated with wholesale funding is refinancing risk, where the Group has a proven track-record of successfully refinancing borrowings. The coronavirus outbreak has had an impact on the capital markets and the availability and/or pricing of wholesale funding. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk with the earliest maturity of wholesale funding being the HABS facility (the amount drawn at the reporting date representing 12% of Group's borrowings) in June 2022 and the earliest call date for the public securitisations is TABS1 (representing 3% of Group's borrowings) in September 2021. Further detail is set out in Note 14.

In addition the Group has demonstrated an ability to access the wholesale markets in current market conditions. In July 2020, the Group successfully issued the latest and largest issuance in its residential mortgage-backed securitisation (RMBS) programme, Together Asset Backed Securitisation 2020—1 PLC (TABS 4) raising £361m. In September 2020, the maturity date on the undrawn £71.9m RCF facility was extended from June 2021 to June 2023.

In respect of the private securitisations, the Group may, in certain circumstances, need to seek further waivers and amendments within the going-concern assessment period. This includes, but is not limited to, impacts on covenants as a result of: a further extension in the duration of the mortgage-payment deferrals scheme; deterioration in loan-book performance due to adverse economic conditions; or reductions in property values. In the event that waivers or amendments are required but not agreed, and existing headroom in covenants is utilised causing a breach, and the breach is not rectified by using headroom in other facilities within a defined cure period, then the noteholders of the private securitisation facilities have the option to call a default of the facility. If a facility defaults, then the cash inflows from the securitised asset pool for each facility are used to repay the interest and principal of the most senior loan notes with the deferred consideration and any interest payment of the subordinated notes due to the originators deferred until such time as all the liabilities ranking more senior are repaid in full, which would defer cash inflows receivable to the Senior Borrower Group.

Aside from the private securitisations, the facilities within the Senior Borrower Group, being the Senior Secured Notes and the RCF, also include certain financial covenants including tests on gearing and minimum levels of interest cover tested on a debt-incurrence basis and a maintenance basis respectively for each of the facilities. To evaluate the Group's resilience to meeting these tests, a reverse-stress scenario has been developed and was considered as part of the going-concern assessment. The scenario is one which assumes no cash flows are received from the securitisations, there is no access to drawdown funding from the private securitisations, and no access to the wholesale funding markets is possible, and therefore loan-origination volumes are limited to meeting pipeline commitments. This is considered by the directors to be an extreme outcome. However due to the bankruptcy-remote nature of securitisations, the default of one or more private securitisation facilities would not mean that the Group cannot continue to operate as a going concern. The Group could continue in such a scenario by servicing the loans funded by the Senior Borrower Group. Stresses were applied to cash inflows to assess the ability to continue to service and repay borrowings as they fall due, and stresses on profitability were separately considered to assess the ability to comply with gearing covenants.

The results of the reverse-stress test showed that unrealistic reductions in expected cash inflows within the Senior Borrower Group would be required for the Senior Borrower Group not to be able meets its liabilities as they fall due within the going-concern assessment period, after available management actions were considered. In addition, the risk to gearing was separately assessed and it was found that very substantial reductions in profitability would be required to result in breaches of the RCF-gearing covenant. The probability of such outcomes is considered remote and could be further reduced by the deployment of additional management actions. A number of management actions would also be possible to preserve or

2. Significant accounting policies (continued)

Going concern (continued)

increase available financial resources, including but not limited to: renegotiation of the terms of existing borrowings, raising additional funding and measures to further reduce costs.

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

Cash and cash equivalents

The Group has refined the analysis and classification of certain elements in its statement of cash flows, including comparative information, to better reflect the Group's operating model. The principal changes are in provisions and impairment allowances which are now shown as non-cash adjustments to profit rather than included in changes in operating assets and liabilities, outflows relating to interest paid and derivatives are treated as financing rather than operating cashflows, and net interest income is now deducted from profit as a non-cash adjustment with interest income shown separately as an operating cash flow.

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. Where possible, estimates and associated assumptions are based on historical experience, objective information, or other relevant factors and are reviewed at each reporting date. Actual results may differ from these estimates, and revisions to estimates are recognised prospectively.

Critical judgements in applying the Group's accounting policies

a) Loan impairment allowance

The calculation of the Group's 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 and indicators of credit impairment.

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

b) Provisions

There is considerable judgement required to estimate provisions and to provide useful information concerning the nature of the uncertainty contained within these estimates, including the disclosure of a range of possible impacts. There is also judgement required in determining whether contingent liability disclosures are required. Further disclosures in respect of these can be found in Notes 15 and 21.

c) Going concern

Critical judgements, estimates and assumptions have been necessary in evaluating the Group's ability to continue as a going concern and concluding that no material uncertainties have been identified during the going concern assessment period. Further detail is set out in Note 2.

There have been no other significant changes to other critical judgements disclosed in the Group's annual report and accounts for the year ended 30 June 2020.

Unless otherwise indicated, all amounts are stated in £m.

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

Key sources of estimation uncertainty

a) Loan impairment allowance

As a result of the Covid-19 pandemic the Group has used significantly-changed macroeconomic forecasts, and these forecasts and the other assumptions and estimates necessary for the calculation of ECL contain a greater level of uncertainty than in previous periods due to the increased level of uncertainty in the economic outlook. Further detail on these estimates and assumptions and the sensitivities thereon is set out in Note 9.

b) Provisions and contingent liabilities

The calculation of the Group's provisions contain significant estimation uncertainty. Further disclosures in respect of this can be found in Note 15.

c) Interest income recognition

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

There have been no other significant changes to estimation uncertainties disclosed in the Group's annual report and accounts for the year ended 30 June 2020.

4. Interest payable and similar charges

	Three months ended	
	30 September 2020	**30 September 2019**
On borrowings	29.2	31.7
On lease liabilities	0.1	0.1
On derivatives in a qualifying hedging relationship	0.8	—
	30.1	**31.8**

5. Other income

	Three months ended	
	30 September 2020	**30 September 2019**
Other income	1.2	—
	1.2	**—**

Other income includes grant income received from the government in respect of employees who were furloughed under the Coronavirus Job Retention Scheme.

Unless otherwise indicated, all amounts are stated in £m.

6. Income tax

	Three months ended 30 September 2020	Three months ended 30 September 2019
Current tax		
Corporation tax	4.5	4.4
	4.5	**4.4**
Deferred tax		
Origination and reversal of temporary differences	—	—
Total deferred tax	**—**	**—**
Total tax on profit	**4.5**	**4.4**

Corporation tax is calculated at 19.00% (30 September 2019: 18.50%) of the estimated taxable profit for the period. The differences between the total tax charge for the period and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	Three months ended 30 September 2020	Three months ended 30 September 2019
Profit before tax	32.4	31.5
Tax on profit at standard UK corporation tax rate of 19.00% (September 2019: 18.50%)	6.2	5.8
Effects of:		
Expenses not deductible for tax purposes	—	0.1
Income not taxable	—	(0.1)
Group relief*	(1.7)	(1.4)
Tax charge for period	**4.5**	**4.4**

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

In March 2020, the government announced that the main rate of corporation tax will remain at 19%, rather than reducing to 17% from 1 April 2020.

7. Cash and cash equivalents

	30 September 2020	30 September 2019	30 June 2020
Unrestricted cash	147.9	16.9	112.9
Restricted cash	152.6	74.7	139.6
	300.5	**91.6**	**252.5**

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 £67.2m (30 September 2019: £9.2m, 30 June 2020: £62.0m) represents amounts that can be accessed by the Group, for example by allocating additional eligible assets into the private securitisations, but which are not considered readily available. The balance of restricted cash is not readily available and represents amounts which are held within the securitisations for other purposes and may be accessible in future, such as cash reserves or amounts paid over as deferred consideration.

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, some of which pay fixed rates of interest, and to address the resultant risk the securitisation vehicles may purchase interest-rate caps, or enter into interest-rate swaps which may include floors. The notional amounts of these derivatives is designated against a proportion of floating-rate notes funding fixed-rate mortgages, and decline over time in line with the expected repayment of the mortgages.

Unless otherwise indicated, all amounts are stated in £m.

8. Derivatives held for risk management (continued)

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

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

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

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

	30 September 2020		30 September 2019		30 June 2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest-rate swaps and floors	—	(2.4)	—	(1.6)	—	(2.9)
Interest-rate caps	—	—	—	—	—	—
Derivatives designated in cashflow hedges	**—**	**(2.4)**	**—**	**(1.6)**	**—**	**(2.9)**

All derivatives mature in under five years. The average fixed interest rate on swaps is 0.39%. The average strike rate on caps is 2.5%.

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

30 September 2020	Carrying amount of liabilities	Changes in fair value for calculating hedge ineffectiveness	Cashflow-hedging reserve
Hedged by interest-rate swaps and floors			
Borrowings	318.5	(0.2)	(0.2)
Discontinued hedges	—	—	(2.4)
	318.5	**(0.2)**	**(2.6)**
Hedged by interest-rate caps			
Borrowings	225.0	—	—

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 June 2020	Carrying amount of liabilities	Changes in fair value for calculating hedge ineffectiveness	Cashflow-hedging reserve
Hedged by interest-rate swaps			
Borrowings	244.9	(0.2)	(0.2)
Discontinued hedges	—	—	(2.5)
	244.9	**(0.2)**	**(2.7)**
Hedged by interest-rate caps			
Borrowings	229.5	—	—

Unaudited notes to the financial statements (continued)
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 net fair value losses on derivatives	Hedge ineffective-ness recognised in other net losses	Reclassified from cashflow-hedging reserve to interest payable
Three months ended 30 September 2020								
Interest-rate swaps and floors								
Borrowings	318.5	—	(2.4)	0.1	0.1	0.1	—	—
Discontinued hedges	—	—	—	—	—	—	—	0.1
	318.5	**—**	**(2.4)**	**0.1**	**0.1**	**0.1**	**—**	**0.1**
Interest-rate caps	225.0	—	—	—	—	—	—	—
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)	—	—	—	—
Year ended 30 June 2020								
Interest-rate swaps								
Borrowings	244.9	—	(2.9)	(0.2)	(0.2)	0.1	—	—
Discontinued hedges	—	—	—	—	(2.5)	(0.6)	—	0.1
	244.9	—	(2.9)	(0.2)	(2.7)	(0.5)	—	0.1
Interest-rate caps	229.5	—	—	—	—	—	—	—

9. Loans and advances to customers

	30 September 2020			
	Stage 1	Stage 2	Stage 3 and POCI	Total
Gross loans and advances	2,544.4	1,029.3	555.1	4,128.8
Loss allowance	(7.8)	(32.7)	(87.5)	(128.0)
	2,536.6	**996.6**	**467.6**	**4,000.8**

	30 September 2019			
	Stage 1	Stage 2	Stage 3 and POCI	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 June 2020			
	Stage 1	Stage 2	Stage 3 and POCI	Total
Gross loans and advances	3,061.3	721.2	498.5	4,281.0
Loss allowance	(12.4)	(21.0)	(85.4)	(118.8)
	3,048.9	**700.2**	**413.1**	**4,162.2**

Loans and advances to customers include total gross amounts of £6.8m (30 September 2019: £9.8m; 30 June 2020: £9.7m), equivalent to £2.9m net of allowances (30 September 2019: £6.9m; 30 June 2020: £5.5m) loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies in which HN Moser is a director and shareholder. Further details of these loans are given in Note 19.

Group gross balances of credit impaired loans include £9.0m (2019: £nil) of purchased or originated credit impaired (POCI) loans, which are presented net of lifetime ECL impairment provisions of £1.2m (2019: £nil).

Unaudited notes to the financial statements (continued)
Unless otherwise indicated, all amounts are stated in £m.

9. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL)

ECL model

The Group's general approach to the measurement of expected credit losses (ECL) and forbearance is unchanged from the annual report and accounts for the year ended 30 June 2020.

Incorporation of forward-looking information

The Group uses forward-looking information in its measurement of ECL and in identifying significant increases in credit risk (discussed in the next section). The Group's statistical analysis of historical data has confirmed that the key economic variables that drive credit risk, and the ECL for the Group's financial instruments, are unemployment, Bank Rate, 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, but the uncertainty over the current macroeconomic forecasts is much higher than prior to the outbreak of Covid-19. The unprecedented nature of the current recession leads to high levels of uncertainty in forecasting the timing and speed of an eventual recovery.

In the period to September 2019, the Group calculated ECL using a base case, an upside and a downside scenario, weighted 40%, 30% and 30% respectively. The base case was broadly aligned to the Group's internal planning assumptions and the downside scenario represented a recession during which house prices fell by 16% from peak to trough.

With the onset of the coronavirus pandemic, the Group's approach to developing economic scenarios for the purposes of measuring ECLs has been to increase the number of scenarios from three to six to reflect the wider range of economic outcomes that are now considered possible around any base case. The base case is weighted at 50% and each of the other five scenarios is weighted at 10%.

The most significant assumptions used for the ECL estimate as at 30 September 2020 by scenario until June 2024 are as follows:

Annual GDP change (annual %)*	**Weighting**	**Dec 2020**	**Mar 2021**	**Jun 2021**	**Sep 2021**	**Sep 2022**	**Sep 2023**	**Sep 2024**
Upside	10%	(9.2)	(8.3)	5.2	11.5	5.4	1.6	1.7
Mild Upside	10%	(9.5)	(9.0)	3.3	8.6	5.3	2.0	1.7
Base	50%	(10.0)	(10.5)	0.4	4.4	5.9	2.4	1.8
Stagnation	10%	(10.5)	(11.9)	(2.0)	1.0	4.6	2.5	1.9
Downside	10%	(10.9)	(13.1)	(4.2)	(1.9)	5.6	2.5	2.0
Severe downside	10%	(11.5)	(14.7)	(7.5)	(6.5)	6.8	2.8	2.0
Weighted average		(10.2)	(11.0)	(0.3)	3.5	5.7	2.3	1.8

Annual quarterly GDP change (%)**	**Future quarter when GDP returns to Dec-19 levels**	**Weighting**	**Dec 2020**	**Mar 2021**	**Jun 2021**	**Sep 2021**	**Sep 2022**	**Sep 2023**	**Sep 2024**
Upside	Jun-21	10%	(3.8)	1.8	32.2	15.8	1.9	1.7	1.6
Mild Upside	Sep-21	10%	(5.1)	0.3	27.5	11.7	3.2	1.8	1.7
Base	Mar-22	50%	(7.2)	(3.9)	22.2	6.4	5.1	1.9	1.7
Stagnation	Jun-24	10%	(9.3)	(7.1)	17.9	2.5	4.3	2.0	1.8
Downside	Jun-25	10%	(10.8)	(10.3)	13.8	(0.2)	5.1	2.1	1.9
Severe downside	Sep-27	10%	(13.0)	(14.8)	7.1	(5.2)	7.0	2.2	1.9
Weighted average			(7.8)	(5.0)	21.0	5.7	4.7	1.9	1.8

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)

Bank rate	Future quarter which anticipates the first rate rise	Weighting	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Sep 2022	Sep 2023	Sep 2024
Upside	Dec-20	10%	0.2	0.4	0.6	0.9	1.8	1.9	2.0
Mild Upside	Dec-20	10%	0.2	0.3	0.4	0.6	1.3	1.3	1.5
Base	Sep-24	50%	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Stagnation	Sep-24	10%	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Downside	Sep-25	10%	0.1	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	0.0
Severe downside	Jun-29	10%	0.1	(0.1)	(0.4)	(0.5)	(0.5)	(0.5)	(0.3)
Weighted average			0.1	0.1	0.1	0.1	0.3	0.3	0.4

Unemployment rate	% peak	Weighting	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Sep 2022	Sep 2023	Sep 2024
Upside	5.3%	10%	5.0	5.3	5.0	4.9	4.6	4.3	4.0
Mild Upside	6.0%	10%	5.4	6.0	5.8	5.6	5.1	4.6	4.3
Base	8.5%	50%	7.5	8.5	8.0	7.8	7.0	5.8	5.0
Stagnation	10.0%	10%	7.7	10.0	8.9	8.6	7.6	7.3	7.1
Downside	11.0%	10%	9.3	11.0	10.1	9.9	9.0	8.5	8.4
Severe downside	12.0%	10%	10.2	12.0	10.5	10.3	9.4	9.1	8.9
Weighted average			7.5	8.7	8.0	7.8	7.1	6.3	5.8

Annual change in house-price index (%)	Start to trough % change	Weighting	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Sep 2022	Sep 2023	Sep 2024
Upside	0.9%	10%	3.6	1.9	1.6	1.0	5.2	12.6	5.2
Mild Upside	(2.8%)	10%	2.0	(0.1)	(1.0)	(2.3)	2.8	9.9	5.4
Base	(7.3%)	50%	(0.3)	(3.1)	(4.7)	(6.4)	(0.2)	4.4	5.6
Stagnation	(18.4%)	10%	(2.6)	(6.4)	(9.4)	(12.6)	(6.4)	0.0	6.0
Downside	(25.0%)	10%	(3.7)	(7.9)	(11.4)	(15.2)	(9.1)	(2.8)	6.2
Severe downside	(36.5%)	10%	(5.4)	(10.4)	(14.8)	(19.5)	(14.0)	(8.3)	6.7
Weighted average			(0.8)	(3.8)	(5.8)	(8.1)	(2.3)	3.4	5.8

* Annual GDP growth represents the average annual change in GDP up to the date shown.

** Annual quarterly GDP change represents the change in quarterly GDP compared with the corresponding quarter in the previous year.

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

The section of this note on critical accounting estimates shows the unweighted ECL by scenarios and provides sensitivities of the ECL to changes in scenario weightings.

The most significant assumptions used for the ECL estimate as at 30 September 2019 were 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

Further detail on the approach taken to incorporate forward-looking information into the estimation of ECL is provided in the Group's annual report and accounts for the year ended 30 June 2020.

Unaudited notes to the financial statements (continued)
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)

The most significant assumptions used for the ECL estimate as at 30 June 2020, by economic indicator, until June 2024 were as follows:

Annual GDP change (annual %)*	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	10%	(8.2)	(9.1)	(8.0)	5.5	7.1	3.0	2.1
Mild Upside	10%	(8.6)	(10.1)	(9.7)	3.1	7.4	2.9	2.1
Base	50%	(8.8)	(10.8)	(11.0)	1.0	7.3	2.4	1.8
Stagnation	10%	(10.3)	(14.0)	(15.7)	(5.4)	9.2	2.9	1.9
Downside	10%	(10.8)	(15.0)	(17.4)	(7.8)	9.8	3.0	1.9
Severe downside	10%	(11.6)	(16.9)	(20.2)	(11.7)	11.0	3.2	1.8
Weighted average		(9.4)	(11.9)	(12.6)	(1.1)	8.1	2.7	1.9

Annual quarterly GDP change (%)**	Future quarter when GDP returns to Dec-19 levels	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	Mar-21	10%	(10.1)	(2.4)	2.6	32.0	3.1	3.0	1.7
Mild Upside	Sep-21	10%	(11.9)	(4.9)	0.0	29.1	3.4	2.7	1.7
Base	Mar-22	50%	(12.6)	(7.1)	(2.4)	26.2	3.5	2.0	1.8
Stagnation	Mar-24	10%	(18.5)	(13.5)	(8.6)	19.0	4.8	2.2	1.9
Downside	May-25	10%	(20.5)	(15.9)	(11.0)	16.3	5.3	2.2	1.9
Severe downside	Jun-27	10%	(23.8)	(19.9)	(14.9)	11.7	6.1	2.1	2.0
Weighted average			(14.8)	(9.2)	(4.4)	23.9	4.0	2.2	1.8

Bank rate	Future quarter which anticipates the first rate rise	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	Sep-20	10%	0.2	0.4	0.6	0.9	1.8	2.0	2.0
Mild Upside	Dec-20	10%	0.1	0.2	0.4	0.6	1.3	1.4	1.5
Base	Jun-23	50%	0.1	0.1	0.1	0.1	0.1	0.2	0.4
Stagnation	Sep-23	10%	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Downside	Sep-22	10%	0.1	0.0	(0.1)	(0.3)	(0.3)	0.0	0.1
Severe downside	Jun-23	10%	0.1	(0.1)	(0.4)	(0.5)	(0.5)	(0.4)	(0.3)
Weighted average			0.1	0.1	0.1	0.1	0.3	0.4	0.6

Unemployment rate	% peak	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	6.2%	10%	6.2	6.1	5.5	4.6	4.4	4.2	4.0
Mild Upside	6.4%	10%	6.3	6.4	5.9	5.2	4.9	4.6	4.3
Base	7.5%	50%	6.4	7.5	7.0	6.5	5.8	5.2	4.5
Stagnation	8.8%	10%	6.8	8.5	8.8	8.1	6.2	6.3	6.0
Downside	9.8%	10%	6.9	9.3	9.8	9.0	6.6	6.5	6.2
Severe downside	11.7%	10%	7.0	10.7	11.7	10.5	7.2	6.9	6.5
Weighted average			6.5	7.8	7.7	7.0	5.9	5.4	4.1

Annual change in house-price index (%)	Start to trough % change	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	(1.0%)	10%	0.4	1.0	(0.3)	(0.4)	10.1	13.5	3.6
Mild Upside	(3.6%)	10%	(0.7)	(1.1)	(3.0)	(3.6)	7.5	10.7	3.7
Base	(7.7%)	50%	(1.2)	(4.2)	(6.9)	(7.7)	4.4	5.2	3.9
Stagnation	(16.2%)	10%	(5.1)	(7.3)	(11.2)	(13.8)	(2.1)	0.8	4.3
Downside	(22.1%)	10%	(6.4)	(8.8)	(13.1)	(16.3)	(4.9)	(2.0)	4.5
Severe downside	(34.0%)	10%	(8.5)	(11.2)	(16.4)	(20.6)	(10.1)	(7.6)	5.0
Weighted average			(2.6)	(4.8)	(7.8)	(9.3)	2.2	4.2	4.1

* Annual GDP growth represents the average annual change in GDP up to the date shown.

** Annual quarterly GDP change represents the change in quarterly GDP compared with the corresponding quarter in the previous year.

Unless otherwise indicated, all amounts are stated in £m.

9. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

Contract modifications, forbearance and significant increases in credit risk

As at 30 September 2020, 6.7% of the Group's customers by value remained on mortgage-payment deferrals as a result of Covid-19. Details of these are as follows:

Stage allocation	No. of accounts	Gross balance	ECL
Stage 1	1,160	129.3	0.3
Stage 2	665	103.4	3.3
Stage 3	298	42.8	2.3
Total	2,123	275.5	5.9

The most up-to-date information relating to customers who have exited the mortgage-payment deferrals scheme is detailed in Note 22.

Within the critical accounting judgements section of this note, a sensitivity has been provided to show the impact on ECL of measuring all Stage 1 loans which are in a mortgage-payment deferrals using a lifetime ECL instead of a 12 month ECL.

Further detail on contract modifications, forbearance and significant increases in credit risk is provided in the Group's annual report and accounts for the year ended 30 June 2020.

Loss allowance

The following tables analyse the movement of the loss allowance during the periods ended 30 September 2020 and 30 September 2019.

	Three months ended 30 September 2020			
Loss allowance	Stage 1	Stage 2	Stage 3 and POCI	Total
Balance at beginning of period	(12.4)	(21.0)	(85.4)	(118.8)
Transfer to a 12-month ECL	(0.7)	1.6	—	0.9
Transfer to a lifetime ECL not credit impaired	3.1	(9.9)	3.8	(3.0)
Transfer to a lifetime ECL credit impaired	0.1	4.9	(7.7)	(2.7)
Other changes in credit risk during the period	0.3	(4.5)	(3.1)	(7.3)
Impairment of interest income on stage 3 loans	—	—	(3.1)	(3.1)
New financial assets originated	(0.6)	(0.3)	—	(0.9)
Financial assets derecognised	1.1	1.4	3.5	6.0
Changes in models and risk parameters	1.3	(4.9)	(2.2)	(5.8)
Impairment losses for the period charged to income statement	**4.6**	**(11.7)**	**(8.8)**	**(15.9)**
Unwind of discount	—	—	3.1	3.1
Write-offs net of recoveries	—	—	0.3	0.3
Changes on refinancing of impaired loans	—	—	3.3	3.3
Balance at end of period	**(7.8)**	**(32.7)**	**(87.5)**	**(128.0)**

Unaudited notes to the financial statements (continued)
Unless otherwise indicated, all amounts are stated in £m.

9. Loans and advances to customers (continued)

Loss allowance (continued)

	Three months ended 30 September 2019			
Loss allowance	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**
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)**

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

The loss allowance has increased by £9.2m from £118.8m at 30 June 2020 to £128.0m (30 September 2019: £68.5m).

One of the key increases in the allowance for the period was the increased charge of £5.8m resulting from changes in models and risk parameters (30 September 2019: £0.7m release). The driver of this increase was a change to the macroeconomic outlook and other forward-looking assumptions.

The impact of loans transferring between stages has increased ECL by £4.8m during the period (30 September 2019: £3.7m) and other changes in credit risk have increased ECL by £7.3m (30 September 2019: £2.5m). There are a number of drivers of the combined increase of £12.1m observed in these line items, the principal ones being:

- £4.8m due to changes in qualitative criteria to assess whether a loan has experienced a significant increase in credit risk. The criteria have been expanded to include: customers who are not in arrears, but may have suffered a certain level of income shock based on credit bureau data, and; loans which are not in arrears or otherwise exhibiting signs of an increase in credit risk but are secured on certain property types which may be most affected by social restrictions such as certain hospitality and retail-purpose properties.
- £3.5m due to increases in arrears levels. These and other qualitative and quantitative factors are used to assess the allocated stages of loans and can therefore result in the recognition of allowances based on lifetime losses on loans which were previously measured using a 12-month loss. Arrears levels also affect the probability of default assigned to loans; and
- £3.0m due to changes in the assessment of the likely recovery outcome for loans, based either on the likelihood of repossession or on changes in estimated amounts to be recovered. This includes the effect of changes in the estimated collateral values for loans.

The impairment of interest income recognised on stage 3 loans of £3.1m (30 September 2019: £3.2m) was offset by the unwinding of discounting on expected cashflows of the same amount. New originations increased ECL by £0.9m (30 September 2019: £1.3m), driven by new lending undertaken during the period and the requirement to measure all loans using a forward-looking ECL. Increases in ECL were offset by releases of £6.0m (30 September 2019: £5.1m) on loans which have redeemed during the period. ECL has reduced by £3.3m (30 September 2019: £nil) due to refinancing of credit impaired assets where the new loans have been classified as POCI. The gross balances of the new POCI assets included £1.0m of ECLs on initial recognition, resulting in a net release of £2.3m.

Unless otherwise indicated, all amounts are stated in £m.

9. Loans and advances to customers (continued)

Loss allowance (continued)

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 (30 September 2019: £nil).

Impairment losses for the period

	Three months ended 30 September 2020	Three months ended 30 September 2019
Movements in impairment allowance, charged to income	15.9	4.9
Amounts released from deferred income	(0.2)	0.1
Write-offs net of recoveries	—	0.5
Gains on derecognition of assets held at amortised cost as a result of refinancing impaired loans	(2.3)	—
	13.4	**5.5**

Movements in gross carrying amounts

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

	Three months ended 30 September 2020			
	Stage 1	Stage 2	Stage 3 and POCI	Total
Loans and advances to customers at amortised cost				
Balance at beginning of period	3,061.3	721.2	498.5	4,281.0
Transfer to a 12-month ECL	91.1	(91.4)	0.3	—
Transfer to a lifetime ECL not credit impaired	(528.2)	571.8	(43.6)	—
Transfer to a lifetime ECL credit impaired	(9.8)	(129.3)	139.1	—
New financial assets originated	94.0	13.3	—	107.3
Financial assets derecognised including write-offs	(164.0)	(56.3)	(38.5)	(258.8)
Changes on refinancing of impaired loans	—	—	(0.7)	(0.7)
Balance at end of period	**2,544.4**	**1,029.3**	**555.1**	**4,128.8**

	Three months ended 30 September 2019			
	Stage 1	Stage 2	Stage 3 and POCI	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**

Unless otherwise indicated, all amounts are stated in £m.

9. Loans and advances to customers (continued)

Critical accounting estimates

Key areas of estimation uncertainty in the ECL models are the macroeconomic scenarios used, and the calculations of loss given default and probability of default. The sensitivities below were performed by recalculating the impairment allowance by changing only those assumptions stated, and with all other variables unchanged:

Macroeconomic scenarios

The following table shows the unweighted ECL for each the scenarios modelled as at 30 September 2020, 30 September 2019 and 30 June 2020 and the probabilities that were applied in the calculation of ECL.

	September 2020		September 2019		June 2020	
Scenarios	**Probability of the scenario**	**Unweighted ECL**	**Probability of the scenario**	**Unweighted ECL**	**Probability of the scenario**	**Unweighted ECL**
Upside	10%	60.1	—	—	10%	57.2
Mild upside	10%	68.6	30%	37.4	10%	66.3
Base case	50%	93.9	40%	42.1	50%	88.0
Stagnation	10%	165.0	—	—	10%	150.2
Downside	10%	211.5	30%	134.8	10%	192.7
Severe downside	10%	304.9	—	—	10%	281.5
Weighted average		**128.0**		**68.5**		**118.8**

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

Loss given default (LGD)

The LGD model uses current security values and forecast HPI assumptions to project property values for each of the economic scenarios. An immediate and sustained 10% reduction in forecast house prices (ie a 10% haircut applied to the index in each forecast future period), applied in each scenario, would result in an increase in the impairment allowance of £22.8m at 30 September 2020 (30 June 2020: £23.7m); conversely, a 10% increase would result in a decrease in the impairment allowance of £17.3m at 30 September 2020 (30 June 2020: £17.9m).

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

A 10% relative worsening of both PDs and PPGDs simultaneously (eg a 1.0% PD increasing to 1.1%) would increase the total impairment allowance by £6.4m at 30 September 2020 (30 June 2020: £7.2m). A 10% relative improvement of both PDs and PPGDs simultaneously (eg a 1.0% PD decreasing to 0.9%) would result in a decrease in the impairment allowance by £6.4m at 30 September 2020 (30 June 2020: £7.0m).

Critical accounting judgements

Key areas of judgement in the ECL models include judgements about which loans have been subject to a significant increase in credit risk since initial recognition and therefore should be classified as Stage 2, with a resultant loss allowance based on a lifetime rather than a 12-month ECL. The sensitivities below were performed by recalculating the impairment allowance by changing only those items stated, and with all other variables unchanged.

Sensitivities	**September 2020**	**June 2020**
Measure all loans in Stage 1 using a lifetime ECL—increase in allowance	13.6	14.5

Unaudited notes to the financial statements (continued)
Unless otherwise indicated, all amounts are stated in £m.

9. Loans and advances to customers (continued)

Critical accounting judgements (continued)

Sensitivities	September 2020	June 2020
Measure all loans which are in a Covid-19 mortgage-payment deferrals, currently in Stage 1, using a lifetime ECL not credit impaired (Stage 2)—increase in allowance	0.7	2.5
Measure all loans which are in a Covid-19 mortgage-payment deferrals, currently in Stage 2, using a lifetime ECL credit impaired (Stage 3)—increase in allowance	1.2	2.5

10. Other assets

	30 September 2020	30 September 2019	30 June 2020
Amounts owed by related parties	0.5	0.7	1.0
Other debtors	1.6	0.8	1.4
Prepayments and accrued income	2.3	3.4	3.9
	4.4	**4.9**	**6.3**

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 £0.2m (30 September 2019: £0.3m; 30 June 2020: £0.2m) in relation to a director's loan. The loan is interest free and repayable on demand.

11. Property, plant and equipment

Three months ended 30 September 2020	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets—leasehold property	Total
Cost				
At beginning of period	8.3	1.9	16.0	26.2
Additions	—	—	1.2	1.2
Disposals	(0.7)	(0.2)	—	(0.9)
At end of period	**7.6**	**1.7**	**17.2**	**26.5**
Depreciation				
At beginning of period	4.7	0.8	6.8	12.3
Charge for the period	0.3	0.1	0.2	0.6
Disposals	(0.7)	(0.1)	—	(0.8)
At end of period	**4.3**	**0.8**	**7.0**	**12.1**
Net book value				
At end of period	**3.3**	**0.9**	**10.2**	**14.4**
At beginning of period	3.6	1.1	9.2	13.9

Unaudited notes to the financial statements (continued)
Unless otherwise indicated, all amounts are stated in £m.

11. Property, plant and equipment (continued)

Three months 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**

Year ended 30 June 2020	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets—leasehold property	Total
Cost				
At beginning of year	7.9	1.8	—	9.7
Impact of adopting IFRS 16	—	—	13.7	13.7
At beginning of year (adjusted)	7.9	1.8	13.7	23.4
Additions	0.5	0.4	0.9	1.8
Disposals	(0.1)	(0.3)	—	(0.4)
Reclassification of lease liabilities	—	—	1.4	1.4
At end of year	**8.3**	**1.9**	**16.0**	**26.2**
Depreciation				
At beginning of year	3.5	0.8	—	4.3
Impact of adopting IFRS 16	—	—	5.1	5.1
At beginning of year (adjusted)	3.5	0.8	5.1	9.4
Charge for the year	1.3	0.2	1.0	2.5
Disposals	(0.1)	(0.2)	—	(0.3)
Reclassification of lease liabilities	—	—	0.7	0.7
At end of year	**4.7**	**0.8**	**6.8**	**12.3**
Net book value				
At end of year	**3.6**	**1.1**	**9.2**	**13.9**
At beginning of year	**4.4**	**1.0**	**—**	**5.4**

Unaudited notes to the financial statements (continued)
Unless otherwise indicated, all amounts are stated in £m.

12. Intangible assets

Computer software	Three months ended 30 September 2020	Three months ended 30 September 2019	Year ended 30 June 2020
Cost			
At beginning of period	18.0	14.5	14.5
Additions	0.7	1.1	3.5
At end of period	**18.7**	**15.6**	**18.0**
Amortisation			
At beginning of period	9.9	5.7	5.7
Charge for the period	0.8	0.8	4.2
At end of period	**10.7**	**6.5**	**9.9**
Net book value			
At end of period	**8.0**	**9.1**	**8.1**
At beginning of period	8.1	8.8	8.8

13. Deferred tax asset

	Three months ended 30 September 2020	Three months ended 30 September 2019	Year ended 30 June 2020
At beginning of period	7.6	7.5	7.5
IFRS 16 adjustment	—	0.3	0.3
Charge to income statement	—	—	(1.1)
Effect of changes in tax rates	—	—	0.9
At end of period	**7.6**	**7.8**	**7.6**

The deferred tax asset consisted of the following:

	30 September 2020	30 September 2019	30 June 2020
Accelerated capital allowances	(0.9)	(1.0)	(0.8)
Short-term timing differences	8.5	8.8	8.4
	7.6	**7.8**	**7.6**

14. Borrowings

	30 September 2020	30 September 2019	30 June 2020
Bank facilities	—	55.0	10.0
Loan notes	2,602.9	2,359.0	2,729.8
Subordinated shareholder loans	28.8	27.6	28.4
Senior secured notes	785.9	726.6	786.1
Lease liabilities	12.4	10.5	11.5
	3,430.0	**3,178.7**	**3,565.8**
Debt issue costs	(16.0)	(13.9)	(15.7)
	3,414.0	**3,164.8**	**3,550.1**
Of which:			
Due for settlement within 12 months	118.6	72.4	93.6
Due for settlement after 12 months	3,295.4	3,092.4	3,456.5
	3,414.0	**3,164.8**	**3,550.1**

14. Borrowings (continued)

Loan notes consist of the following facilities:

	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	500.0	Oct 2023
Together ABS 1	2017	Amortising	116.4	Sept 2021
Together ABS 2	2018	Amortising	171.3	Nov 2022
Together ABS 3	2019	Amortising	282.2	Sept 2023
Together ABS 4	2020	Amortising	353.5	Jun 2024

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

In September 2020, the maturity date on the undrawn £71.9m RCF facility has been extended from June 2021 to June 2023.

On 16 July 2020, Together successfully completed the latest and largest issuance in its residential mortgage-backed securitisation programme, the Together Asset Backed Securitisation 2020—1 PLC (‘TABS 4’). The issuance, which has an effective advance rate of 92%, received strong support from investors and resulted in £361m of additional funding being raised. TABS 4 is supported by a portfolio of first-charge and second-charge owner-occupied and buy-to-let residential mortgages, secured against properties in England, Wales and Scotland, and refinanced assets forming part of the Group’s AA-rated £1.25bn Charles Street facility (‘CABS’).

Subordinated shareholder loans were originally issued on 2 November 2016. The subordinated shareholder loans are interest-free loans totalling £68.1m, which comprised £25.1m due in 2026 (previously 2024) and £43.0m due in 2036. The difference between the total nominal value of £68.1m and the initial fair values on origination or extension of £21.2m represents a non-distributable capital contribution of £46.9m, £7.6m of which has amortised by 30 September 2020 (30 September 2019: £5.6m; 30 June 2020: £7.2m). The remainder of the reserve will be released over the life of the instruments.

The Group has senior secured notes in issue of £350m and £435m, which are due to mature by 2024 and 2026 respectively.

Refer to Note 20 for more details in relation to the lease liabilities.

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

Borrowings have the following maturities:

As at 30 September 2020	<1 year	1-2 years	2-5 years	>5 years	Total
Bank facilities	—	—	—	—	—
Loan notes	118.0	588.5	1,896.4	—	2,602.9
Subordinated shareholder loans	—	—	—	28.8	28.8
Senior secured notes	—	—	350.9	435.0	785.9
Lease liabilities	1.4	1.3	3.2	6.5	12.4
	119.4	**589.8**	**2,250.5**	**470.3**	**3,430.0**
Debt issue costs	(0.8)	(1.9)	(10.0)	(3.3)	(16.0)
	118.6	**587.9**	**2,240.5**	**467.0**	**3,414.0**

Unless otherwise indicated, all amounts are stated in £m.

14. Borrowings (continued)

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
Lease liabilities	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 June 2020	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank facilities	10.0	—	—	—	10.0
Loan notes	82.8	565.9	2,081.1	—	2,729.8
Subordinated shareholder loans	—	—	—	28.4	28.4
Senior secured notes	—	—	351.1	435.0	786.1
Lease liabilities	1.4	1.2	3.3	5.6	11.5
	94.2	**567.1**	**2,435.5**	**469.0**	**3,565.8**
Debt issue costs	(0.6)	(2.1)	(13.0)	—	(15.7)
	93.6	**565.0**	**2,422.5**	**469.0**	**3,550.1**

15. Provisions

	Customer provisions	**Other provisions**	**Total**
Balance at beginning of period	20.9	1.4	22.3
Charge/(release) for the period	(0.1)	1.2	1.1
Provisions utilised	(1.5)	(0.1)	(1.6)
Balance at end of period	**19.3**	**2.5**	**21.8**

As a result of undertaking internal reviews within the regulated division, 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, including 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. In the initial 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 populations, which simplifies and expedites progress whilst also ensuring customer detriment, where experienced, is appropriately addressed.

Within customer provisions, a provision of £14.8m for forbearance and customer-communication remediation has been estimated at the reporting date. Depending on the outcome of further testing and the selection of certain judgements and assumptions, the total financial impact is estimated to be within the range of £9.0m to £17.0m. In addition, a further £1.2m provision has been estimated for administrative expenses relating to the remediation. The total charge to the income statement during the period in respect of these matters is £nil, however £0.8m has been utilised during the period.

The forbearance provision and the customer communications provision represent the estimated financial impacts arising from both live and redeemed customers and comprise: (i) estimated customer settlement

Unless otherwise indicated, all amounts are stated in £m.

15. Provisions (continued)

payments, (ii) expected accrued interest between the reporting date and the assumed remediation date, and (iii) estimated administration costs related to the remediation activities.

The calculation of the forbearance and customer communications provisions and the estimated ranges of impacts contains some limitations, and a number of significant judgements and estimates have been necessary, including: judgements about the circumstances where customers may have been disadvantaged, the estimated amounts for customer redress due, judgements about the extent of the customer population included, the extent of any overlap between remediation activities, and the assumed timing of remediation activities.

Estimates for provisions and associated ranges are based on management's best estimate using the information available. Further work will be undertaken during the remediation phase, planned for completion during the coming year which could lead to a revision of the provisions estimate, potentially outside the current estimated range.

The total provisions above is comprised of other provisions which are individually immaterial.

16. Other liabilities

	30 September 2020	30 September 2019	30 June 2020
Dividends payable to parent company, Midco2 Limited	26.4	—	—
Trade creditors	0.6	1.4	1.1
Other creditors	1.5	2.2	1.5
Other taxation and social security	0.7	0.7	0.7
Accruals and deferred income	40.9	36.9	47.9
	70.1	**40.9**	**51.2**

17. 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.

Financial instruments measured at fair value

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

Derivative liabilities held for risk management	Level 1	Level 2	Level 3	Fair value	Carrying value
30 September 2020					
Interest-rate risk	—	(2.4)	—	**(2.4)**	**(2.4)**
30 September 2019					
Interest-rate risk	—	(1.6)	—	**(1.6)**	**(1.6)**
30 June 2020					
Interest-rate risk	—	(2.9)	—	**(2.9)**	**(2.9)**

The Group's derivative assets are interest-rate caps and its derivative liabilities are interest-rate swaps and floors. The valuations of these instruments are level 2, being derived from generally accepted valuation models that use forecast future interest-rate curves derived from market data. At the end of the reporting period, the value of the interest-rate caps was not material and therefore is not presented in the table above due to rounding.

Unless otherwise indicated, all amounts are stated in £m.

17. Financial instruments and fair values (continued)

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 2020	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	—	—	3,937.9	**3,937.9**	**4,000.8**
Financial liabilities					
Borrowings	717.5	923.3	1,717.7	**3,358.5**	**3,414.0**

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 June 2020	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	—	—	4,142.9	**4,142.9**	**4,162.2**
Financial liabilities					
Borrowings	732.5	604.4	2,174.0	**3,510.9**	**3,550.1**

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

Due to current market conditions, it is considered that the fair value of a loan portfolio is especially uncertain and that price discovery for loan portfolios may be challenging. In the comparative period, for 30 September 2019, fair value was estimated using only the methodology described above. However, for the period ended 30 September 2020 and year ended 30 June 2020 reporting, fair values have been estimated to be to be the lower of: the carrying value and the fair value for each product as calculated above. Consequently, the fair value of loans and advances to customers is lower than the carrying value overall for the period ended 30 September 2020 and year ended 30 June 2020.

The fair value of senior secured notes is considered to be level 1, although the number of transactions were low compared to pre-Covid-19 trading. The fair value is lower than carrying value primarily due to the price at which bonds were trading in the secondary market due to the economic impact of Covid-19 at 30 September 2020.

The fair value of loan notes issued by private securitisations is estimated to be the carrying value because the notes track a floating rate of interest but where the margins payable are only observable inputs when they are issued or refinanced. Due to current market conditions these notes have been reclassified from level 2 to level 3 reflecting the increased uncertainty over the margins for such loan notes. Public residential mortgage-backed securities continue to be classified as level 2.

Other borrowings stated at fair value in level 3 almost entirely represent subordinated shareholder loans and lease liabilities. Market prices are not available for these loans and so fair value has been estimated by discounting the related expected future cash flows. As market rates are not observable for these loans,

Unless otherwise indicated, all amounts are stated in £m.

17. Financial instruments and fair values (continued)

Financial instruments not measured at fair value (continued)

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.

18. Notes to the statement of cashflows

	Three months ended 30 September 2020	Three months ended 30 September 2019
Adjustments for non-cash items in profit after tax:		
Net interest income	(65.2)	(60.7)
Changes in expected credit losses charged to income statement	15.9	4.9
Taxation	4.5	4.4
Provisions for liabilities and charges	1.1	4.9
Depreciation and amortisation	1.4	1.4
Net (gains)/losses on financial instruments	(0.1)	0.3
	(42.4)	**(44.8)**
Changes in operating assets and liabilities		
Decrease/(increase) in loans and advances to customers	145.5	(188.8)
Decrease/(increase) in other assets	1.9	(0.1)
Decrease in other liabilities	(0.1)	(9.4)
	147.3	**(198.3)**

19. Related party transactions

Relationships

The Company has the following related parties:

a) Controlling party

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

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

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office properties.
Centrestand Limited	The Group collects rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited. The Group performs underwriting, collection and arrears-management activities for these loans. The Group also manages accounts payable on behalf of the company and provides ancillary accounting and treasury services for which it is reimbursed.
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 at 5% per annum, secured on certain assets of these companies. The Group also manages accounts payable on behalf of these entities.

Unaudited notes to the financial statements (continued)
Unless otherwise indicated, all amounts are stated in £m.

19. Related party transactions (continued)

Relationships (continued)

a) Controlling party (continued)

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

b) Parent companies

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

Entity	Nature of transactions
Bracken Midco2 Limited	During November 2016, the Company received subordinated funding from Bracken Midco2 Limited. The subordinated loans are interest-free and for fixed terms, as set out in Note 14. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group which is being amortised over the life of the loan. The Group pays dividends to its parent company Bracken Midco2 Limited.

c) Subsidiaries

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

d) Key management personnel

Key management personnel comprise directors of the Group, including those serving in a similar capacity on an interim basis. 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 and payable to related parties by the Group are disclosed in Notes 10 & 16. The Group had the following transactions with related parties during the period:

	Three months ended			
	30 September 2020		30 September 2019	
	Charge/ (credit) to income or equity	Paid	Charge/ (credit) to income or equity	Paid
Lease and insurance costs	0.4	—	0.4	0.4
Accounts payable transactions	—	0.2	—	0.2
Impairment of related party loans	0.2	—	0.2	—
Interest on related party loans	(0.1)	—	(0.2)	—
Net provision of treasury funding	—	(0.4)	—	—
Related parties of HN Moser[5]	**0.5**	**(0.2)**	**0.4**	**0.6**
Interest expense	0.4	—	0.5	—
Parent companies	**0.4**	**—**	**0.5**	**—**
Total related parties	**0.9**	**(0.2)**	**0.9**	**0.6**

The Group declared an interim dividend of £26.4m during the period ended 30 September 2020 (period ended 30 September 2019: £nil).

5 Transactions in the prior period were with HN Moser and DL Moser 1995 Family Settlement No1 Trust (together Moser Shareholders).

Unaudited notes to the financial statements (continued)
Unless otherwise indicated, all amounts are stated in £m.

20. Leases

The Group occupies two head-office buildings. One of the properties is subject to a lease for 15 years. Negotiations are currently ongoing with the landlord (Bracken House Limited LLP) with regard to lease arrangements for the second property which have been accounted for as a lease in accordance with the draft lease terms.

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 2020 and 30 September 2019:

Three months ended 30 September 2020	Administrative expenses £m	Interest expense £m	Total £m
Depreciation expense of right-of-use assets	0.2	—	0.2
Interest expense on lease liabilities	—	0.1	0.1
Total recognised in the income statement	**0.2**	**0.1**	**0.3**

Three months ended 30 September 2019	Administrative expenses £m	Interest expense £m	Total £m
Depreciation expense of right-of-use assets	0.2	—	0.2
Interest expense on lease liabilities	—	0.1	0.1
Total recognised in the income statement	**0.2**	**0.1**	**0.3**

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 2020 and 30 September 2019.

	Right-of-use assets—leasehold property £m	Lease liabilities £m
As at 1 July 2020	9.2	(11.5)
Additions	1.2	(1.2)
Depreciation expense	(0.2)	—
Interest expense on lease liabilities	—	(0.1)
Payments	—	0.5
Disposal of motor vehicles	—	(0.1)
As at 30 September 2020	**10.2**	**(12.4)**

	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 lease liabilities analysis includes hire purchase obligations for motor vehicles. The Group had total cash outflows for leases of £0.5m (30 September 2019: £0.5m) in the three months ended 30 September 2020.

21. Commitments and contingencies

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.

21. Commitments and contingencies (continued)

Commitments (continued)

At 30 September 2020, the Group had undrawn commitments to lend of £75.3m (30 September 2019: £159.2m). These relate mostly to lines of credit granted to existing customers for property development. 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 £nil (30 September 2019: £0.1m), and is classified within other liabilities.

The decrease in undrawn commitments to lend compared with 30 September 2019 is driven by a decrease in Personal Finance loan pipeline as at 30 September 2020.

Fixed and floating charges

As at 30 September 2020, the Group's assets were subject to a fixed and floating charge in respect of £785m senior secured notes (30 September 2019: £725m; 30 June 2020: £785m) and £nil in respect of bank borrowings (30 September 2019: £55m; 30 June 2020: £10m).

22. Events after the reporting date

Mortgage-payment deferrals

After the balance sheet date the continuing development of the Covid-19 pandemic has resulted in the Group maintaining its actions to serve its customers and protect colleagues, consistent with the supportive measures announced by the UK government. The Group has offered mortgage-payment deferrals to a number of customers as a result of Covid-19 as disclosed in Note 9. At 5 November 2020, 3% of the Group's loans by value still remained on mortgage-payment deferrals as a result of Covid-19.

Customers may take the option to extend their payment deferral, in line with government guidance, and of the 7,274 loans reaching the end of their initial deferral period and have had a payment fall due, up to 5 November 2020:

- 551 customers were still in a payment deferral period; and
- 6,723 customers had reached the end of their mortgage-payment deferral period and have had a payment fall due;
  - 5,588* customers have made full payments;
  - 691 customers have made partial payments; and
  - 444 customers have not made payments or are past their term.

* include accounts which were fully redeemed since ending their mortgage-payment deferral period.

On 31 October 2020, the government announced new national restrictions for England which were implemented from 5 November 2020 and are currently expected to remain in place at least until 2 December 2020. In addition the government announced fiscal support measures, including extensions of the coronavirus job retention scheme and mortgage-payment deferral scheme.

The impact on the macroeconomic outlook of such restrictions and resulting support measures is uncertain. Changes in the macroeconomic outlook will impact upon the calculation of ECL, where disclosure of the macroeconomic scenarios used for estimating ECL is set out in Note 9. In addition within Note 9 disclosure is provided showing the unweighted ECL for each of the scenarios incorporated within the ECL calculation, together with the weighting applied to that scenario. Sensitivities can be derived from this disclosure by applying different combinations of probabilities to the unweighted ECLs and comparing these to the weighted average which is the amount recorded within the statement of financial position.

Following the government's latest announcement of new lockdown restrictions, the Group has run additional sensitivities to estimate the impact of a 3% fall in actual GDP for the quarter ending 31 December 2020. This is equivalent to a reduction of 5.3% in the base-case assumption for nominal GDP for the quarter ending 31 December 2020. Applying this 5.3% reduction in GDP to all scenarios would lead to a worsening of PDs in the short term, which would then increase the total impairment allowance by £0.8m at

22. Events after the reporting date (continued)

Mortgage-payment deferrals (continued)

30 September 2020. This sensitivity was performed by varying the forecast GDP only whilst all other forecast economic indicators and assumptions were left unchanged.

The Group continues in its actions to serve its customers by continuing to offer payment deferrals aligned to government guidance as well as the support of our wider forbearance toolkit aligned to customers circumstances.

The impact of mortgage-payment deferrals on the Group, including on its liquidity and funding position, has been considered in the going-concern assessment disclosures set out in Note 2.

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

Enterprise risk management framework

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

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

Risk governance & oversight

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

The Board delegates certain responsibilities to committees and the Risk Committee is responsible for oversight of risk management for the Group. There is additional focus in the Personal Finance division on specific risks such as compliance risk.

Further details on the Group's governance arrangements can be found in the **Corporate Governance** report.

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

The first line of defence is responsible for the identification, management and ownership of 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 Group has a co-ordinated approach to assurance, which maps the key risks faced by the Group to the assurance activities in place across the three lines of defence, to allow effective oversight and to increase focus on specific risks, as required.

The key components of the ERMF, as portrayed by the diagram opposite, are described opposite.

Risk universe

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

Risk 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.

Risk policy framework

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

ERMF application, management and compliance

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

Overview of risk management within the Group (continued)

ERMF application, management and compliance (continued)

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

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

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:

Covid-19 and the macroeconomic environment

The emergence of Covid-19 as a global pandemic has led to significant disruption to the world economy and there is little certainty in the economic outlook. In addition, the final form of the UK's exit from the European Union is not yet known. Amongst other impacts, macroeconomic uncertainty may affect the availability and pricing of wholesale funding, reduce customer confidence, reduce customers' ability to service and repay their loans which may in-turn affect our ability to comply with the covenants in our funding structures, increase operating costs and impact property values.

The Bank of England has acted to maintain a credit supply to the economy, including the provision of liquidity to banks to support lending, however this support is not available to the same extent to non-bank lenders which includes the Group.

What we did in 2019/20

In response to the Covid-19 pandemic, the Group:

- Successfully invoked its business continuity plans to immediately address the safety of colleagues and quickly develop the operational and IT infrastructure to enable the majority of colleagues to work from home and continue to support customers, including those in need of a mortgage payment deferral.
- Increased the frequency of Board and Board Risk Committee meetings to address the rapidly evolving risk environment.
- Reprioritised the focus of second-line teams on monitoring new and changing risks, while internal audit has provided targeted assurance.
- Redesigned and reviewed the effectiveness of key controls to adapt to a home-working environment.
- Closely monitored financial resources and increased the frequency of financial projections, stress-testing and monitoring of key risk indicators under a range of scenarios.
- Temporarily paused new lending applications.
- Entered into waivers and amendments of facility documents for privative securitisations in order to support the provision of mortgage-payment deferrals to customers in line with government guidance.
- Took action to reduce costs, including reductions is discretionary spending and also reviewed the operating model in light of updated financial projections.
- Further detail on the management and mitigation of risks arising from Covid-19 is provided within the **Principal risks and uncertainties** section below.

Prior to the coronavirus outbreak, the Group refinanced and extended the maturity dates on certain existing funding structures and raised new funding which mitigates the impact of disruption to the wholesale funding market. The Group continues to focus on specialist lending, secured at prudent LTVs and has no operations outside of the UK.

Group expectations for 2020/21 and direction

It is too early to reliably estimate the full economic impact of Covid-19 and the national and local measures, which continue to be updated to control the outbreak, will not signal a return to the 'old normal' but rather the

Overview of risk management within the Group (continued)

Group expectations for 2020/21 and direction (continued)

first stage of moving towards a 'new normal'. However, with a resilient and proven business model, we aim to emerge from this crisis well-placed to help our customers during the UK's economic recovery.

Exposure to real estate

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

What we did in 2019/20

The Group lends at prudent LTVs at origination to provide protection from falls in property prices. Average origination LTV was 57.7% for the year to 30 June 2020 (2019: 58.0%).

During the year the Group temporarily paused new lending applications, following the onset of the Covid-19 pandemic, during a period when the impact of the outbreak on: the economy, affordability assessments for new lending applications, feasibility of conducting property valuations, and the property market in general was unclear. The Group has since tightened lending criteria in mitigation of these uncertainties.

Group expectations for 2020/21 and direction

The risks to the property market are expected to increase in the forthcoming year in light of adverse economic conditions and the Group expects to continue to lend using revised lending criteria and to continue its longstanding approach of lending at prudent LTVs.

Interest rate environment

Interest rates have fallen during the year, with Bank Rate cut to a record low of 0.1%. Reductions in interest rates make borrowing more affordable and therefore can increase asset prices. However, if interest rates are subsequently increased faster than expected, loan servicing costs are likely to increase, which could cause an increase in credit losses.

What we did in 2019/20

The Group conducts regular stress testing on the balance sheet for the impact of changes in interest rates arising from any mismatches in fixed and floating rates on the balance sheet. The Group raises funding using a mix of fixed and variable funding which provides some natural offset in movements in interest rates on assets and liabilities. During the year, the Group issued TABS 3, which uses SONIA as a reference rate which has historically tracked Bank Rate more closely than Libor. The Group also refinanced certain senior secured notes, securing fixed rate funding to 2026 and entered into interest rate derivatives where appropriate to mitigate interest rate risk.

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

Group expectations for 2020/21 and direction

Future interest rate expectations, measured by swap rates, have fallen significantly. The Group will continue to monitor the external environment and respond to any interest rate changes as appropriate.

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.

Overview of risk management within the Group (continued)

What we did in 2019/20

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

In common with a number of lenders and at the height of uncertainty as the country went into lockdown, the Group took a prudent decision to temporarily pause accepting new mortgage applications. Our focus was on managing the existing pipeline of loans, including underwriting against more prudent criteria, along with supporting our existing customers by offering mortgage payment deferrals. Supporting our existing customers at a time of great uncertainty was our priority, with the potential reputational impact with intermediaries mitigated by the temporary nature of the pause and that origination levels were significantly reduced across the industry. The Group has since recommenced accepting new applications on a phased basis initially using a selected panel of intermediaries from its well-established distribution network, as set out in Note 34 to the **Financial statements**. The Group continues to offer a broad product range to underserved segments of the market and benefits from a rich pool of experience and skills. The Group also continues to invest in technology and product innovation.

Group expectations for 2020/21 and direction

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

Uncertain economic times can reduce the number of new entrants into our chosen markets and may also reduce competition from existing lenders. Lenders who operate in mainstream and specialist segments have generally sought to focus on their core markets and restrict their lending criteria in a recessionary environment, which may provide increased lending opportunities for Together.

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 2019/20

The Group continues to perform penetration testing on our systems and 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 2020/21 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 sector.

What we did in 2019/20

The Group has responded to new guidance issued by the FCA in response to the coronavirus pandemic, including offering mortgage-payment deferrals to customers and the treatment of vulnerable customers.

The Personal Finance division has implemented the FCA's Senior Managers and Certification Regime (SM&CR) during the year.

Overview of risk management within the Group (continued)

What we did in 2019/20 (continued)

The Group has also reviewed data handling processes to ensure the Group continues to comply with General Data Protection Regulation (GDPR).

Group expectations for 2020/21 and direction

The Group expects that this will continue to be a key focus area.

The FCA has already issued regulatory guidance in response to the pandemic, in particular concerning vulnerable customers and the FCA business plan highlights that the impacts and lessons-learned during and beyond Covid-19 may further refine their areas of focus. The FCA business plan states that the current regulatory framework is too focused on rules-based approach, and not enough on principles and outcomes. The plan also sets out a view that resources are devoted to redress and remediation, but not enough focus is on empowering customers to make good decisions, on regulatory action to prevent harm, and on safeguarding customers' financial wellbeing.

The FCA has also consulted on extending SM&CR implementation deadlines, for certain requirements, including: the date the conduct rules come into force; the deadline for submission of information about directory persons to the register; extending the deadline for assessing Certified Persons as fit and proper from December 2020 to March 2021.

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

Claims management companies (CMCs) and legal claims

CMCs and claimant law firms' activity can lead to a significant increase in the level of legal claims being received, whether these end up being settled or rejected.

What we did in 2019/20

During the year, the Group has seen a reduction in legal claims received from CMCs and claimant law firms compared with the prior year. CMCs became regulated during 2019 with the aim of raising standards and practices in the industry, which may impact on claim volumes. The Group evaluates the merits of each claim individually and determines an appropriate course of action.

Group expectations for 2020/21 and direction

While current volumes have reduced, the Group expects that legal claims and complaints and claims from CMCs and claimant law firms to continue in the coming year. The Group will continue its approach of evaluating claims on their merits and acting accordingly.

The directors have identified the following as the principal risks and uncertainties facing the business.

The coronavirus outbreak represents a major development in the risks and uncertainties facing the Group, and impacts a number of principal risk categories. The Group benefits from a prudent LTV loan portfolio and new origination criteria have been further tightened in response to the challenges of robustly assessing affordability and property valuations in current conditions. The Group's results have been adversely impacted by increased expected credit losses in line with IFRS9 forward looking requirements and the extent of any further impact will be influenced by the duration and severity of the disruption on the UK economy. Given the level of uncertainty, including the current and potential further disruption in wholesale funding markets, the Group is proactively modelling possible scenarios to support the continued resilience of the business model. Growth plans have been revised to lower levels, thereby conserving both capital and liquidity until the level of uncertainty reduces.

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

- Strategic risk

Overview of risk management within the Group (continued)

Group expectations for 2020/21 and direction (continued)

- Credit risk[1]
- Liquidity and funding risk[1]
- Market risk[1]
- Capital risk[1]
- Operational risk[1]
- Conduct risk[1]
- Compliance risk[1]

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 16 and 17.

Strategic risk is managed and mitigated by:

- Regular Board oversight of the Group's strategy, including monitoring of financial and non-financial performance indicators.
- Regular engagement with the Group's shareholder to allow for alignment of objectives.
- 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.
- Maintaining strong relationships with intermediaries.
- 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'.

The Group's Executive Risk Committee provides oversight and monitoring of strategic risk and Board oversight is performed by the Risk Committee and the Board.

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 107.

Overview of risk management within the Group (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, where appropriate, have regard to creditworthiness, 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.
- Responding to changing market conditions, such as the worsening economic conditions since March 2020 by temporarily pausing new applications and tightened lending criteria, including lower LTVs and increased thresholds for affordability assessments.
- In the Personal Finance division, the new lending criteria have been applied to the existing pipeline to evaluate whether valuations and affordability assessments undertaken prior to coronavirus are still appropriate.
- In the Commercial Finance division, new originations are primarily through mortgage intermediaries where we have a long-standing relationship or via direct channels and are subject to tighter lending criteria.
- Continuing to focus lending on areas of the market where the Group has specific expertise, which only includes secured lending, within the UK, at prudent LTVs.
- Monitoring of customer performance throughout the life of the loan, with regard to arrears, proactive collections strategies, application of mortgage-payment deferrals in response to Covid-19, or other forbearance measures.
- Capturing additional data and establishing enhanced monitoring of the specific risks posed to the portfolio by Covid-19 and the impact of customers in receipt of mortgage-payment deferrals. This has included accessing additional data, where appropriate, from open banking and credit reference agencies.
- Updated arrears management standards and processes to reflect the latest FCA guidance on mortgage-payment deferrals.
- Monitoring of the characteristics of the loan portfolio, including geographical concentration and LTV.
- Monitoring of credit risk exposures through credit risk management information to enable an assessment of position versus risk appetite. This has been enhanced to provide further analysis and focus on particular risk factors emerging as a result of coronavirus.

Macroeconomic sensitivity analysis of the loan book, including an increase in the number of scenarios modelled for the purpose of calculating the impairment loss allowance.

- Measuring and monitoring credit quality for impairment purposes using a suite of IFRS 9 models. Our detailed disclosures in respect of IFRS 9 credit modelling are included within Notes 2, 3 and 14 to the **Financial statements**.

The Group's Executive Risk Committee provides oversight and monitoring of credit risk, including receiving reports and recommendations from the Group Credit Risk Meeting. Board oversight is performed by the Risk Committee.

Overview of risk management within the Group (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	2020 £m	2019 £m
Included within the statement of financial position:			
Gross customer balances		**4,300.3**	3,774.8
Unsecured loans		**0.2**	0.3
Accounting adjustments		**(19.5)**	(13.6)
Less: allowance for impairment	14	**(118.8)**	(67.0)
Loans and advances to customers	14	**4,162.2**	3,694.5
Cash and cash equivalents	13	**252.5**	120.2
Derivative assets held for risk management	15	**—**	0.1
Amounts owed by related parties	17	**1.0**	0.7
Other debtors	17	**1.4**	0.9
		4,417.1	**3,816.4**
Not included within the statement of financial position:			
Commitments to lend (net of ECL)	32	**88.4**	153.7
Maximum exposure to credit risk		**4,505.5**	3,970.1

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 customer, measured on an expected credit loss basis under IFRS 9. The credit risk ratings are not used by the group to monitor credit risk and therefore are not disclosed. Further details on the Group's expected credit loss methodology, and the movement in impairment losses through the year are shown in Notes 2 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.

	2020 £m	2020 % of gross customer balances	2019 £m	2019 % of gross customer balances
60% or less	**2,374.7**	**55.2%**	2,191.4	58.0%
61–85%	**1,750.4**	**40.7%**	1,453.1	38.5%
86–100%	**119.7**	**2.8%**	89.8	2.4%
Greater than 100%	**55.5**	**1.3%**	40.5	1.1%
Gross customer balances	**4,300.3**	**100.0%**	3,774.8	100.0%

Of the gross customer balances at 30 June 2020, 95.9% (30 June 2019: 96.5%) of loans had an indexed LTV of less than or equal to 85%.

Overview of risk management within the Group (continued)

Credit risk (continued)

Concentration of credit risk

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

	2020 %	2019 %
East Anglia	**2.7**	2.5
East Midlands	**3.4**	3.2
Ireland	**0.1**	0.1
London	**26.7**	28.3
North East	**1.7**	1.7
North West	**15.8**	14.8
Scotland	**4.5**	4.4
South East	**18.6**	19.2
South West	**7.5**	7.3
Wales	**3.7**	3.8
West Midlands	**8.7**	8.2
Yorks & Humber	**6.6**	6.5
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:

	2020 %	2019 %
Up to £50,000	**10.5**	11.8
£50,000–£100,000	**15.5**	15.8
£100,000–£250,000	**22.7**	22.0
£250,000–£500,000	**15.7**	14.8
£500,000–£1,000,000	**10.3**	9.8
£1,000,000–£2,500,000	**12.0**	11.8
More than £2,500,000	**13.3**	14.0
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, 87.3% (30 June 2019: 88.3%) of these loans have an LTV of under 85% at 30 June 2020.

Forbearance and mortgage-payment deferrals

In March 2020 the government announced very substantial and wide-ranging support measures in anticipation of the effect of the pandemic on the wider economy and subsequently extended such measures in May 2020. These measures included the availability of mortgage-payment deferrals, for up to six months, for borrowers who have been impacted by Covid-19.

As at 30 June 2020, 5,691 customer loan accounts, representing 16% of the loan portfolio by value, were in receipt of a Covid-19 mortgage-payment deferral arrangement. As at 31 August 2020, this reduced to 8% of loan portfolio by value and this is detailed out in Note 34. Further detail on the impact on the Group's loss allowance is set out in Note 14.

The Group also offers forbearance to assist customers who are experiencing financial distress and assistance is provided based on individual customer circumstances. In the Personal Finance division this is offered in accordance with regulatory guidance. For those customers requiring additional assistance the Group works with a number of external not for-profit agencies.

Further detail on the impact on the Group's loss allowance is set out in Note 14.

Overview of risk management within the Group (continued)

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.

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

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

The Group also benefits from an ordinarily highly cash-generative business model, with a high level of redemptions which is a key source of liquidity. Expectations are for continued economic uncertainty which may lead to a reduction in the level of cash inflows and stress testing undertaken includes the impact of severe haircuts to expected redemption inflows.

The liquidity and funding risks arising from reducing level of eligible assets and/or the risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquidity resources held as cash. A key management action to generate net cash inflows is the ability to control levels of new lending, which in combination with other management actions, has increased cash balances to £252.5m at 30 June 2020 (2019: £120.2m).

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

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 which are modelled and monitored against a 150-day survival period.
- Development of additional forecast cash-flow scenarios and stress-testing in response to the economic and market disruptions following the outbreak of coronavirus.
- Regular monitoring and reporting of compliance with financial covenants and restrictions, and actively seeking waivers where appropriate.
- Reporting of management information which includes a range of additional quantitative measures of liquidity risk.

Overview of risk management within the Group (continued)

Liquidity and funding risk (continued)

- Closely managing total liquidity resources, including cash, redemption cashflows, access to funding from securitisations and access to a revolving credit facility.
- Forecasting of expected cash inflows and outflows, including the outstanding pipeline of loan offers, and monitoring of actual cashflows.
- Only placing surplus cash balances on overnight deposit ensuring they remain immediately available.

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.
- Regular engagement with banks and investors.
- Maintenance of depth of maturity through regular new issuances and timely refinancing of existing sources of funding, when wholesale markets are available.
- Monitoring individual funding maturity dates and maturity concentrations.
- 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, with delegated authority from the Group Executive Risk Committee, and Board oversight is performed by the Risk Committee. In response to the pandemic ALCO matters were reported directly to the Board on a weekly basis in order to provide timely information for consideration.

See the **Operating review** for an overview of the Group's sources of funding and funding activity undertaken during the year.

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 2020	**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	**10.0**	**10.3**	**—**	**—**	**—**	**10.3**
Loan notes	**2,729.8**	**137.7**	**620.3**	**2,128.5**	**—**	**2,886.5**
Senior secured notes	**786.1**	**41.2**	**42.6**	**456.5**	**456.2**	**996.5**
Obligations under finance leases	**11.5**	**1.4**	**1.2**	**3.3**	**5.6**	**11.5**
Subordinated shareholder loans	**28.4**	**—**	**—**	**—**	**68.0**	**68.0**
	3,565.8	**190.6**	**664.1**	**2,588.3**	**529.8**	**3,972.8**
Debt issue costs	**(15.7)**	**—**	**—**	**—**	**—**	**—**
Borrowings	**3,550.1**	**190.6**	**664.1**	**2,588.3**	**529.8**	**3,972.8**
Trade creditors	**1.1**	**1.1**	**—**	**—**	**—**	**1.1**
Other creditors	**1.5**	**1.5**	**—**	**—**	**—**	**1.5**
Commitments to lend	**—**	**88.4**	**—**	**—**	**—**	**88.4**
	3,552.7	**281.6**	**664.1**	**2,588.3**	**529.8**	**4,063.8**

Overview of risk management within the Group (continued)

Liquidity and funding risk (continued)

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

The weighted average maturity of the Group's borrowings is 3.3 years at 30 June 2020 (30 June 2019: 3.6 years) and the Group has a strong track record of successful refinancing and raising new facilities. The outbreak of the coronavirus is causing market uncertainty, which may restrict the ability of the Group to complete further funding transactions, at least in the short-term, or may impact on the terms available. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk. The earliest maturity of wholesale funding, being the Highfield ABS facility, is not due until June 2021 and the earliest call on public securitisation is Together ABS[1] in September 2021. Further detail is set out in Note 22 to the **Financial statements**.

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.
- 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, with delegated authority from the Group Executive Risk Committee, and Board oversight is performed by the Risk Committee.

[1] Refer to appendix for definitions and calculations

Overview of risk management within the Group (continued)

Market risk (continued)

The table below sets out the impact on profit before tax of an immediate decrease of 0.1% and an increase of 0.1%, 0.5% and 1.0% in interest rates, based on the interest rates prevalent at the year-end dates.

	2020 £m	2019 £m
0.1% decrease	**(1.5)**	(1.4)
0.1% increase	**1.5**	1.4
0.5% increase	**7.6**	7.1
1.0% increase	**15.2**	14.2

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.

Note 15 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.

Regulatory capital requirements must also be met at all times within certain of the Group's subsidiaries.

Current and forecast levels of Group capital, including the gearing ratio, are monitored and reported to the Board on a regular basis. Total shareholder funds increased by £66.5m over the year (2019: £52.9m). The net debt gearing ratio[1] has increased to 78.6% at 30 June 2020 (30 June 2019: 78.0%) as a result of introducing more capital efficient funding facilities.

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 and stress testing over a horizon of 12-18 months to identify forecast positions.
- Reviewing the level of gearing within securitisation facilities and within the senior borrower group, 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, with delegated authority from the Group Executive Risk Committee, and Board oversight is performed by the Risk Committee.

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 is managed and mitigated by:

- A framework of systems, controls, policies and procedures.
- Frameworks to recruit, train and retain sufficient skilled personnel. This includes succession planning and identification and mitigation of reliance on key individuals.
- Utilising a Risk and Control Self-Assessment (RCSA) approach to identify, manage and monitor key operational risks.
- A documented and tested business continuity plan.

Overview of risk management within the Group (continued)

Operational risk (continued)

- A specialist business change team dedicated to managing the change projects the business is undertaking.
- Maintaining 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 antivirus and firewalls, using multiple vendors to maximise protection.
  - Market leading detection tools, continually monitoring the IT network and data.
  - Full penetration testing for externally facing networks.
  - Encryption of all mobile devices.

The Group's Executive Risk Committee provides oversight and monitoring of operational risk, with authority delegated to the Financial Crime Committee for the management of this risk. Board oversight is performed by the Risk Committee.

With the Covid-19 pandemic, the Group invoked its business-continuity process in proactively responding to the coronavirus outbreak. The immediate steps taken in the Group's response included:

- The instigation of daily meetings by the leadership team to review and direct the Group's operational response to Covid-19 and an increase in the frequency of Board and Risk Committee meetings to facilitate rapid decision making.
- Rapid expansion of the IT and operational capability for colleagues to work from home.
- Adaption of systems of internal controls to support remote working.
- Changes to operational processes and IT systems to assist customers facing financial difficulty and offer mortgage-payment deferrals.
- Development of HR procedures and communications strategy to support colleagues and to support their ongoing wellbeing.
- Close monitoring of human resource levels to meet new and changing demands.
- Review of arrangements with suppliers and implementation of contingency procedures.

The Group has demonstrated an ability for the vast majority of our colleagues to work from home, and have also now put in place detailed social distancing, personal temperature testing and enhanced cleaning procedures to support a safe and phased return to the office for a number of our colleagues.

Conduct risk

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

This risk can arise from the failure to embed an appropriate culture, 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.

Overview of risk management within the Group (continued)

Conduct risk (continued)

- Annual training and awareness sessions for colleagues, for example training to identify factors which may indicate that a customer is vulnerable.
- Adherence to a system of processes and controls which mitigate conduct risk including monitoring and reporting against risk appetite.
- 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.
- 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, which have recently been enhanced to include a focus on those customers impacted by Covid-19 and to focus on the potential impact on vulnerable customers or on customer who may become vulnerable.

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 own separate 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 Personal Finance division for the year-ended 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, including in instances where balances are not expected to be repaid by the customer by the contractual maturity date, using their current repayment schedule. Further disclosures in respect of this can be found in Note 23 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, legal action against the Group and/or 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. Recently, these have focussed on the impact of Covid-19 on customer outcomes, from their request for a mortgage-payment deferral through to their payment deferral exit.
- 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' which includes second-line compliance engagement wherever appropriate.
- Products are approved through a 'Product Governance framework' with a focus on customer needs.

Overview of risk management within the Group (continued)

Compliance risk (continued)

- Controls to prevent financial crime, including fraud detection, anti-money laundering checks and established processes for whistleblowing. The Board receives an annual report from its dedicated Money Laundering Reporting Officer (MLRO) setting out a comprehensive review of controls and compliance with relevant regulation.
- Monitoring of compliance with legal obligations by an in-house legal department.
- Monitoring processes to assess compliance with the requirements of GDPR.
- Horizon scanning and impact assessments of potential regulatory and legal change. The compliance function monitors all regulatory developments, including the matters identified by the FCA in their business plan, to allow for new guidance to be considered and changes implemented where appropriate.

The Group's Executive Risk Committee 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 own separate governance arrangements, while oversight for the Commercial Finance division is provided by its Board.

Independent auditor's report

to the members of Together Financial Services Limited

Opinion

We have audited the financial statements of Together Financial Services Limited (the "Company') and its subsidiaries (together "the Group") for the year ended 30 June 2020 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and Company statement of changes in equity and the Consolidated and Company statement of cashflows and the related notes 1 to 34, including a summary of significant accounting policies. 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 Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Company's affairs as at 30 June 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been prepared in accordance with IFRSs as adopted by European Union and as applied with the provisions of the Companies Act 2006;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 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.

Other information

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

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

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report (continued)

to the members of Together Financial Services Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 50, 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 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 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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Stephen Littler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
21 September 2020

Consolidated statement of comprehensive income
Year ended 30 June 2020
All amounts are stated in £m

Income statement	**Note**	**2020**	**2019**
Interest receivable and similar income	4	**388.4**	343.1
Interest payable and similar charges	5	**(137.1)**	(116.8)
Net interest income		**251.3**	226.3
Fee and commission income	6	**4.5**	4.4
Fee and commission expense	7	**(2.9)**	(2.3)
Net fair value losses on derivatives held for risk-management purposes measured at fair value through income statement	15	**(0.5)**	—
Other income	8	**1.9**	0.1
Operating income		**254.3**	228.5
Administrative expenses	9	**(92.8)**	(82.8)
Operating profit		**161.5**	145.7
Impairment losses	14	**(66.9)**	(15.4)
Profit before taxation		**94.6**	130.3
Income tax	12	**(10.5)**	(18.6)
Profit after taxation		**84.1**	111.7
Other comprehensive income and expense			
Items that may be reclassified to the income statement			
Movement in the cashflow-hedging reserve:			
Effective portion of changes in fair value of derivatives		**(2.8)**	—
Amounts reclassified to income statement		**0.1**	—
		(2.7)	—
Movement in the cost-of-hedging reserve:			
Effective portion of changes in fair value of derivatives		**—**	(0.2)
Amounts reclassified to income statement		**0.1**	—
		0.1	(0.2)
Other comprehensive expense for the year, net of tax		**(2.6)**	(0.2)
Total comprehensive income for the year		**81.5**	111.5

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

Consolidated statement of financial position
As of 30 June 2020
All amounts are stated in £m

	Note	2020	2019
Assets			
Cash and cash equivalents	13	**252.5**	120.2
Loans and advances to customers	14	**4,162.2**	3,694.5
Derivative assets held for risk management	15	**—**	0.1
Inventories	16	**0.6**	0.6
Other assets	17	**6.3**	4.8
Investments		**0.1**	0.1
Property, plant and equipment	19	**13.9**	5.4
Intangible assets	20	**8.1**	8.8
Current tax asset		**3.2**	—
Deferred tax asset	21	**7.6**	7.5
Total assets		**4,454.5**	3,842.0
Liabilities			
Derivative liabilities held for risk management	15	**2.9**	—
Current tax liabilities		**—**	8.7
Borrowings	22	**3,550.1**	3,015.7
Provisions for liabilities and charges	23	**22.3**	4.2
Other liabilities	24	**51.2**	50.6
Total liabilities		**3,626.5**	3,079.2
Equity			
Share capital	25	**9.8**	9.8
Subordinated shareholder funding reserve	22	**39.7**	41.0
Cashflow-hedging reserve		**(2.7)**	—
Cost of hedging reserve		**(0.1)**	(0.2)
Other reserves		**10.6**	10.8
Retained earnings		**770.7**	701.4
Total equity		**828.0**	762.8
Total equity and liabilities		**4,454.5**	3,842.0

These financial statements were approved and authorised for issue by the Board of Directors on 21 September 2020.

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 2020
All amounts are stated in £m

	Note	2020	2019
Assets			
Cash and cash equivalents		**112.1**	34.2
Amounts owed by subsidiaries	17	**1,218.9**	1,291.9
Other assets	17	**0.8**	0.1
Investments in subsidiaries	18	**25.3**	25.3
Property, plant and equipment	19	**9.2**	—
Deferred tax asset	21	**0.3**	—
Total assets		**1,366.6**	1,351.5
Liabilities			
Borrowings	22	**48.8**	81.8
Amounts owed to subsidiaries	24	**802.9**	738.3
Other liabilities	24	**2.2**	0.4
Total liabilities		**853.9**	820.5
Equity			
Share capital	25	**9.8**	9.8
Subordinated shareholder funding reserve	22	**39.7**	41.0
Other reserve		**20.2**	20.4
Retained earnings		**443.0**	459.8
Total equity		**512.7**	531.0
Total equity and liabilities		**1,366.6**	1,351.5

Together Financial Services Limited (the Company) reported a loss after tax for the year ended 30 June 2020 of £2.0m (2019: £2.2m). 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 18 September 2020.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

J Lowe
Director

Consolidated statement of changes in equity
All amounts are stated in £m

Year ended 30 June 2020	Called-up share capital	Subordinated shareholder funding reserve	Cashflow-hedging reserve	Cost of hedging reserve	Other reserves	Retained earnings	Total
At beginning of year	**9.8**	**41.0**	**—**	**(0.2)**	**10.8**	**701.4**	**762.8**
Changes on initial application of IFRS 16	**—**	**—**	**—**	**—**	**—**	**(1.3)**	**(1.3)**
Restated balances at beginning of year	**9.8**	**41.0**	**—**	**(0.2)**	**10.8**	**700.1**	**761.5**
Total comprehensive income	**—**	**—**	**(2.7)**	**0.1**	**—**	**84.1**	**81.5**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**(15.6)**	**(15.6)**
Purchase of shares*	**—**	**—**	**—**	**—**	**(0.2)**	**—**	**(0.2)**
Modification of subordinated debt	**—**	**0.8**	**—**	**—**	**—**	**—**	**0.8**
Transfer between reserves	**—**	**(2.1)**	**—**	**—**	**—**	**2.1**	**—**
At end of year	**9.8**	**39.7**	**(2.7)**	**(0.1)**	**10.6**	**770.7**	**828.0**

Adjustments on transaction to IFRS 16 are set out in Note 2 to the **Financial statements**.

* Relates to a purchase of shares by the employee-benefit trust and charged to the capital redemption reserve.

Year ended 30 June 2019	Called-up share capital	Subordinated shareholder funding reserve	Cost of hedging reserve	Other reserves	Retained earnings	Total
At beginning of year	9.8	43.0	—	10.8	648.3	711.9
Changes on initial application of IFRS 9	—	—	—	—	(30.7)	(30.7)
Restated balances at beginning of year	9.8	43.0	—	10.8	617.6	681.2
Total comprehensive income	—	—	(0.2)	—	111.7	111.5
Dividend paid	—	—	—	—	(29.9)	(29.9)
Transfer between reserves	—	(2.0)	—	—	2.0	—
At end of year	9.8	41.0	(0.2)	10.8	701.4	762.8

Other reserves consist of the following:

	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Total
As at 30 June 2020	**17.5**	**(9.6)**	**1.1**	**1.6**	**10.6**
As at 30 June 2019	17.5	(9.6)	1.3	1.6	10.8

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

Company statement of changes in equity
All amounts are stated in £m

Year ended 30 June 2020	Called-up share capital	Subordinated shareholder funding reserve	Other reserves	Retained earnings	Total
At beginning of year	**9.8**	**41.0**	**20.4**	**459.8**	**531.0**
Changes on initial application of IFRS 16	**—**	**—**	**—**	**(1.3)**	**(1.3)**
Restated balances at beginning of year	**9.8**	**41.0**	**20.4**	**458.5**	**529.7**
Loss for the financial year	**—**	**—**	**—**	**(2.0)**	**(2.0)**
Purchase of shares*	**—**	**—**	**(0.2)**	**—**	**(0.2)**
Modification of subordinated debt	**—**	**0.8**	**—**	**—**	**0.8**
Transfer between reserves	**—**	**(2.1)**	**—**	**2.1**	**—**
Dividend	**—**	**—**	**—**	**(15.6)**	**(15.6)**
At end of year	**9.8**	**39.7**	**20.2**	**443.0**	**512.7**

Adjustments on transition to IFRS 16 are set out in Note 2 to the **Financial statements**.

* Relates to a purchase of shares by the employee-benefit trust and charged to the capital redemption reserve.

Year ended 30 June 2019	Called-up share capital	Subordinated shareholder funding reserve	Other reserves	Retained earnings	Total
At beginning of year	9.8	43.0	20.4	489.9	563.1
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	41.0	20.4	459.8	531.0

Other reserves consist of the following:

	Share premium account	Capital redemption reserve	Share-based payment reserve	Total
As at 30 June 2020	**17.5**	**1.1**	**1.6**	**20.2**
As at 30 June 2019	17.5	1.3	1.6	20.4

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

Consolidated statement of cash flows
Year ended 30 June 2020
All amounts are stated in £m

	Note	2020	2019
Cash flows from operating activities			
Profit after tax		**84.1**	111.7
Adjustment for non-cash items included in profit after tax	27	**(145.6)**	(187.9)
Changes in operating assets and liabilities	27	**(540.3)**	(771.9)
Interest income		**388.4**	343.1
Income tax paid		**(22.2)**	(15.9)
Net cash outflow from operating activities		**(235.6)**	(520.9)
Cash flows from investing activities			
Cash paid to acquire property, plant and equipment		**(0.4)**	(1.0)
Investment in intangible assets		**(3.5)**	(3.2)
Proceeds from disposal of property, plant and equipment		**0.2**	0.1
Net cash outflow from investing activities		**(3.7)**	(4.1)
Cash flows from financing activities			
Drawdown of loan notes		**765.3**	506.6
Repayment of loan notes		**(572.4)**	(90.0)
Proceeds from issuance of loan notes		**315.4**	272.6
Repayment of senior secured notes		**(375.0)**	—
Proceeds from issuance of senior secured notes		**435.0**	—
Net cash (outflows)/inflows from bank facilities		**(45.0)**	24.3
Interest paid		**(134.0)**	(112.1)
Dividends paid		**(15.6)**	(29.9)
Purchase of shares by employee-benefit trust		**(0.2)**	—
Purchase and cancellation of derivatives		**(0.3)**	(0.3)
Payment of lease liabilities		**(1.6)**	(0.3)
Net cash inflow from financing activities		**371.6**	570.9
Net increase in cash and cash equivalents		**132.3**	45.9
Cash and cash equivalents at beginning of year		**120.2**	74.3
Cash and cash equivalents at end of year	13	**252.5**	120.2

At 30 June 2020 cash and cash equivalents include £139.6m (2019: £97.6m) of restricted cash (see Note 13).

Movements in balances are stated after adjustments on transition to IFRS 16, as set out in Note 2 to the **Financial statements**.

Note 2 sets out changes to the classification of certain cash flows.

Company statement of cash flows
Year ended 30 June 2020
All amounts are stated in £m

	Note	2020	2019
Cash flows from operating activities			
Loss after tax		**(2.0)**	(2.2)
Adjustment for non-cash items included in profit after tax	27	**59.6**	60.5
Changes in operating assets and liabilities	27	**138.2**	34.0
Interest income		**0.1**	0.1
Net cash inflow from operating activities		**195.9**	92.4
Cash flows from financing activities			
Net cash (outflows)/inflows from bank facilities		**(45.0)**	30.0
Interest paid		**(57.4)**	(58.4)
Dividends paid		**(15.6)**	(29.9)
Net cash outflow from financing activities		**(118.0)**	(58.3)
Net increase in cash and cash equivalents		**77.9**	34.1
Cash and cash equivalents at beginning of year		**34.2**	0.1
Cash and cash equivalents at end of year		**112.1**	34.2

Movements in balances are stated after adjustments on transition to IFRS16, as set out in Note 2 to the **Financial statements**.

Note 2 sets out changes to the classification of certain cash flows.

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). 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

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.

Transition to IFRS 16

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 detailed later in this note.

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.

All amounts are stated in £m

2. Significant accounting policies (continued)

Transition to IFRS 16 (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

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 Group closely monitors and manages its liquidity, funding and capital position and compliance with financial covenants and produces regular forecasts and scenarios.

These projections have been updated in light of the changing outlook due to the coronavirus outbreak to assess the impact of a range of factors which might arise as a result and in particular the impact that this has on our customers, the property market and on the wholesale-funding market. Specific consideration was given to the impact of: offering mortgage-payment deferrals in line with government guidance, the slowing of customer repayment behaviour, increases in credit risk, declining property values, reduced access to wholesale-funding markets, changes in market rates of interest, reductions to new mortgage-origination volumes and changes to operating costs.

The Group’s decision early in the pandemic, to temporarily pause accepting new loan applications retained additional cash within the Group. The Group’s business model, being one which is ordinarily highly cash generative, operating in profitable market segments and lending at low average loan-to-value (LTV) ratios, provides mitigation to many downside risks. Expectations are for continued economic uncertainty which may lead to a reduction in the level of cash inflows, and stress testing undertaken includes the impact of severe haircuts to expected redemption inflows.

The risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquidity resources held as cash. A key management action to improve cashflow is the ability to control levels of new lending which, in combination with other management actions, has increased total cash balances to £252.5m at 30 June 2020 (2019: £120.2m), of which £112.9m is unrestricted cash (2019: £22.6m) as shown in Note 13.

2. Significant accounting policies (continued)

Going concern (continued)

Alongside the shareholder funding and retained equity which has consistently been reinvested back into the business, the Group is reliant on the wholesale funding markets, including a combination of public securitisations, private revolving securitisations, senior secured notes and a revolving credit facility (RCF). Further detail on the Group's sources of funding is set out in the **Operating review** within the **Strategic report**.

A key risk associated with wholesale funding is refinancing risk, where the Group has a proven track-record of successfully refinancing borrowings. The coronavirus outbreak has had an impact on the capital markets and the availability and/or pricing of wholesale funding. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk with the earliest maturity of wholesale funding, being the HABS facility in June 2022 and the earliest call date on public securitisation is TABS1 in September 2021. Further detail is set out in Note 22.

In addition the Group has demonstrated an ability to access the wholesale markets in current market conditions. In July 2020, the Group successfully issued the latest and largest issuance in its residential mortgage-backed securitisation (RMBS) programme Together Asset Backed Securitisation 2020—1 PLC (TABS 4) raising £361m. On completion of the TABS 4 transaction, the Group's facility headroom increased to £770m.

In September 2020, the maturity date on the undrawn £71.9m RCF facility has been extended from June 2021 to June 2023.

In May 2020, the Group and each of the note purchasers to its four private securitisations entered into waivers and amendments of its facility documents in order to support the provision of mortgage-payment deferrals of up to three months in line with the then government guidance in response to the Covid-19 outbreak. Given the government's announcement on 22 May 2020 to extend mortgage-payment deferrals, the Group has agreed further modifications to such waivers for each of its private securitisations, as set out in Note 34 to the **Financial statements**.

In respect of the private securitisations, the Group may, in certain circumstances, need to seek further waivers and amendments within the going-concern assessment period. This includes, but is not limited to, impacts on covenants as a result of: increases in the number or concentration of customers who elect to take a mortgage-payment deferrals due to Covid-19; a further extension in the duration of the mortgage-payment deferrals scheme; deterioration in loan-book performance due to adverse economic conditions; or reductions in property values. In the event that waivers or amendments are required but not agreed, and existing headroom in covenants is utilised causing a breach, and the breach is not rectified by using headroom in other facilities within a defined cure period, then the noteholders of the private securitisation facilities have the option to call a default of the facility. If a facility defaults, then the cash inflows from the securitised asset pool for each facility are used to repay the interest and principal of the most senior loan notes with the deferred consideration and any interest payment of the subordinated notes due to the originators deferred until such time as all the liabilities ranking more senior are repaid in full, which would defer cash inflows receivable to the Senior Borrower Group.

Aside from the private securitisations, the facilities within the Senior Borrower Group, being the Senior Secured Notes and the RCF, also include certain financial covenants including tests on gearing and minimum levels of interest cover tested on a debt-incurrence basis and a maintenance basis respectively for each of the facilities. To evaluate the Group's resilience to meeting these tests, a reverse-stress scenario has been developed and was considered as part of the going-concern assessment. The scenario is one which assumes no cashflows are received from the securitisations, there is no access to drawdown funding from the private securitisations, and no access to the wholesale funding markets is possible, and therefore loan-origination volumes are limited to meeting pipeline commitments. This is considered by the directors to be an extreme outcome. However due to the bankruptcy-remote nature of securitisations, the default of one or more private securitisation facilities would not mean that the Group cannot continue to operate as a going concern. The Group could continue in such a scenario by servicing the loans funded by the Senior Borrower Group. Stresses were applied to cash inflows to assess the ability to continue to service and repay borrowings as they fall due, and stresses on profitability were separately considered to assess the ability to comply with gearing covenants.

2. Significant accounting policies (continued)

Going concern (continued)

The results of the reverse-stress test showed that unrealistic reductions in expected cash inflows within the Senior Borrower Group would be required for the Senior Borrower Group not to be able meets its liabilities as they fall due within the going-concern assessment period, after available management actions were considered. In addition, the risk to gearing was separately assessed and it was found that very substantial reductions in profitability would be required to result in breaches of the RCF-gearing covenant. The probability of such outcomes is considered remote and could be further reduced by the deployment of additional management actions. A number of management actions would also be possible to preserve or increase available financial resources, including but not limited to: renegotiation of the terms of existing borrowings, raising additional funding and measures to further reduce costs.

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

Additional disclosures have also been included within the **Operating review**, and the 'principal risks' section of the **Risk management report**, which are cross-referenced to this note, which give further detail on the Group's cash position, sources of funding and funding activities during the year.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Negative goodwill is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on acquisitions in the year ended 30 June 1998 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by IFRS the goodwill previously written off has not been reinstated in the statement of financial position.

Merger accounting 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

2. Significant accounting policies (continued)

Goodwill (continued)

- 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 companies which are consolidated in the Group results, and therefore no listed financial instruments are issued by the parent Company, Together Financial Services Limited. The Group is therefore outside the scope of IFRS 8, Operating Segments, and accordingly does not disclose segmental information in these financial statements.

Interest income and expense

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

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

Fee and commission income and expense

Fees and commissions which are an integral part of the effective interest rate of a financial instrument 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

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.

2. Significant accounting policies (continued)

Leases (continued)

Policy applicable from 1 July 2019 (continued)

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone costs.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the interest rate implicit in the lease.

The lease liability is measured at amortised cost using the incremental borrowing rate. 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.

2. Significant accounting policies (continued)

Leases (continued)

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.

Pension benefits

During the period the Group operated a defined-contribution scheme and made contributions to employees' personal pension plans.

The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year to Group pension plans and personal pension schemes. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Share-based payments

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

The cost of providing the options is charged to the income statement over the vesting period of the related options. The corresponding credit is made to a share-based payment reserve within equity.

In the Company's financial statements the grant by the parent of options over its equity instruments to the employees of subsidiary undertakings is treated as an investment in subsidiaries. The fair value of services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding credit to the share-based payment reserve within equity.

The cost of options is based on their fair value, determined using a Black-Scholes pricing model. 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.

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 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.

The Group has refined the analysis and classification of certain elements in its statement of cash flows, including comparative information, to better reflect the Group's operating model. The principal changes are in provisions and impairment allowances which are now shown as non-cash adjustments to profit rather than included in changes in operating assets and liabilities, outflows relating to interest paid and derivatives are treated as financing rather than operating cashflows, and net interest income is now deducted from profit as a non-cash adjustment with interest income shown separately as an operating cash flow.

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.

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

2. Significant accounting policies (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

money, credit and other basic lending risks, and a profit margin consistent with such an arrangement. Cash and cash equivalents also meet these conditions and accordingly management has classified all of the Group's financial assets as measured at amortised cost.

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

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. The Group then assesses whether the new terms are substantially different from the original ones. If the terms of an asset are substantially different, it is derecognised and a new asset recognised at its fair value using its new effective interest rate. If the terms are not substantially different, the Group recalculates the gross carrying amount using the original effective interest rate and recognises a modification gain or loss in the income statement. Such modifications typically arise from forbearance because of financial difficulties of the borrower, and any gain or loss is included in impairment losses. A modified loan's credit risk is assessed to see if it remains higher than on initial recognition for the purposes of calculating expected credit losses.

Financial liabilities

The Group's financial liabilities, which largely consist of borrowings, are all classified as measured at amortised cost 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. All gains or losses on non-substantial modifications, calculated as a change in the net present value of future cash flows using the original effective interest rate, are recognised immediately in the income statement. The Group may also consider qualitative factors in determining whether a modification is substantial.

Impairment of financial instruments

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

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

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

For financial instruments on which credit risk has not increased significantly since initial recognition, the Group measures loss allowances at an amount equal to the 12-month ECL, ie the portion of lifetime ECL of those default events expected to arise within 12 months of the reporting date, weighted by probability of that

2. Significant accounting policies (continued)

Impairment of financial instruments (continued)

event occurring. For all other financial instruments loss allowances are measured at an amount equal to the full lifetime ECL, ie the lifetime ECL arising from all default events that may occur over the life of the instrument, probability weighted. The latter category of instruments includes those that have objective evidence of impairment at the reporting date.

Besides instruments that become credit impaired on entering default, lifetime ECLs are also used for any that are credit impaired on origination. 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 evaluated to determine whether it is considered to be credit impaired or to have experienced a significant increase in credit risk. If this is the case a loss allowance will be recognised equivalent to the full lifetime ECL. If there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. The loss allowance on the new asset will generally be based on a 12-month ECL.

Interest income is recognised at the effective rate on the gross carrying amount of a financial asset, 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.

Derivatives held for risk-management purposes and hedge accounting

The Group has accounted for derivative instruments in accordance with IFRS 9.

The Group does not hold derivative financial instruments for trading but may enter into contracts for derivatives to manage exposure to interest-rate risk.

Derivatives are initially recognised at fair value at the date the contract is entered into and subsequently measured at fair value. The timing of recognition of any resulting gain or loss on the derivative depends on the nature of the hedging relationship. The Group will designate such derivatives as hedging instruments of the fair value of recognised assets or liabilities or of future cash flows.

At inception, the Group documents the relationship between the hedging instrument and the hedged item along with its risk-management objectives and strategy. At inception and afterwards on a continuing basis, the Group assesses whether the hedging instrument is effective in offsetting changes in the fair value or cash flows of the hedged item attributable to the hedged risk. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the income statement.

If a hedging relationship ceases to meet the hedge-effectiveness requirements but the risk-management objective remains the same, the Group adjusts the hedge, ie it rebalances the relationship, so that it again meets the qualifying criteria. Hedge accounting is discontinued only for that part of the hedged item or hedging instrument that is no longer part of the relationship.

In hedge relationships involving options, the Group designates only the option's intrinsic value. In such cases the time-value component of the option's fair value is deferred in other comprehensive income, as a cost of hedging, over the term of the hedge to the extent that it relates to the hedged item. The hedged items so designated by the Group are related to time periods, and the amount of the original time value of the option that relates to the hedged item is amortised from equity to the income statement, within other net income, on a straight-line basis over the term of the hedging relationship.

2. Significant accounting policies (continued)

Derivatives held for risk-management purposes and hedge accounting (continued)

The Group has no fair-value hedges. The effective portion of changes in the fair value of derivatives designated as cashflow hedges is recognised through other comprehensive income in the cashflow-hedging reserve. Amounts so recognised are reclassified to the income statement in the periods when the cash flows of the hedged item affect the income statement and in the same line of the income statement as those cash flows.

The Group discontinues hedge accounting when the derivative is terminated or when the hedging relationship ceases to meet the qualifying criteria. Any cumulative amount existing in equity at that time remains until the hedged cash flows affect the income statement when it is reclassified to the income statement.

Securitisation

Where the Group securitises its own financial assets, this is achieved via the sale of these assets to a special purpose entity (SPE), which in turn issues securities to investors.

SPEs used to raise funds through securitisation transactions are consolidated into the Group's operations in accordance with IFRS 10 Consolidated Financial Statements as if they were wholly-owned subsidiaries. Financial assets transferred to SPEs under securitisation agreements are not derecognised by the Group because it retains the risks and rewards of ownership, and all financial assets and liabilities related to the SPE continue to be held on the Group's consolidated statement of financial position.

Inventories

Inventories consist of stock properties and are valued at the lower of cost and estimated net realisable value. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

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 more than the recoverable amount, an impairment charge is recognised in the income statement.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of 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.

2. Significant accounting policies (continued)

Intangible assets (continued)

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 more than the recoverable amount, an impairment charge is recognised in the income statement.

Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, which is reliably measurable and where it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the amount required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Where matters are less certain, such as when it is possible an obligation exists, or where the outflow of economic resources is possible but not probable, then a contingent liability is disclosed.

New and revised standards, amendments and interpretations not yet effective

A number of new and revised standards issued by the International Accounting Standards Board have not yet come into effect. None of these are expected to have a material impact on the Group's financial statements.

3. 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. Where possible, estimates and associated assumptions are based on historical experience, objective information, or other relevant factors and are reviewed at each reporting date. Actual results may differ from these estimates, and revisions to estimates are recognised prospectively.

Critical judgements in applying the Group's accounting policies

a) Loan impairment allowance

The calculation of the Group's 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 and indicators of credit impairment.

Further detail on the judgements in respect of the measurement of ECL and sensitivities thereon is set out in Note 14 to the accounts.

All amounts are stated in £m

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

Critical judgements in applying the Group's accounting policies (continued)

b) Provisions and contingent liabilities

There is considerable judgement required to estimate provisions and to provide useful information concerning the nature of the uncertainty contained within these estimates, including the disclosure of a range of possible impacts. There is also judgement required in determining whether contingent liability disclosures are required. Further disclosures in respect of this can be found in Note 23 to the **Financial statements**.

c) Going concern

Critical judgements, estimates and assumptions have been necessary in evaluating the Group's ability to continue as a going concern and concluding that no material uncertainties have been identified during the going-concern assessment period. Further detail is set out in Note 2.

Key sources of estimation uncertainty

a) Loan impairment allowance

As a result of the Covid-19 pandemic the Group has used significantly-changed macroeconomic forecasts, and these forecasts and the other assumptions and estimates necessary for the calculation of ECL contain a greater level of judgement than in previous reporting periods due to the increased level of uncertainty. Further detail on these estimates and assumptions and the sensitivities thereon is set out in Note 14 to the accounts.

b) Provisions and contingent liabilities

The calculation of the Group's provisions contain significant estimation uncertainty. Further disclosures in respect of this can be found in Note 23 to the **Financial statements**.

c) Interest income recognition

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

4. Interest receivable and similar income

	2020	**2019**
Interest on loans and advances to customers	**388.4**	343.1

Included within interest on loans and advances to customers is £13.6m (2019: £12.1m) relating to credit impaired loans.

5. Interest payable and similar charges

	2020	**2019**
On borrowings	**136.2**	116.8
On lease liabilities	**0.5**	—
On derivatives in qualifying and discontinued hedging relationships	**0.4**	—
	137.1	**116.8**

Interest payable on borrowings includes a call penalty of £5.9m and the write-off of deferred up-front fees of £0.8m as a result of early refinancing of the 2021 senior secured notes during the year.

Notes to the financial statements (continued)
All amounts are stated in £m

6. Fee and commission income

	2020	2019
Fee income on loans and advances to customers	**4.1**	4.2
Other fees receivable	**0.4**	0.2
	4.5	4.4

7. Fee and commission expense

	2020	2019
Legal, valuations and other fees	**1.1**	1.3
Insurance commissions and charges	**1.8**	1.0
	2.9	2.3

8. Other income

	2020	2019
Rental income	**—**	0.1
Other income	**1.9**	—
	1.9	0.1

Other income includes grant income received from the government in respect of employees who were furloughed under the Job Retention Scheme and income relating to research and development expenditure credit.

9. Administrative expenses

	Note	2020	2019
Staff costs	10	**44.9**	52.7
Auditor's remuneration	11	**0.3**	0.4
Depreciation of property, plant and equipment	19	**2.5**	1.7
Amortisation of intangible assets	20	**4.2**	2.7
Operating lease rentals		**—**	1.5
Provisions for liabilities and charges	23	**21.4**	1.9
Other administrative costs		**19.5**	21.9
		92.8	82.8

There were gains on the disposal of property, plant and equipment of £0.1m (2019: £0.1m loss).

10. Staff costs

The average monthly number of employees, including executive directors, was:

Management and administration	2020 No.	2019 No.
Full time	**688**	695
Part time	**62**	45
	750	740

The aggregate remuneration of staff and executive directors was as follows:

Staff remuneration	Note	2020	2019
Wages and salaries		**35.0**	39.7
Social security costs		**3.5**	4.4
Pension	30	**1.4**	1.1
		39.9	45.2

All amounts are stated in £m

10. Staff costs (continued)

Directors' remuneration			
Emoluments		**5.0**	7.5
Company contribution to personal pension schemes	30	**—**	—
		5.0	7.5
Total staff costs		**44.9**	52.7

The emoluments of the highest paid director were £1.4m (2019: £2.6m) including £nil (2019: £nil) of Company contributions to a a defined contribution pension scheme for any directors. Details of the pension arrangements operated by the Group are given in Note 30. Staff are employed by a Group subsidiary, and no staff are employed by the Company.

11. Auditor's remuneration

	2020	**2019**
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
Other services	**0.0**	0.1
	0.3	0.4

12. Income tax

	2020	**2019**
Current tax		
Corporation tax	**10.6**	17.7
Adjustment in respect of prior years	**(0.3)**	0.5
	10.3	18.2
Deferred tax		
Origination and reversal of temporary differences	**1.1**	0.2
Adjustment in respect of prior years	**—**	0.2
Effect of tax rates	**(0.9)**	—
	0.2	0.4
Total tax on profit	**10.5**	18.6

Corporation tax is calculated at 19.00% (2019: 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:

	2020	**2019**
Profit before tax	**94.6**	**130.3**
Tax on profit at standard UK corporation tax rate of 19.00% (2019: 19.00%)	**18.0**	24.8
Effects of:		
Expenses not deductible for tax purposes	**0.6**	2.8
Income not taxable	**—**	(2.4)
Group relief*	**(6.9)**	(7.1)
Adjustment in respect of prior years	**(0.3)**	0.5
Changes in tax rate	**(0.9)**	—
Group tax charge for year	**10.5**	18.6

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

All amounts are stated in £m

12. Income tax (continued)

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. In March 2020, the government announced that the main rate of corporation tax will remain at 19%, rather than reducing to 17% from 1 April 2020. The deferred tax asset at 30 June 2020 has been calculated based on these rates which led to a £0.9m increase in the value of the deferred tax asset.

13. Cash and cash equivalents

	2020	2019
Unrestricted cash	**112.9**	22.6
Restricted cash	**139.6**	97.6
Total cash and cash equivalents	**252.5**	120.2

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 £62.0m (2019: £32.4m) represents amounts that can be accessed by the Group, for example by allocating additional eligible assets into the private securitisations, but which are not considered readily available. The balance of restricted cash is not readily available and represents amounts which are held within the securitisations for other purposes and may be accessible in future, such as cash reserves or amounts paid over as deferred consideration.

All cash and cash equivalents held by the Group are denominated in pounds sterling.

14. Loans and advances to customers

	30 June 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans and advances	**3,061.3**	**721.2**	**498.5**	**4,281.0**
Loss allowance	**(12.4)**	**(21.0)**	**(85.4)**	**(118.8)**
	3,048.9	**700.2**	**413.1**	**4,162.2**

	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 £9.7m (30 June 2019: £10.9m), equivalent to £5.5m net of allowances (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. Further details of these loans are given in Note 28.

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

14. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

- The appointment of receivers
- There is evidence of fraud
- Loans which exhibit certain indicators of credit risk and are in receipt of a mortgage payment deferral

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

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

ECL is calculated at an individual loan level as the product of PD, LGD and EAD, discounted to the reporting date.

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

- A financial instrument not credit-impaired on initial recognition is classified in stage 1. The loss allowance for such instruments is calculated as the portion of lifetime ECL of those default events expected to occur within 12 months of the reporting date, weighted by the probability of that default occurring.
- An instrument moves to stage 2 if there is an increase in its credit risk that is significant but not such that the instrument is considered credit impaired. The loss allowance for stage 2 instruments is calculated as the lifetime ECL. The determination of significant increases in credit risk is explained further, later in this section.
- Stage 3 instruments are credit impaired and the loss allowance calculated as the lifetime ECL.

Improvements in credit quality may result in instruments moving categorisation, from stage 3 to stage 2 where they are no longer considered credit impaired or to stage 1 where the credit risk is no longer significantly increased compared with initial recognition. Such transitions generally occur only after the completion of probationary periods.

Incorporation of forward-looking information

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

All amounts are stated in £m

14. Loans and advances to customers (continued)

Incorporation of forward-looking information (continued)

Since the outbreak of the coronavirus, there have been significant changes in the forward-looking information used to measure ECL, and also in the options offered by the Group to borrowers seeking mortgage-payment deferrals.

In 2019, the Group calculated ECL using a base case, an upside and a downside scenario, weighted 40%, 30% and 30% respectively. The base case was broadly aligned to the Group's internal planning assumptions and the downside scenario represented a recession during which house prices fell by 16% from peak to trough.

The unprecedented societal and economic impact caused by the coronavirus outbreak and the responses of policymakers have transformed the macroeconomic environment and outlook, and up-to-date data on the impact so far are still relatively limited. Because of the lack of similar past events on which to base forward-looking assumptions, available economic forecasts are therefore subject to significant uncertainty and continue to show a wide range of views of the depth, shape and duration of the impact. In this context management has had to make judgements which it considers reasonable where observable inputs are not available.

In such a context, the Group's approach to developing economic scenarios for the purposes of measuring ECLs has been to increase the number of scenarios from three to six to reflect the wider range of economic outcomes that are now considered possible around any base case. The base case is weighted at 50% and each of the other five scenarios is weighted at 10%.

The most significant assumptions used for the ECL estimate as at 30 June 2020, by economic indicator, until June 2024 are as follows:

Annual GDP change (annual %)*	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	10%	(8.2)	(9.1)	(8.0)	5.5	7.1	3.0	2.1
Mild Upside	10%	(8.6)	(10.1)	(9.7)	3.1	7.4	2.9	2.1
Base	50%	(8.8)	(10.8)	(11.0)	1.0	7.3	2.4	1.8
Stagnation	10%	(10.3)	(14.0)	(15.7)	(5.4)	9.2	2.9	1.9
Downside	10%	(10.8)	(15.0)	(17.4)	(7.8)	9.8	3.0	1.9
Severe downside	10%	(11.6)	(16.9)	(20.2)	(11.7)	11.0	3.2	1.8
Weighted average		**(9.4)**	**(11.9)**	**(12.6)**	**(1.1)**	**8.1**	**2.7**	**1.9**

Annual quarterly GDP change (%)†	Future quarter when GDP returns to Dec-19 levels	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	Mar-21	10%	(10.1)	(2.4)	2.6	32.0	3.1	3.0	1.7
Mild Upside	Sep-21	10%	(11.9)	(4.9)	0.0	29.1	3.4	2.7	1.7
Base	Mar-22	50%	(12.6)	(7.1)	(2.4)	26.2	3.5	2.0	1.8
Stagnation	Mar-24	10%	(18.5)	(13.5)	(8.6)	19.0	4.8	2.2	1.9
Downside	May-25	10%	(20.5)	(15.9)	(11.0)	16.3	5.3	2.2	1.9
Severe downside	Jun-27	10%	(23.8)	(19.9)	(14.9)	11.7	6.1	2.1	2.0
Weighted average			**(14.8)**	**(9.2)**	**(4.4)**	**23.9**	**4.0**	**2.2**	**1.8**

Bank rate	Future quarter which anticipates the first rate rise	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	Sep-20	10%	0.2	0.4	0.6	0.9	1.8	2.0	2.0
Mild Upside	Dec-20	10%	0.1	0.2	0.4	0.6	1.3	1.4	1.5
Base	Jun-23	50%	0.1	0.1	0.1	0.1	0.1	0.2	0.4
Stagnation	Sep-23	10%	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Downside	Sep-22	10%	0.1	0.0	(0.1)	(0.3)	(0.3)	0.0	0.1
Severe downside	Jun-23	10%	0.1	(0.1)	(0.4)	(0.5)	(0.5)	(0.4)	(0.3)
Weighted average			**0.1**	**0.1**	**0.1**	**0.1**	**0.3**	**0.4**	**0.6**

All amounts are stated in £m

14. Loans and advances to customers (continued)

Incorporation of forward-looking information (continued)

Unemployment rate	% peak	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	6.2%	10%	6.2	6.1	5.5	4.6	4.4	4.2	4.0
Mild Upside	6.4%	10%	6.3	6.4	5.9	5.2	4.9	4.6	4.3
Base	7.5%	50%	6.4	7.5	7.0	6.5	5.8	5.2	4.5
Stagnation	8.8%	10%	6.8	8.5	8.8	8.1	6.2	6.3	6.0
Downside	9.8%	10%	6.9	9.3	9.8	9.0	6.6	6.5	6.2
Severe downside	11.7%	10%	7.0	10.7	11.7	10.5	7.2	6.9	6.5
Weighted average			**6.5**	**7.8**	**7.7**	**7.0**	**5.9**	**5.4**	**4.1**

Annual change in house-price index (%)	Start to trough % change	Weighting	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Jun 2022	Jun 2023	Jun 2024
Upside	(1.0%)	10%	0.4	1.0	(0.3)	(0.4)	10.1	13.5	3.6
Mild Upside	(3.6%)	10%	(0.7)	(1.1)	(3.0)	(3.6)	7.5	10.7	3.7
Base	(7.7%)	50%	(1.2)	(4.2)	(6.9)	(7.7)	4.4	5.2	3.9
Stagnation	(16.2%)	10%	(5.1)	(7.3)	(11.2)	(13.8)	(2.1)	0.8	4.3
Downside	(22.1%)	10%	(6.4)	(8.8)	(13.1)	(16.3)	(4.9)	(2.0)	4.5
Severe downside	(34.0%)	10%	(8.5)	(11.2)	(16.4)	(20.6)	(10.1)	(7.6)	5.0
Weighted average			**(2.6)**	**(4.8)**	**(7.8)**	**(9.3)**	**2.2**	**4.2**	**4.1**

* Annual GDP change represents the average annual change in GDP up to the date shown.

† Annual quarterly GDP change represents the change in quarterly GDP compared with the corresponding quarter in the previous year.

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

In developing these scenarios the Group has taken into account the unprecedented levels of support the government and Bank of England are providing to borrowers and the general economy.

Each scenario has a forecast horizon of ten years, where the most relevant period of these scenarios is disclosed above. 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.

The section of this note on critical accounting estimates shows the unweighted ECL by scenarios and provides sensitivities of the ECL to changes in scenario weightings.

The most significant assumptions used for the ECL estimate as at 30 June 2019 were 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

Significant increases in credit risk, forbearance and contract modifications

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

All amounts are stated in £m

14. Loans and advances to customers (continued)

Significant increases in credit risk, forbearance and contract modifications (continued)

The Group uses qualitative and quantitative criteria, including:

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

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

In March 2020 the government announced very substantial and wide-ranging support measures in anticipation of the effect of the Covid-19 pandemic on the wider economy. These measures included the availability of mortgage-payment deferrals, initially for up to three months for borrowers who have been impacted by Covid-19. In June 2020, the government allowed borrowers to extend the deferral period by a further three months where necessary, while encouraging those able to resume payments to do so.

The Group considers that its agreement to such a customer request for a mortgage-payment deferral represents a contractual modification. Because interest on such accounts will continue to accrue at the effective rate this does not generally give rise to any material modification gains or losses.

The Group does not automatically consider a request for a mortgage-payment deferral as representing a significant increase in credit risk requiring a change in classification of the loan to stage 2 or to stage 3.

Instead the Group uses a number of indicators of credit risk to determine whether a loan which has received a mortgage-payment deferral should be reclassified to stage 2 or to stage 3. This assessment uses loan-level information where available, such as an indication from a borrower or a permanent change in their circumstances, but also uses a portfolio-level approach to determine populations of borrowers with higher credit-risk characteristics which have been reclassified to stage 2 or to stage 3 on a more judgemental basis.

As at 30 June 2020, 16%[1] of the Group's customers by value remained on mortgage-payment deferrals as a result of Covid-19. Details of these deferrals are as follows:

Stage allocation	**No. accounts No.**	**Gross balance**	**ECL**
Stage 1	4,075	441.8	1.6
Stage 2	1,180	181.4	4.0
Stage 3	436	54.8	2.8
Total	5,691	678.0	8.4

1 This data covers customers who have contacted us to make amendments to their mortgage-payment deferrals between 1 July 2020 and 8 August 2020 and their account has been amended retrospectively.

The section of this note on critical accounting judgements provides a sensitivity of the impact on ECL of measuring all Stage 1 loans in mortgage-payment deferral using a lifetime ECL instead of a 12-month ECL.

As at 30 June 2020, 1,153 customers had exited the mortgage-payment deferral scheme. Out of those who capitalised interest, 98% did so over the original term, 1.9% either made a lump sum payment or extended their contractual monthly instalment (CMI+) to revert back to the original CMI, 0.2% agreed to pay over an extended term with the original CMI and 0.5% have selected other options.

The most up-to-date information relating to customers who have exited the mortgage-payment deferrals scheme is detailed in Note 34 of the **Financial statements**.

All amounts are stated in £m

14. 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 year ended 30 June 2020 and 30 June 2019.

	2020			
Loss allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**(11.2)**	**(9.6)**	**(46.2)**	**(67.0)**
Transfer to a 12-month ECL	**(0.3)**	**0.7**	**—**	**0.4**
Transfer to a lifetime ECL not credit impaired	**10.0**	**(20.5)**	**2.2**	**(8.3)**
Transfer to a lifetime ECL credit impaired	**1.2**	**13.1**	**(27.8)**	**(13.5)**
Other changes in credit risk during the year	**(11.5)**	**(5.0)**	**(15.1)**	**(31.6)**
Impairment of interest income on stage 3 loans	**—**	**—**	**(13.6)**	**(13.6)**
New financial assets originated	**(3.4)**	**(2.8)**	**—**	**(6.2)**
Financial assets derecognised	**7.4**	**3.1**	**9.8**	**20.3**
Changes in models and risk parameters	**(4.6)**	**—**	**(9.6)**	**(14.2)**
Impairment losses for the year charged to income statement	**(1.2)**	**(11.4)**	**(54.1)**	**(66.7)**
Unwind of discount	**—**	**—**	**13.6**	**13.6**
Write-offs net of recoveries	**—**	**—**	**1.3**	**1.3**
Balance at end of year	**(12.4)**	**(21.0)**	**(85.4)**	**(118.8)**

	2019			
Loss allowance	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance 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	—	—	12.1	12.1
Write-offs net of recoveries	—	—	8.4	8.4
Balance at end of year	(11.2)	(9.6)	(46.2)	(67.0)

Other changes in credit risk include other remeasurements in the loss allowance which have not resulted from a change in the allocated stage and this includes: the development or cure of loan arrears, changes in payment performance or the likelihood of recovery cashflows, the impact of changes in collateral valuations and other changes in the status of the loan. The loss allowance on new financial assets originated represents the ECL on initial recognition. Subsequent changes in ECL are reflected in other movements in the above table.

The loss allowance has increased by £51.8m to £118.8m (2019: £67.0m). The key changes in the estimate for ECL are set out below.

A key increase in the allowance for the year was the increased charge of £14.2m resulting from changes in models and risk parameters (2019: £0.5m release). The primary driver of this increase was a change to the macroeconomic scenarios and forward-looking assumptions as a result of the Covid-19 outbreak, including the number of scenarios used, discussed in detail above. This resulted in a net £19.9m increase during the second half of the year, offset by releases of £5.6m recognised in the first half of the year. Due to the nature of the current economic environment, there has been significant government intervention which may have the effect of temporarily suppressing changes in loan book performance which would otherwise occur. To address this risk judgemental changes to models were made to incorporate the possibility of additional

All amounts are stated in £m

14. Loans and advances to customers (continued)

Loss allowance (continued)

future deterioration in the loan book due to the macroeconomic environment. The impact of this judgement was an increase of £6.0m in ECL and a further £2.0m due to the transition in stage allocation of a proportion of loans in receipt of a mortgage-payment deferral, using additional indicators of credit risk, and which are included within the £14.2m in respect of changes in models and risk parameters.

The impact of loans transferring between stages has increased ECL by £21.4m during the year (2019: £11.1m) and other changes in credit risk have increased ECL by £31.6m (2019: £3.8m). There are a number of drivers of the combined increase of £53.0m observed in these line items, the principal ones being:

- £21.6m due to increases in arrears levels. These and other qualitative and quantitative factors are used to assess the allocated stages of loans and can therefore result in the recognition of allowances based on lifetime losses on loans which were previously measured using a 12-month loss. Arrears levels also affect the probability of default assigned to loans.
- £18.8m due to changes in the assessment of the likely recovery outcome for loans, based either on the likelihood of repossession or on changes in estimated amounts to be recovered. This includes the effect of changes in the estimated collateral values for loans; and
- £8.2m due to accounts which have entered repossession or receivership, transferring to the measurement of a lifetime ECL credit impaired.

The impairment of interest income recognised on stage 3 loans of £13.6m (2019: £12.1m) was offset by the unwinding of discounting on expected cashflows of the same amount. New originations increased ECL by £6.2m (2019: £7.1m), driven by new lending undertaken during the year and the requirement to measure all loans using a forward-looking ECL. Increases in ECL were offset by releases of £20.3m (2019: £20.2m) on loans which have redeemed during the period.

The contractual amount outstanding on financial assets that were written off during the period is £nil (2019: £nil). These assets may still be subject to enforcement activity and therefore further recoveries are possible.

Impairment losses for the year

	30 June 2020	30 June 2019
Movements in impairment allowance, charged to income	**(66.7)**	(13.4)
Amounts released from deferred income	**0.5**	1.7
Write-offs net of recoveries	**(0.7)**	(3.7)
Charged to the income statement	**(66.9)**	(15.4)

The following tables set out changes in the gross carrying amount of loans and advances to customers that contributed to the changes in the loss allowance:

	2020			
Movements in gross carrying amounts	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance at beginning of year	**3,025.3**	**419.5**	**316.7**	**3,761.5**
Transfer to a 12-month ECL	**69.9**	**(69.9)**	**—**	**—**
Transfer to a lifetime ECL not credit impaired	**(753.1)**	**807.1**	**(54.0)**	**—**
Transfer to a lifetime ECL credit impaired	**(30.4)**	**(325.8)**	**356.2**	**—**
New financial assets originated	**1,592.7**	**27.3**	**—**	**1,620.0**
Financial assets derecognised including write-offs	**(843.1)**	**(137.0)**	**(120.4)**	**(1,100.5)**
Balance at end of year	**3,061.3**	**721.2**	**498.5**	**4,281.0**

All amounts are stated in £m

14. Loans and advances to customers (continued)

Impairment losses for the year (continued)

Movements in gross carrying amounts	2019 Stage 1	Stage 2	Stage 3	Total
Balance at beginning of year	2,305.5	358.5	356.0	3,020.0
Transfer to a 12-month ECL	257.3	(254.7)	(2.6)	—
Transfer to a lifetime ECL not credit impaired	(467.9)	552.2	(84.3)	—
Transfer to a lifetime ECL credit impaired	(33.5)	(164.5)	198.0	—
New financial assets originated	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)
Balance at end of year	3,025.3	419.5	316.7	3,761.5

Critical accounting estimates

Key areas of estimation uncertainty in the ECL models are the macroeconomic scenarios used, and the calculations of loss given default and probability of default. The sensitivities below were performed by recalculating the impairment allowance by changing only those assumptions stated, and with all other variables unchanged:

Macroeconomic scenarios

The following table shows the unweighted ECL for each the scenarios modelled as at 30 June 2020 and 30 June 2019 and the probabilities that were applied in the calculation of ECL.

	2020		2019	
Scenarios	**Probability of the scenario**	**Unweighted ECL**	**Probability of the scenario**	**Unweighted ECL**
Upside	**10%**	**57.2**	—	—
Mild upside	**10%**	**66.3**	30%	38.3
Base case	**50%**	**88.0**	40%	42.0
Stagnation	**10%**	**150.2**	—	—
Downside	**10%**	**192.7**	30%	128.9
Severe downside	**10%**	**281.5**	—	—
Weighted average		**118.8**		67.0

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

Loss given default

The LGD model uses current security values and forecast HPI assumptions to project property values for each of the economic scenarios. An immediate and sustained 10% reduction in forecast house prices (ie a 10% haircut applied to the index in each forecast future period), applied in each scenario, would result in an increase in the impairment allowance of £23.7m at 30 June 2020 (30 June 2019: £11.1m); conversely, a 10% increase would result in a decrease in the impairment allowance of £17.9m at 30 June 2020 (30 June 2019: £7.5m).

Probability of default and probability of repossession given default

A 10% relative worsening of both PDs and PPGDs simultaneously (eg a 1.0% PD increasing to 1.1%) would increase the total impairment allowance by £7.2m at 30 June 2020 (30 June 2019: £4.6m). A 10% relative improvement of both PDs and PPGDs simultaneously (eg a 1.0% PD decreasing to 0.9%) would result in a decrease in the impairment allowance by £7.0m at 30 June 2020 (30 June 2019: £4.3m).

All amounts are stated in £m

14. Loans and advances to customers (continued)

Critical accounting judgements

Key areas of judgement in the ECL models include judgements about which loans have been subject to a significant increase in credit risk since initial recognition and therefore should be classified as Stage 2, with a resultant loss allowance based on a lifetime rather than a 12-month ECL.

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

Sensitivities	Increase in allowance
Measure all loans in Stage 1 using a lifetime ECL	14.5

Sensitivities – mortgage-payment deferrals	Increase in allowance
Measure all loans which are in a Covid-19 mortgage-payment deferral, currently in Stage 1, using a lifetime ECL not credit impaired (Stage 2)	2.5
Measure all loans which are in a Covid-19 mortgage-payment deferral, currently in Stage 2, using a lifetime ECL credit impaired (Stage 3)	2.5

15. Derivative assets held for risk management

The Group applies hedge accounting for its strategy of cashflow hedging the interest-rate risk on floating-rate liabilities in certain of its securitisation vehicles. These liabilities fund portfolios of mortgage assets, some of which receive 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 amount of these derivatives is designated against a proportion of floating-rate notes funding fixed-rate mortgages, and decline over time in line with the expected repayment of the mortgages.

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

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

- Repayment of the notes faster than the decline in the notional amount of the derivative.
- For interest-rate swaps, the inclusion of a transaction cost in the fixed rate leg.
- Changes in the credit risk of either party.

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

	30 June 2020		30 June 2019	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps	—	**(2.9)**	—	—
Interest-rate caps	—	**—**	0.1	—
Derivatives designated in cashflow hedges	—	**(2.9)**	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%.

All amounts are stated in £m

15. Derivative assets held for risk management (continued)

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

30 June 2020	Carrying amount of liabilities	Changes in fair value for calculating hedge ineffectiveness	Cashflow-hedging reserve
Hedged by interest-rate swaps			
Borrowings	**244.9**	**(0.2)**	**(0.2)**
Discontinued hedges	**—**	**—**	**(2.5)**
	244.9	**(0.2)**	**(2.7)**
Hedged by interest-rate caps			
Borrowings	**229.5**	**—**	**—**

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)	—

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 net fair value losses on derivatives	Hedge ineffective-ness recognised in other net losses	Reclassified from cash flow-hedging reserve to interest payable
Year ended 30 June 2020								
Interest-rate swaps								
Borrowings	**244.9**	**—**	**(2.9)**	**(0.2)**	**(0.2)**	**0.1**	**—**	**—**
Discontinued hedges	**—**	**—**	**—**	**—**	**(2.5)**	**(0.6)**	**—**	**0.1**
	244.9	**—**	**(2.9)**	**(0.2)**	**(2.7)**	**(0.5)**	**—**	**0.1**
Interest-rate caps	229.5	—	—	—	—	—	—	—
Year ended 30 June 2019								
Interest-rate swaps	—	—	—	—	—	—	—	—
Interest-rate caps	98.9	0.1	—	(0.2)	(0.2)	—	—	—

All amounts are stated in £m

16. Inventories

	2020	2019
Properties held for resale	**0.6**	**0.6**

17. Other assets

Group	**2020**	**2019**
Amounts owed by related parties	**1.0**	0.7
Other debtors	**1.4**	0.9
Prepayments and accrued income	**3.9**	3.2
	6.3	**4.8**

Company	**2020**	**2019**
Amounts owed by subsidiaries	**1,218.9**	1,291.9
Prepayments and accrued income	**0.8**	0.1
	1,219.7	1,292.0

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 (2019: £0.3m) 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 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:

	2020	2019
Investments in subsidiaries	**25.3**	25.3

Notes to the financial statements (continued)
All amounts are stated in £m

18. Investments in subsidiaries (continued)

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%	Raising Finance
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 owned via direct holdings of ordinary share capital, with the exception of Spot Finance Limited which is held by Blemain Finance Limited. The dormant subsidiaries have taken advantage of the exemption from audit under section 479A of the Companies Act 2006. The registered address of all subsidiaries is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

The results of the following securitisation vehicles and trust 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
Together Asset Backed Securitisation 2019 – 1 Holdings Limited
Together Asset Backed Securitisation 2019 – 1 PLC

All amounts are stated in £m

19. Property, plant and equipment

2020 Group	**Fixtures, fittings and equipment**	**Motor vehicles**	**Right of use assets**	**Total**
Cost				
At beginning of year	**7.9**	**1.8**	**—**	**9.7**
Impact of adopting IFRS 16	**—**	**—**	**13.7**	**13.7**
At beginning of year (adjusted)	**7.9**	**1.8**	**13.7**	**23.4**
Additions	**0.5**	**0.4**	**0.9**	**1.8**
Disposals	**(0.1)**	**(0.3)**	**—**	**(0.4)**
Reclassification of lease liabilities	**—**	**—**	**1.4**	**1.4**
At end of year	**8.3**	**1.9**	**16.0**	**26.2**
Depreciation				
At beginning of year	**3.5**	**0.8**	**—**	**4.3**
Impact of adopting IFRS 16	**—**	**—**	**5.1**	**5.1**
At beginning of year (adjusted)	**3.5**	**0.8**	**5.1**	**9.4**
Charge for the year	**1.3**	**0.2**	**1.0**	**2.5**
Disposals	**(0.1)**	**(0.2)**	**—**	**(0.3)**
Reclassification of lease liabilities	**—**	**—**	**0.7**	**0.7**
At end of year	**4.7**	**0.8**	**6.8**	**12.3**
Net book value				
At 30 June 2020	**3.6**	**1.1**	**9.2**	**13.9**
At 30 June 2019	**4.4**	**1.0**	**—**	**5.4**

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

All amounts are stated in £m

19. Property, plant and equipment (continued)

2020 Company	**Right of use assets**
Cost	
At beginning of year	**—**
Impact of adopting IFRS 16	**13.7**
At beginning of year (adjusted)	**13.7**
Additions	**0.9**
Disposals	**—**
Reclassification of lease liabilities	**1.4**
At end of year	**16.0**
Depreciation	
At beginning of year	**—**
Impact of adopting IFRS 16	**5.1**
At beginning of year (adjusted)	**5.1**
Charge for the year	**1.0**
Disposals	**—**
Reclassification of lease liabilities	**0.7**
At end of year	**6.8**
Net book value	
At end of year	**9.2**
At beginning of year	**—**

20. Intangible assets

Group	**Computer software 2020**	**Computer software 2019**
Cost		
At beginning of year	**14.5**	11.4
Additions	**3.5**	3.2
Disposals	**—**	(0.1)
At end of year	**18.0**	14.5
Amortisation		
At beginning of year	**5.7**	3.1
Charge for the year	**4.2**	2.7
Disposals	**—**	(0.1)
At end of year	**9.9**	5.7
Net book value		
At end of year	**8.1**	8.8
At beginning of year	**8.8**	8.3

21. Deferred tax asset

Group – 2020	**Accelerated capital allowances**	**Short-term timing differences**	**Total**
At beginning of year	**(0.9)**	**8.4**	**7.5**
IFRS 16 adjustment	**—**	**0.3**	**0.3**
Charge to income statement	**0.1**	**(1.2)**	**(1.1)**
Effect of changes in tax rates	**–**	**0.9**	**0.9**
At end of year	**(0.8)**	**8.4**	**7.6**

All amounts are stated in £m

21. Deferred tax asset (continued)

Group – 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

Company	Short-term timing differences 2020	Short-term timing differences 2019
At beginning of year	**—**	—
IFRS 16 adjustment	**0.3**	—
Charge to income statement	**0.0**	—
Adjustment in respect of prior years	**0.0**	—
At end of year	**0.3**	—

22. Borrowings

Group	2020	2019
Bank facilities	**10.0**	55.0
Loan notes	**2,729.8**	2,221.5
Senior secured notes	**786.1**	726.8
Lease liabilities	**11.5**	0.8
Subordinated shareholder loans	**28.4**	27.1
	3,565.8	3,031.2
Debt issue costs	**(15.7)**	(15.5)
Total borrowings	**3,550.1**	3,015.7
Of which:		
Due for settlement within 12 months	**93.6**	74.5
Due for settlement after 12 months	**3,456.5**	2,941.2
	3,550.1	3,015.7

Company	2020	2019
Bank facilities	**10.0**	55.0
Lease liabilities	**10.5**	—
Subordinated shareholder loans	**28.4**	27.1
	48.9	82.1
Debt issue costs	**(0.1)**	(0.3)
Total borrowings	**48.8**	81.8
Of which:		
Due for settlement within 12 months	**10.8**	—
Due for settlement after 12 months	**38.0**	81.8
	48.8	81.8

22. Borrowings (continued)

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	500.0	Nov 2023
Together ABS 1	2017	Amortising	122.9	Sept 2021
Together ABS 2	2018	Amortising	179.8	Nov 2022
Together ABS 3	2019	Amortising	291.7	Sep 2023

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

Refer to Notes 2 and 34 for more details in relation to bank facilities.

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.

Subordinated shareholder loans were originally issued on 2 November 2016. The subordinated shareholder loans are interest-free loans totalling £68.1m, which at the start of the year comprised £25.1m due in 2024 and £43.0m due in 2036. In February 2020 the 2024 loans were extended to 2026. The difference between the nominal value and the initial fair value represents a capital contribution, and the extension of the 2024 notes resulted in a net decrease in the carrying value of the loan and a corresponding increase in the non-distributable reserves of £0.8m. The difference between the total nominal value of £68.1m and the initial fair values on origination of £21.2m resulted in a non-distributable capital contribution of £46.9m, £7.2m of which has amortised by 30 June 2020 (30 June 2019: £5.1m). The remainder of the reserve will be released over the life of the instruments.

On 10 February 2020, the Group refinanced its £375m senior secured notes due to mature in 2021, increasing the amount to £435m and extending the maturity to February 2026. The Group also has senior secured notes in issue of £350m, which are due to mature 2024.

Refer to Notes 2 and 29 for more details in relation to the lease liabilities.

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

Borrowings have the following maturities:

As at 30 June 2020:

Group	<1 year	1–2 years	2–5 years	>5 years	Total
Bank facilities	**10.0**	**—**	**—**	**—**	**10.0**
Loan notes	**82.8**	**565.9**	**2,081.1**	**—**	**2,729.8**
Senior secured notes	**—**	**—**	**351.1**	**435.0**	**786.1**
Lease liabilities	**1.4**	**1.2**	**3.3**	**5.6**	**11.5**
Subordinated shareholder loans	**—**	**—**	**—**	**28.4**	**28.4**
	94.2	**567.1**	**2,435.5**	**469.0**	**3,565.8**
Debt issue costs	**(0.6)**	**(2.1)**	**(13.0)**	**—**	**(15.7)**
	93.6	**565.0**	**2,422.5**	**469.0**	**3,550.1**

All amounts are stated in £m

22. Borrowings (continued)

Company	<1 year	1–2 years	2–5 years	>5 years	Total
Bank facilities	10.0	—	—	—	10.0
Lease liabilities	0.9	0.9	3.1	5.6	10.5
Subordinated shareholder loans	—	—	—	28.4	28.4
	10.9	0.9	3.1	34.0	48.9
Debt issue costs	(0.1)	–	–	–	(0.1)
	10.8	0.9	3.1	34.0	48.8

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
Lease liabilities	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

23. Provisions and contingent liabilities

	Customer provisions	Other provisions	Total
Balance at 1 July 2019	2.7	1.5	4.2
Charge for the year	21.3	0.1	21.4
Provisions utilised	(3.1)	(0.2)	(3.3)
Balance at 30 June 2020	**20.9**	**1.4**	**22.3**

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 year ended 30 June 2020, provision amounts are now disclosed separately in the statement of financial position and reclassified in prior period comparatives.

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, including 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.

All amounts are stated in £m

23. Provisions and contingent liabilities (continued)

In order to address these matters in a timely and appropriate manner for customers, work is being undertaken in a phased approach. In the initial 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 populations, which simplifies and expedites progress whilst also ensuring customer detriment, where experienced, is appropriately addressed.

A provision of £15.9m for forbearance and customer-communication remediation has been estimated at the reporting date. Depending on the outcome of further testing and the selection of certain judgements and assumptions, the total financial impact is estimated to be within the range of £9.0m to £17.0m. In addition, a further £0.9m provision has been estimated for administrative expenses relating to the remediation. The total charge to the income statement during the year in respect of these matters is £17.2m, of which £0.4m has been utilised during the year.

The forbearance provision and the customer communications provision represent the estimated financial impacts arising from both live and redeemed customers and comprise: (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 activities.

The calculation of the forbearance and customer communications provisions and the estimated ranges of impacts contains some limitations, and a number of significant judgements and estimates have been necessary, including: judgements about the circumstances where customers may have been disadvantaged, the estimated amounts for customer redress due, judgements about the extent of the customer population included, the extent of any overlap between remediation activities, and the assumed timing of remediation activities.

Estimates for provisions and associated ranges are based on management's best estimate using the information available. Further work will be undertaken during the remediation phase, planned for completion during the coming year which could lead to a revision of the provisions estimate, potentially outside the current estimated range.

The total provisions above also comprise of other provisions which are individually immaterial.

Contingent liabilities – Fixed and floating charges

As at 30 June 2020, the Group's assets were subject to a fixed and floating charge in respect of £785m senior secured notes (30 June 2019: £725m) and £10m in respect of bank borrowings (30 June 2019: £55m).

24. Other liabilities

Group	**2020**	**2019**
Trade creditors	**1.1**	1.9
Other creditors	**1.5**	2.7
Other taxation and social security	**0.7**	1.0
Accruals and deferred income	**47.9**	45.0
	51.2	50.6

As set out in Note 23, provision amounts previously included within accruals and deferred income have been disclosed separately for the year ended 30 June 2020 and comparative amounts have been reclassified accordingly.

Company	**2020**	**2019**
Amounts owed to subsidiaries	**802.9**	738.3
Accruals and deferred income	**2.2**	0.4
	805.1	738.7

Notes to the financial statements (continued)
All amounts are stated in £m

25. Share capital

Authorised	2020	2019
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	2020	2019
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.

26. 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.

Financial instruments measured at fair value

The following table analysis 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:

Derivative (liabilities)/assets held for risk management	Level 1	Level 2	Level 3	Fair value	Carrying value
2020					
Interest-rate risk	**—**	**(2.9)**	**—**	**(2.9)**	**(2.9)**
2019					
Interest-rate risk	—	0.1	—	0.1	0.1

The Group's derivative assets are interest-rate caps and its derivative liability is an interest-rate swap. The valuations of these instruments are level 2, being derived from generally accepted valuation models that use forecast future interest-rate curves derived from market data. At the end of the reporting year, the value of the interest-rate caps was not material 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.

All amounts are stated in £m

26. Financial instruments and fair values (continued)

Financial instruments not measured at fair value (continued)

The following table analysis 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:

2020	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	**—**	**—**	**4,142.9**	**4,142.9**	**4,162.2**
Financial liabilities					
Borrowings	**732.5**	**604.4**	**2,174.0**	**3,510.9**	**3,550.1**

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

Due to current market conditions, it is considered that the fair value of a loan portfolio is especially uncertain and that price discovery for loan portfolios may be challenging. In the comparative period, for 30 June 2019, fair values were estimated using only the methodology described above. However, for the 30 June 2020 reporting, fair-values have been estimated to be the lower of: the carrying value and the fair value for each product as calculated above. Consequently, the fair value of loans and advances to customers is lower than the carrying value overall for the year ended 30 June 2020.

The fair value of senior secured notes is considered to be level 1, although the number of transactions were low compared to pre-Covid-19 trading. The fair value is lower than carrying value primarily due to the price at which bonds were trading in the secondary market due to the economic impact of Covid-19 at 30 June 2020.

The fair value of loan notes issued by private securitisations is estimated to be the carrying value because the notes track a floating rate of interest but where the margins payable are only observable inputs when they are issued or refinanced. Due to current market conditions these notes have been reclassified from level 2 to level 3 reflecting the increased uncertainty over the margins for such loan notes. Public residential mortgage-backed securities continue to be classified as level 2.

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

All amounts are stated in £m

27. Notes to the cash flow statement

Group	2020	2019
Adjustments for non-cash items in profit after tax:		
Net interest income	**(251.3)**	(226.3)
Changes in expected credit losses charged to income statement	**66.7**	13.4
Taxation	**10.5**	18.6
Provisions for liabilities and charges	**21.4**	1.9
Depreciation and amortisation	**6.7**	4.4
Net losses on financial instruments	**0.5**	—
(Gains)/losses on disposal of fixed assets	**(0.1)**	0.1
	(145.6)	(187.9)

	2020	2019
Changes in operating assets and liabilities		
Increase in loans and advances to customers	**(534.4)**	(781.2)
Increase in other assets	**(1.5)**	(0.5)
(Decrease)/increase in other liabilities	**(4.4)**	9.8
	(540.3)	(771.9)

Company	2020	2019
Adjustments for non-cash items in profit after tax:		
Net interest income	**59.6**	60.5
	59.6	60.5

	2020	2019
Changes in operating assets and liabilities		
Intergroup recharges and treasury transfers	**137.8**	34.5
Increase/(decrease) in accruals	**1.5**	(0.5)
Increase in other assets	**(1.1)**	—
	138.2	34.0

Reconciliation of changes in liabilities arising from financing activities

As at 30 June 2020:

			Non-cash changes						
Group	At beginning of year	Net cash Flows	IFRS 9 adjustment	Prepaid fees	Modification of subordinated loan	HP additions	Reclassification of leases	Amortisation of premiums and discounts	At end of year
Bank facilities	**55.0**	**(45.0)**	**—**	**—**	**—**	**—**	**—**	**—**	**10.0**
Loan notes	**2,221.5**	**508.3**	**—**	**—**	**—**	**—**	**—**	**—**	**2,729.8**
Senior secured notes	**726.8**	**60.0**	**—**	**—**	**—**	**—**	**—**	**(0.7)**	**786.1**
Lease liabilities	**0.8**	**(1.6)**	**10.2**	**—**	**—**	**1.4**	**0.7**	**—**	**11.5**
Subordinated shareholder loans	**27.1**	**—**	**—**	**—**	**(0.8)**	**—**	**—**	**2.1**	**28.4**
	3,031.2	**521.7**	**10.2**	**—**	**(0.8)**	**1.4**	**0.7**	**1.4**	**3,565.8**
Net debt issue costs	**(15.5)**	**—**	**—**	**(0.2)**	**—**	**—**	**—**	**—**	**(15.7)**
Total borrowings	**3,015.7**	**521.7**	**10.2**	**(0.2)**	**(0.8)**	**1.4**	**0.7**	**1.4**	**3,550.1**

Notes to the financial statements (continued)
All amounts are stated in £m

27. Notes to the cash flow statement (continued)

Reconciliation of changes in liabilities arising from financing activities (continued)

As at June 2019:

Group	At beginning of year	Net cash flows	Non-cash changes 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
Lease liabilities	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

As at 30 June 2020:

Company	At beginning of year	Net cash flows	Prepaid fees	Non-cash changes IFRS 16 Adjustment	Modification of subordinated loan	Amortisation of premiums and discounts	Net other movement	At end of year
Bank facilities	**55.0**	**(45.0)**	**—**	**—**	**—**	**—**	**—**	**10.0**
Lease liabilities	**—**	**—**	**—**	**10.2**	**—**	**—**	**0.3**	**10.5**
Subordinated shareholder loans	**27.1**	**—**	**—**	**—**	**(0.8)**	**2.1**	**—**	**28.4**
	82.1	**(45.0)**	**—**	**10.2**	**(0.8)**	**2.1**	**0.3**	**48.9**
Net debt issue costs	**(0.3)**	**—**	**0.2**	**—**	**—**	**—**	**—**	**(0.1)**
Total borrowings	**81.8**	**(45.0)**	**0.2**	**10.2**	**(0.8)**	**2.1**	**0.3**	**48.8**

As at 30 June 2019:

Company	At beginning of year	Net cash flows	Non-cash changes Prepaid fees	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

28. 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. On 9 March 2020, all shares held by the DL Moser 1995 Family Settlement No1 Trust were transferred to HN Moser, making him the sole owner and controlling party of the Group.

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

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property.
Centrestand Limited	The Group collects rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited. The Group performs underwriting, collection and arrears-management activities for these loans. The Group also manages accounts payable on behalf of the company and provides ancillary accounting and treasury services for which it 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.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Group provides loans with interest charged at 5% per annum, secured on certain assets of these companies. The Group also manages accounts payable on behalf of these entities.

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

b) Parent companies

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

Entity	Nature of transactions
Bracken Midco2 Limited	In November 2016, the Company received subordinated funding from Bracken Midco2 Limited. The subordinated loans are interest-free and for fixed terms, as set out in Note 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. The Company pays dividends to its parent company Bracken Midco2 Limited.

All amounts are stated in £m

28. Related party transactions (continued)

Relationships (continued)

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).

Transactions

The amounts receivable from and payable to related parties by the Group and Company are disclosed in Notes 17 and 24 to the **Financial statements**.

The Group and Company had the following transactions with related parties during the year:

	2020		**2019**	
Group	**Charge/ (credit) to income or equity**	**Paid**	**Charge/ (credit) to income or equity**	**Paid**
Lease and insurance costs	**1.4**	**1.8**	1.4	1.4
Accounts payable transactions	**—**	**1.2**		1.9
Impairment of related party loans	**1.9**	**—**	0.7	—
Interest on related party loans	**(0.6)**	**—**	(0.8)	—
Related parties of HN Moser[1]	**2.7**	**3.0**	1.3	3.3
Interest expense	**2.1**	**—**	2.0	—
Dividends paid	**15.6**	**15.6**	29.9	29.9
Parent companies	**17.7**	**15.6**	31.9	29.9
Total related parties	**20.4**	**18.6**	33.2	33.2

	2020		**2019**	
Company	**Charge/ (credit) to income or equity**	**Paid/ (received)**	**Charge/ (credit) to income or equity**	**Paid/ (received)**
Interest expense	**2.1**	**—**	2.0	—
Dividends paid	**15.6**	**15.6**	29.9	29.9
Parent companies	**17.7**	**15.6**	31.9	29.9
Depreciation expense of right-of-use assets	**1.0**	**—**	—	—
Interest expense on lease liabilities	**0.5**	**—**	—	—
Costs including management recharges	**—**	**—**	0.7	—
Interest recharges	**(5.5)**	**—**	(10.2)	—
Net provision of treasury funding	**—**	**(140.5)**	—	(65.1)
Subsidiary companies	**(4.0)**	**(140.5)**	(9.5)	(65.1)
Total related parties	**13.7**	**(124.9)**	22.4	(35.2)

1 Transactions in the prior year were with HN Moser and DL Moser 1995 Family Settlement No1 Trust (together the Moser Shareholders).

29. Leases

The Group occupies two head-office buildings. One of the properties is subject to a lease for 15 years. Negotiations are currently ongoing with the landlord (Bracken House Limited LLP) with regard to lease arrangements for the second property which have been accounted for as a lease in accordance with the draft lease terms.

Previously 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 and Company's right-of-use assets and lease liabilities during the year ended 30 June 2020:

Group and Company	Administrative expenses £m	Interest expense £m	Total £m
Depreciation expense of right-of-use assets	1.0	—	1.0
Interest expense on lease liabilities	—	0.5	0.5
Total recognised in the income statement	**1.0**	**0.5**	**1.5**

The below table sets out the carrying amounts of the Group's and Company's right-of-use assets and lease liabilities and the movements during the year ended 30 June 2020.

Group	Right-of-use assets – leasehold property £m	Lease liabilities £m
At beginning of year	8.6	(11.0)
Additions	0.9	(1.4)
Depreciation expense	(1.0)	—
Interest expense on lease liabilities	—	(0.5)
Payments	—	2.1
Reclassification	0.7	(0.7)
At end of year	**9.2**	**(11.5)**

Lease liabilities include hire-purchase obligations for motor vehicles. The Group had total cash outflows for leases of £2.1m during the year ended 30 June 2020.

Company	Right-of-use assets – leasehold property £m	Lease liabilities £m
At beginning of year	8.6	(10.2)
Additions	0.9	(0.6)
Depreciation expense	(1.0)	—
Interest expense on lease liabilities	—	(0.5)
Payments	—	1.5
Reclassification	0.7	(0.7)
At end of year	**9.2**	**(10.5)**

30. Pension arrangements

During the year the Group contributed to employees' personal pension plans. The total cost for the year amounted to £1.4m (2019: £1.1m). Additionally, the Group operated a defined contribution scheme for which the pension costs charge for the year amounted to £nil (2019: £nil).

31. 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. Awards are treated as equity settled and are satisfied by the same entity where the obligation rests at the point awards are realised. The options over the E shares have not yet been exercised.

32. 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 2020, the Group had undrawn commitments to lend of £88.4m (30 June 2019: £153.8m) relating mostly to undrawn elements of lines of credit granted to existing customers for property development. The decrease in undrawn commitments is largely driven by a decrease in the Personal Finance loan pipeline as at 30 June 2020 compared with 30 June 2019.

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 £nil (30 June 2019: £0.1m), and is classified within other liabilities.

33. 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.

34. Events after the reporting date

a) Mortgage-payment deferrals

After the balance sheet date the continuing development of the Covid-19 pandemic has resulted in the Group maintaining its actions to serve its customers and protect colleagues, consistent with the supportive measures announced by the UK government. The Group has offered mortgage-payment deferrals to a number of customers as a result of Covid-19 as disclosed in Note 14. At 31 August 2020, 8% of the Group's loans, by value, still remained on mortgage-payment deferrals as a result of Covid-19.

Customers may take the option to extend their payment deferral, in line with government guidance, and of the 6,677 loans reaching the end of their initial deferral period up to 31 August 2020:

- 2,109 customers extended for a further deferral period, which are included in the aforementioned 8%;
- 107 customers have reached the end of their mortgage-payment deferral period and are yet to have a payment fall due; and

All amounts are stated in £m

34. Events after the reporting date (continued)

a) Mortgage-payment deferrals (continued)

- 4,461 customers have reached the end of their mortgage-payment deferral period and have had a payment fall due. Details of the payment performance following the end of the respective mortgage-payment deferral period of the 4,461 customers are set out as follows:

Customers who have reached the end of their mortgage-payment deferral period and had a payment fall due up to 31 August 2020	Total number of customers	Monthly payments fully paid*	Monthly payments partially paid	Payments not made or is past term
Capitalised over the original term	4,371	3,966	276	129
Lump sum payment	44	43	1	—
Term extension	8	6	1	1
Increased monthly payments for a defined period	19	19	—	—
Other	19	18	—	1
	4,461	4,052	278	131

* include accounts which were fully redeemed since ending their mortgage-payment deferral period.

The impact of mortgage-payment deferrals on the Group, including on its liquidity and funding position, has been considered in the going-concern assessment disclosures set out in Note 2.

b) Restructuring

With the severity of the pandemic and its impact on business, the Group has had to make some difficult decisions regarding restructuring our business and the Group recently announced that it has launched an employee consultation process on proposals to reduce colleague numbers reflecting the anticipated future levels of lending activity and efficiencies in a revised operating structure. This employee consultation process ended on 7 September 2020 and as a result 191 colleagues were made redundant.

c) Funding activity

In September 2020, the maturity date on the undrawn £71.9m RCF facility has been extended from June 2021 to June 2023.

On 16 July 2020, Together successfully priced the latest and largest issuance in its residential mortgage backed securitisation programme, the Together Asset Backed Securitisation 2020 – 1 PLC (‘TABS 4’). The issuance, which has an effective advance rate of 92%, received strong support from investors and resulted in £361m of additional funding being raised. TABS 4 is supported by a portfolio of 1st and 2nd charge owner-occupied and buy-to-let residential mortgages, secured against properties in England, Wales and Scotland, and refinances assets forming part of the Group’s AA rated £1.25bn Charles Street facility (‘CABS’).

Given the government’s announcement on 22 May 2020 to extend mortgage-payment deferrals to support individuals and families and the uncertainty surrounding the economic outlook, the Group has agreed further modifications to waivers for each of its private securitisations, including agreement of modifications to LABS in August 2020 and CABS in September 2020.

d) New originations

During the period from lockdown to the end of August 2020 we have continued to see demand for our products and since the easing of lockdown restrictions we have been able to cautiously resume accepting new applications on a phased basis using criteria appropriate to the changed market. As a result, average monthly mortgage originations in July and August 2020 have increased to £41m.

Glossary

All amounts are stated in £m

2024 Senior Secured Notes (SSNs 2024)	£350m senior secured notes issued by a subsidiary of the Group, Jerrold Finco PLC.
2026 Senior Secured Notes (SSNs 2026)	£435m 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.
CMI	CMI refers to contractual mortgage instalment.
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 following section on alternative performance measures.
Expected credit loss (ECL)	ECLs are a probability-weighted estimate of the present value of credit losses discounted over the expected life of an instrument at its original effective interest rate. Calculated using a statistical model based on probability of default, loss given default and exposure at default.
EIR	Effective interest rate, ie the rate that, at inception of the instrument, discounts its estimated future cash payments or receipts to the gross carrying amount, in the case of financial assets, or to the amortised cost in the case of financial liabilities.
Enterprise risk-management framework (ERMF)	This provides the requisite organisational arrangements and foundation for managing risks in a consistent and structured manner.
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.

Glossary (continued)

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.
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 16	International Financial Reporting Standard 16 – Leases. This standard replaces International Accounting Standard 17 – Leases. The Group adopted this standard from 1 July 2019, 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 – £500m facility with a maturity date of November 2023.
Liquidity and funding risk	Liquidity risk is the risk that the Group is unable to maintain sufficient accessible liquid financial resources to meet the Group's financial obligations as they fall due. Funding risk is the risk of being unable to access funding markets or to only be able to do so at excessive cost. This includes the risk of reduced funding options due to adverse conditions in the wholesale-funding market, potentially caused by political and economic uncertainty leading to the inability to secure additional funding for new business, or refinance existing facilities.
Loan book	This refers to the gross loans and advances to customers ie 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 from a defaulting borrower.
Loan to value (LTV)	In respect to our loan portfolio the loan to value (LTV) ratio is a ratio (reflected as a percentage) of the aggregate of (i) the principal amount of a mortgage loan, (ii) any higher-ranking-charge mortgage loans secured on the same property, (iii) the accrued interest and fees thereon, (iv) net of allowances for impairments and v) certain other accounting adjustments (including adjustments to recognise income at the effective interest rate), compared with 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.
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 ie loans and advances to customers after impairment allowances.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.
PIK toggle notes	A PIK toggle note is a bond in which the issuer has the option, subject to certain conditions being met, to pay interest in the form of payment-in-kind (PIK) as opposed to cash interest.

Glossary (continued)

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 2023.
Repossession and LPA Receivership	Repossessed properties are properties in respect of which a court order has been actioned by a charge holder of the security or in respect of which the borrower has surrendered ownership of the property. LPA receivership is typically used to exercise security over property used for commercial-purpose loans to enable us subsequently to sell the property ('LPA Sales').
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, Together ABS 2 or Together ABS 3.
Shareholder funds	Equity and subordinated shareholder loans and notes. The calculation of this is shown in the section on alternative performance measures.
Strategic risk	The risk of failure to achieve objectives that impact the long term interest of stakeholders.
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.
Together ABS 3	Together Asset Backed Securitisation 2019 – 1 PLC – this is an amortising facility, which raised £315.4m against a loan portfolio of £332.0m with a contractual maturity of 2061 and an option to call the facility in September 2023.
Together ABS 4	Together Asset Backed Securitisation 2020 – 1 PLC – this is an amortising facility, which raised £360.5m of funding secured against a loan portfolio of £366.0m with a contractual maturity of 2061 and an option to call the facility in June 2024.
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 £23.9m whilst in 2020, underlying PBT excluded one-off refinancing and transactions costs of £6.7m and customer related provision of £17.2m.
Underlying profit after tax	Underlying profit after tax (PAT) is the Group's statutory profit after tax adjusted for one-off exceptional items. There have been no such exceptional items in 2019 or 2018. However in 2017, underlying PAT excluded one-off refinancing and transaction costs of £23.9m whilst in 2020, underlying PAT excluded one-off refinancing and transactions costs of £6.7m and customer related provision of £17.2m both adjusted for tax.
Weighted average LTV of originations	The average LTV on originations is calculated on a weighted-average basis, by multiplying each LTV by the respective principal loan amount and then dividing the sum of the weighted LTVs by the total amount of principal loans.

Weighted average indexed LTV of portfolio	The average LTV of our loan portfolio is calculated on a weighted-average basis, by multiplying each LTV by the respective loan amount and then dividing the sum of the weighted LTVs by the total amount of loans. The weighted -average LTV of our loan portfolio is then 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.

Alternative performance measures

All amounts are stated in £m

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 loans and advances to customers.

	2020 £m	2019 £m
Impairment charge	**66.9**	15.4
Average loans and advances to customers	**3,928.3**	3,326.3
	1.70%	0.46%

Cost/income ratio

Administrative expenses including depreciation and amortisation divided by operating income.

	2020 £m	2019 £m
Administrative expenses	**92.8**	82.8
Operating income	**254.3**	228.5
	36.5%	36.2%

Underlying cost/income ratio

Administrative expenses including depreciation and amortisation divided by operating income but excluding the effects of additional provisions made in respect of forbearance and customer communications and refinancing costs relating to 2021 senior secured notes

	2020 £m	2019 £m
Administrative expenses	**92.8**	82.8
Less additional customer provisions	**(17.2)**	—
Administrative expenses excluding exceptional costs	**75.6**	82.8
Operating income	**254.3**	228.5
Add back refinance cost	**6.7**	—
Operating income excluding exceptional costs	**261.0**	228.5
Underlying cost/income ratio	**29.0%**	36.2%

Earnings before interest, tax, depreciation and amortisation (EBITDA)

Profit before taxation adding back interest payable and similar charges and depreciation and amortisation.

	2020 £m	2019 £m
Profit before tax	**94.6**	130.3
Add back:		
Interest payable and similar charges	**137.1**	116.8
Depreciation and amortisation	**6.7**	4.4
	238.4	**251.5**

Alternative performance measures (continued)

Underlying earnings before interest, tax, depreciation and amortisation (Underlying EBITDA)

EBITDA adjusted for additional provisions made in respect of forbearance and customer communication.

	2020 £m	2019 £m
EBITDA	**238.4**	251.5
Add back:		
Additional customer provisions	**17.2**	—
Underlying EBITDA	**255.6**	251.5

Interest cover ratio

The ratio of EBITDA to interest payable and similar charges.

	2020 £m	2019 £m
EBITDA	**238.4**	251.5
Interest payable and similar charges	**137.1**	116.8
	1.74:1	2.15:1

Underlying interest cover ratio

The ratio of underlying EBITDA to interest payable and similar charges excluding one-off refinancing cost relating to 2021 senior secured notes.

	2020 £m	2019 £m
Underlying EBITDA	**255.6**	251.5
Interest payable and similar charges	**137.1**	116.8
Deduct:		
Refinancing cost	**(6.7)**	—
	130.4	**116.8**
Underlying interest cover ratio	**1.96:1**	2.15:1

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.

	2020 £m	2019 £m
Total borrowings	**3,550.1**	3,015.7
Add back debt issue costs	**15.7**	15.5
Less shareholder loans	**(28.4)**	(27.1)
Less lease liabilities	**(11.5)**	(0.8)
Less senior-secured-notes premium	**(1.1)**	(1.8)
Less cash and cash equivalents	**(252.5)**	(120.2)
Net debt	**3,272.3**	2,881.3
Loans and advances to customers	**4,162.2**	3,694.5
	78.6%	78.0%

Alternative performance measures (continued)

Net interest margin (NIM)

Net interest income as a percentage of the average of the opening and closing net loans and advances to customers.

	2020 £m	2019 £m
Net interest income	**251.3**	226.3
Average loans and advances to customers	**3,928.3**	3,326.3
	6.4%	6.8%

Underlying net interest margin

Net interest income adjusted for one-off refinancing cost relating to 2021 senior secured notes as a percentage of the average of the opening and closing net loans and advances to customers.

	2020 £m	2019 £m
Net interest income	**251.3**	226.3
Add back:		
Refinancing cost	**6.7**	—
Adjusted net interest income	**258.0**	226.3
Average loans and advances to customers	**3,928.3**	3,326.3
	6.6%	6.8%

Return on equity (ROE)

Calculated as profit after tax adding back shareholder loan interest net of associated tax calculated using the effective tax rate, expressed as a percentage of the average of the opening and closing shareholder funds (which include shareholder loans of £28.4m (2019: £27.1m)).

	2020 £m	2019 £m
Profit after tax	**84.1**	111.7
Add back shareholder loan interest	**2.1**	2.0
Less tax on shareholder loan interest	**(0.2)**	(0.3)
Total return to shareholder funds	**86.0**	113.4
Average shareholder funds adjusted for net shareholder loan interest	**825.2**	765.5
	10.4%	14.8%

Alternative performance measures (continued)

Underlying return on equity (Underlying ROE)

Calculated as total return to the shareholder adjusted for additional customer provisions and refinancing cost and associated tax on these exceptional items, expressed as a percentage of the average of the opening and closing shareholder funds (which include shareholder loans of £28.4m (2019: £27.1m) adjusted for exceptional items during the period).

	2020 £m	2019 £m
Total return to shareholder funds	**86.0**	113.4
Add back exceptional items:		
Additional customer provision	**17.2**	—
Refinancing cost	**6.7**	—
	23.9	—
Less tax on exceptional costs using effective tax rate	**(2.7)**	—
	21.2	—
Underlying return to shareholder funds	**107.2**	113.4
Underlying average shareholder funds	**835.8**	765.5
	12.8%	14.8%

Cost to asset ratio

Administrative expenses including depreciation and amortisation expressed as a percentage of the average of the opening and closing total assets.

	2020 £m	2019 £m
Administrative expenses	**92.8**	82.8
Average total assets	**4,148.2**	3,447.8
	2.24%	2.40%

Underlying cost/asset ratio

Administrative expenses including depreciation and amortisation but excluding the effects of additional provisions made in respect of forbearance and customer communications divided by the average of the opening and closing total assets.

	2020 £m	2019 £m
Administrative expenses	**92.8**	82.8
Less additional customer provisions	**(17.2)**	—
Adjusted Administrative expenses	**75.6**	82.8
Average total assets	**4,148.2**	3,447.8
	1.82%	2.40%

Shareholder funds

This is equity plus subordinated shareholder loans of £28.4m (2019: £27.1m).

	2020 £m	2019 £m
Equity	**828.0**	762.8
Shareholder loans	**28.4**	27.1
	856.4	789.9

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.

[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 (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 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 (continued)

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;

Notes to the financial statements (continued)

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

Notes to the financial statements (continued)

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.

Notes to the financial statements (continued)

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

Notes to the financial statements (continued)

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**

Notes to the financial statements (continued)

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.

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

Notes to the financial statements (continued)

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).

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).

Notes to the financial statements (continued)

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:

Group	2019 Charge/ (credit) to income or equity	2019 Paid	2018 Charge/ (credit) to income or equity	2018 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

Company	2019 Charge/ (credit) to income or equity	2019 Paid/ (received)	2018 Charge/ (credit) to income or equity	2018 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.

Glossary (continued)

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.

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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)

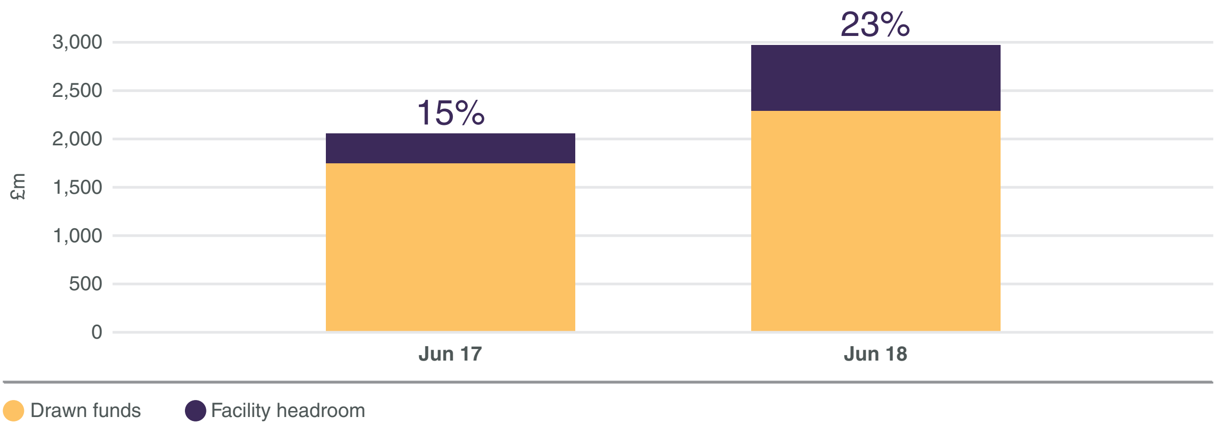
Liquidity and funding risk (continued)

- 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 (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.

Notes to the financial statements (continued)
All amounts are stated in £m

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.

Notes to the financial statements (continued)
All amounts are stated in £m

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.

Notes to the financial statements (continued)
All amounts are stated in £m

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**

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.

Notes to the financial statements (continued)
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

Notes to the financial statements (continued)
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.

Notes to the financial statements (continued)
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).

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.

Registered Office of the Issuer
Jerrold FinCo plc
Lake View, Lakeside
Cheadle
Cheshire SK8 3GW
United Kingdom

Registered Office of the Company
Together Financial Services Limited
Lake View, Lakeside
Cheadle
Cheshire SK8 3GW
United Kingdom

Legal Advisors to the Issuer
As to matters of New York and English Law
Milbank LLP
10 Gresham Street
London EC2V 7JD
United Kingdom

Legal Advisors to the Initial Purchasers
As to matters of New York and English Law
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London EC2N 2DB
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Security Agent
NatWest Markets plc
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London EC2M 4BA
United Kingdom

Paying Agent
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London EC2N 2DB
United Kingdom

Registrar and Transfer Agent
Deutsche Bank Luxembourg S.A.
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L-1115 Luxembourg
Grand Duchy of Luxembourg

Independent Auditor for Together Financial Services Limited
Ernst & Young LLP
2 St Peter's Square
Manchester M2 3DF
United Kingdom

Irish Listing Agent
Dillon Eustace Solicitors
33 Sir John Rogerson's Quay
Dublin 2
Ireland

Legal Advisor to the Trustee
White & Case LLP
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London EC2N 1DW
United Kingdom

Jerrold FinCo plc

£450,000,000 % Senior Secured Notes due 2027

PRELIMINARY OFFERING MEMORANDUM

Global Coordinators and Joint Bookrunners

Citigroup **Goldman Sachs International**

Joint Bookrunners

Barclays **Credit Suisse** **HSBC** **J.P. Morgan**

, 2021