IMPORTANT NOTICE

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

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

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

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

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

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

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

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

  (a) QIBs; or

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

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

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

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

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

Prohibition of Sales to EEA Retail Investors: The Notes described in the offering memorandum are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the 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 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 an EEA member state of Notes which are the subject of the offering contemplated in the 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 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 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 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.

EU MiFID II 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 Directive 2014/65/EU ("MiFID II") (each an "EU Manufacturer" and, together, the "EU 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 and professional clients, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (an "EU distributor") should take into consideration the EU Manufacturers' target market assessment; however, an EU distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the EU Manufacturers' target market assessment) and determining appropriate distribution channels.

***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 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 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 offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

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

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

together. Loans, mortgages & finance.

Bracken Midco1 plc

£380,000,000 6¾% / 7½% Senior PIK Toggle Notes due 2027

Bracken Midco1 plc, a public limited company incorporated under the laws of England and Wales (the "Issuer"), is hereby offering £380 million aggregate principal amount of its 6¾% / 7½% Senior PIK Toggle Notes due 2027 (the "Notes"). The Notes will bear interest, payable semi-annually in arrears on April 15 and October 15 of each year, commencing April 15, 2022. The Notes will mature on November 1, 2027. The first and last interest payments on the Notes will be made in cash. For each other interest payment, the Issuer will be required to pay interest on the Notes entirely in cash ("Cash Interest"), unless the conditions described in this offering memorandum are satisfied, in which case the Issuer will be entitled to pay, to the extent described herein, interest for such interest period through the issuance of Additional Notes (as defined herein) either by increasing the principal amount of the outstanding Notes (or by issuing a new global note of an increased principal amount) or by issuing Notes in a principal amount equal to such interest (in each case, "PIK Interest"). Cash Interest will accrue at a rate of 6.75% per annum on the Notes, and PIK Interest will accrue at the Cash Interest plus 75 basis points per annum on the Notes.

The Issuer may redeem some or all of the Notes on or after November 1, 2023 at the redemption prices set forth in this offering memorandum. Prior to November 1, 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 November 1, 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 secured by (i) a pledge over the issued capital stock in Bracken Midco2 Limited ("Midco2") and (ii) an assignment of all existing and future intercompany loans between the Issuer and Midco2 in respect of which the Issuer is the lender (together, the "Collateral"). See "Summary—*The Offering—Security*." The validity and enforceability of the security interests are subject to the limitations described in "*Risk Factors—Risks Relating to the Notes.*"

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. The Notes will rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment of the Notes, including intercompany liabilities of the Issuer. The Notes 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 and will be structurally subordinated to all existing and future obligations of the subsidiaries of the Issuer, including the Senior Secured Notes (as defined herein), the Securitizations (as defined herein) and borrowings under the Revolving Credit Facility (as defined herein). The Notes will not be guaranteed by Together Financial Services Limited (formerly Jerrold Holdings Limited and, in either case, the "Company") or any of its subsidiaries.

There is currently no public market for the Notes. Application will be made to The International Stock Exchange Authority Limited (the "Authority") for admission to the Official List of The International Stock Exchange (the "Exchange") of the Notes and for permission to deal in the Notes. There is no assurance that the Notes will be listed on the Official List of the Exchange or that such permission to deal in the Notes on the Official List of the Exchange will be granted. No application has been made for the Notes to be listed on any other stock exchange.

Investing in the Notes involves a high degree of risk. Please see "Risk Factors" beginning on page 38.

Price: 100.000% 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.*" The Issuer expects 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 November 1, 2021 (the "Issue Date").

Global Coordinators and Joint Bookrunners

Citigroup **HSBC**

Joint Bookrunners

Barclays **Credit Suisse** **Goldman Sachs International** **J.P. Morgan**

The date of this offering memorandum is October 20, 2021.

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

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In this offering memorandum, "**Issuer**" refers to Bracken Midco1 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 (the "offering memorandum") is confidential and has been prepared by the Issuer 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 the Issuer's 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 the Issuer and the terms of the offering, including the merits and risks involved. In addition, neither the Issuer nor any initial purchaser nor any of the Issuer's 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 the Issuer nor the initial purchasers shall have any responsibility for any of the foregoing legal requirements.

The Issuer accepts 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 the Issuer's 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 the business of Together Financial Services 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, HSBC Bank plc, Barclays Bank PLC, Credit Suisse International, Goldman Sachs International 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 and permission to deal on the Official List of The International Stock Exchange. 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 the Issuer accepts responsibility for accurately summarizing the information concerning Euroclear and Clearstream, the Issuer accepts 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. The Issuer will not, nor will any of the Issuer's 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 the Issuer 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*."

The Issuer cannot guarantee that the application for listing and permission to deal in the Notes on The Official List of the International Stock Exchange 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.

The Issuer and the initial purchasers reserve the right to reject all or a part of any offer to purchase the Notes, for any reason. The Issuer 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. The Issuer expects 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 OFFICIAL LIST OF THE INTERNATIONAL STOCK 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 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 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 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.

EU MiFID II 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 Directive 2014/65/EU ("MiFID II") (each an "EU Manufacturer" and, together, the "EU 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 and professional clients, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (an "EU distributor") should take into consideration the EU Manufacturers' target market assessment; however, an EU distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the EU Manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

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

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. 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 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 INVESTORS IN JERSEY

There shall be no invitation to the public in Jersey to apply for any Notes and there shall be no circulation in Jersey of any offer for subscription, sale or exchange of the Notes.

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, the Issuer relies on and refers to information regarding our business and the markets in which we operate and compete. Unless otherwise indicated, the Issuer has 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), Halifax House Price Index (as defined below), Nationwide Building Society, Finance and Leasing Association, MT Finance Ltd., Bayes Business School, Cass Business School, 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 the Issuer believes that each of the studies and publications that the Issuer has used is reliable, neither the Issuer 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, the Issuer has made statements in this offering memorandum regarding the industry of Together Financial Services Limited and its position in the industry based on our experience and our own investigation of market conditions. The Issuer 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 the Issuer is 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 the Issuer is 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 the Issuer 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 continuing impact of Covid-19, or any mutation of Covid-19, and the impact of the Covid-19 vaccines and medications, on the global and UK economy and resultant impact on our liquidity position, capital position, funding capability, capital markets, operational risk profile, portfolio credit risk profile, reputation, results of operations and financial condition;
- the impact of 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;
- failure to demonstrate operational resilience;
- 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 or to appropriately manage any regulatory inspections and investigations;
- 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 such as Covid-19 and changes in working practices following Covid-19;
- failure to operate effectively and in line with regulations and legal requirements, including in compliance with health and safety regulations in a Covid-19 secure workplace;
- interruption or loss of our information processing systems or third-party systems we use or failure to maintain secure information systems (including as a result of cyber-attacks) and technological changes;
- technological changes and failure to adequately anticipate or respond to these changes;
- the accuracy of our systems, data and models to correctly report our financial condition and forecasts;
- our substantial debt and our ability to operate within financial covenants;
- access to debt markets and our ability to refinance our debt and raise new debt at acceptable cost;
- imbalances in maturity between our total loan assets and our funding facilities;
- our ability to benefit from special corporation tax regimes for 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;
- the impact of climate change; 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

The Issuer, Bracken Midco1 plc, is a public limited company incorporated under the laws of England and Wales, originally formed on June 7, 2016, for the purpose of facilitating the Exit Financing (as defined herein). The Issuer's only material assets are the shares of its direct subsidiary, Bracken Midco2 Limited, and certain intercompany loans made to Bracken Midco2 Limited, and it has no liabilities other than those incurred in connection with its incorporation and the 2023 PIK Notes and those amounts due to Topco as incurred in connection with the Exit Transactions. Bracken Midco2 Limited's only material assets are the shares of the Company, its direct subsidiary, and certain intercompany loans made to the Company, and its only liabilities are its intercompany loans to the Issuer. Consolidated financial statements for the Issuer are not included in this Offering Memorandum, and only certain limited financial data for the Issuer is presented on a consolidated basis as adjusted to reflect certain effects of the Holdco Refinancing in this document. All historical financial information presented in this offering memorandum is that of the Company, an indirect subsidiary of the Issuer, and its subsidiaries. Accordingly, all references to "Together Financial Services," "we," "us," "our" or the "group" in respect of the financial information in this offering memorandum are to the Company and its subsidiaries on a consolidated basis, unless the context otherwise requires. See "*Risk factors—Risks Relating to the Notes—The Issuer is a holding company with no business operations or assets*." For a reconciliation between the Issuer's and the Company's consolidated financial statements, see "*Annex A: Reconciliation of Certain Selected Balance Sheet Data of the Company and Its Subsidiaries with Certain Selected Balance Sheet Data of the Issuer and its subsidiaries (including Midco2)*."

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 currently represent less than 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.

Brooks ABS, Charles Street ABS, Delta ABS 1, Delta ABS 2, Highfield ABS, Lakeside ABS, Together ABS 1, Together ABS 2, Together ABS 3, Together ABS 4, Together ABS 5, Together CRE 1 and Together CRE 2, the bankruptcy-remote special purpose vehicles established for purposes of our Securitizations, are consolidated into the consolidated financial statements of the Company. The consolidated financial statements of the Company have been prepared under International Financial Reporting Standards as adopted by the European Union for financial years ended June 30, 2019 and June 30, 2020 or International Accounting Standards in conformity with the requirements of the Companies Act 2006 for the financial year ended June 30, 2021 (each respective basis of preparation, determined by the applicable financial year, is collectively referred to as "IFRS" within this offering memorandum). For additional information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Treatment of the Securitizations*."

Following June 30, 2021, we have entered into the BABS Securitization and TABS 5 Securitizations. As a result, Brooks ABS and Together ABS 5 will be consolidated into our financial statements going forward In addition, although as of the date of this offering memorandum the TABS 1 Securitization has been redeemed and DABS 1 is currently dormant, both remain consolidated entities in our financial statements pursuant to IFRS.

Financial Statements

This offering memorandum includes audited consolidated financial statements of the Company as of and for the years ended June 30, 2019, 2020 and 2021. Our audited consolidated financial statements were prepared in accordance with IFRS.

The independent auditors' reports for Together Financial Services for the years ended June 30, 2019, 2020 and 2021 were unqualified. The independent auditors' reports for Together Financial Services for the years ended June 30, 2019, 2020 and 2021 are included on pages F-180, F-105 and F-24, respectively, of this offering memorandum.

The information contained on pages F-3 through F-23, F-89 through F-104 and F-165 through F-179 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-3 through F-23, F-89 through F-104 and F-165 through F-179 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-165 through F-179, F-89 through F-104 and F-3 through F-23 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, 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, 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 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. We adopted IFRS 16 using a modified retrospective approach and, as such, comparative information for the year ended June 30, 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)

In this offering memorandum, we present non-IFRS measures because our management believes that non-IFRS measures are helpful to investors, securities analysts and other interested parties as supplemental measures of our operating performance and ability to service debt. Non-IFRS measures have important limitations as an analytical tool, and you should not consider them in isolation or as substitutes for IFRS measures included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set out on page 102 and the "Index to Financial Statements" section on page F-1. These measures may not be comparable to similarly titled measures used by other companies.

The non-IFRS measures included in this offering memorandum are defined on pages ix to xvi, pages 33-37 and on pages F-84 to F-87.

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 years ended June 30, 2020 and 2021 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 19 to our consolidated financial statements for the year ended June 30, 2021). References to "Underlying EBITDA" and "Underlying Adjusted EBITDA" in respect of the year ended June 30, 2021 reflect EBITDA and the Adjusted EBITDA, 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, 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 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). References to "Underlying profit before taxation," in respect of the year ended June 30, 2021, reflect profit before tax for Together Financial Services adjusted to exclude the effects of exceptional items related to the 2024 Notes Refinancing (as defined under "*Certain Definitions*"), the effects of additional provisions made in respect to forbearance and customer communication remediation (see "*Business—Regulatory Proceedings*" and note 19 to our consolidated financial statements for the year ended June 30, 2021) and 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 "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 2023 PIK Notes and shareholder distributions.

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 for drawing under the Private Securitizations subject to having eligible assets available for sale and the compliance with the relevant portfolio covenants (as applicable). 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 or the effects of the optional redemption of the TABS 1 Securitization, the entry into the TABS 5 and BABS Securitizations and most recent amendments to the HABS Securitization (all occurring after June 30, 2021). In particular, as of June 30, 2021, our Total Accessible Liquidity consisted of:

	As of June 30, 2021
	(£ in millions)
Cash at bank[(1)]	79.9
Plus amounts available under the Private Revolving Securitizations[(2)]	315.0
Plus undrawn commitments under the Revolving Credit Facility[(3)]	58.4
Total Accessible Liquidity	**453.4**

(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 Private Revolving Securitizations, by selling eligible loan assets to the relevant Private Securitization SPV at the advance rate applicable under each Private Revolving Securitization. See "*Description of Certain Financing Arrangements—Securitizations—Private Securitizations.*" Such available amounts are subject to the availability of eligible assets in the Borrower Group and covenant constraints in the Private Revolving 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 June 30, 2021, 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 June 30, 2021 and remains undrawn as of the date of this offering memorandum) are £71.9 million. Prior to the Issue Date, we expect to draw under the Revolving Credit Facility. See "*Summary—Trading Update.*"

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.

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 coverage ratios and the other non-IFRS measures disclosed and defined on pages 33 to 37 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 underwrite 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 "*Summary—Supplemental Cash Flow Information for the group and Borrower Group*."

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 expressed as a percentage of total average loan assets" is calculated as Cash Receipts, 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, divided by the average total loan assets.

In this offering memorandum, the term "interest yield" is calculated as interest receivable and similar income, prepared on an annualized basis, divided by average total loan assets.

In this offering memorandum, the term "surplus income" means the income of each of the Securitization Vehicles, after paying interest and fees in connection with the applicable Securitization, paid to Originators on a monthly or quarterly basis (as applicable), except during a default or full amortization period, as applicable.

Pro Forma Financial Information (Non-IFRS)

This offering memorandum contains certain unaudited *pro forma* consolidated financial information of the Issuer as of and for the year ended June 30, 2021 to give *pro forma* effect to the offering of the Notes and the use of proceeds therefrom (the "Offering") as if they had occurred on July 1, 2020 (with respect to items related to the statement of comprehensive income), or June 30, 2021 (with respect to items related to the statement of financial position), as applicable. Such *pro forma* financial information does not reflect the effects of the optional redemption of the TABS 1 Securitization and the entry into the BABS Securitization, the TABS 5 Securitization and most recent amendments to the HABS Securitization. The unaudited *pro forma* consolidated financial information is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that the Issuer would have reported had the Offering been completed as of (i) July 1, 2020 for the purpose of the calculation of interest payable and other metrics derived from the Issuer's profit and loss account data and cash flow statement data or (ii) June 30, 2021 for purposes of the calculation of net borrowings and other metrics derived from the Issuer's balance sheet and should not be taken as indicative of the Issuer's results of operations or financial position.

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

Terms Relating to Our Loan Analysis

We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA"). Retail purpose loans include loans for purchasing a new home, making home improvements, debt consolidation 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 (including "chain breaks," which are loans used by customers looking to purchase a new home ahead of completing the sale of their existing home). 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 loans advanced to a borrower to lease a property ("BTL+ but excluding CBTL), to raise capital against a property including for general business use or to renovate a property, to bridge a transaction against a property (but excluding regulated bridging loans), or to finance the development of land or property primarily into residential units with repayments typically being made out of the sale or refinancing of the units. Commercial purpose loans are currently unregulated. Our classification of a mortgage as either retail or commercial purpose is not defined by the collateral securing it.

With the exception of the application of certain forbearance measures (including the treatment of 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 their position.

Development loans are commercial purpose loans that we extend to finance the development of land or property primarily into residential units with repayments typically being made out of the sale or refinancing of the units. We underwrite relatively few new development loans each year. Prior to July 1, 2021, development loans were reported as a separate category. Development loans are currently classified as commercial purpose loans as presented in this offering memorandum.

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 June 30, 2021 (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 the Securitization Vehicles (as applicable). Data referring to our loan portfolio analysis is presented after allowances for impairment. 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*."

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, 2019, 2020 and 2021, respectively and (ii) 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) development loans, (ii) 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 and (iii) 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. 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*."

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 (as defined below) at the relevant reference date, the contractual installment is set as zero (whether the relevant customers reduced or made no payments pursuant to 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 the term "MPD Live Loans" refers to the total balance of loans in respect of which customers have requested Mortgage-Payment Deferrals that are in an active deferral period.

In this offering memorandum, the term "principal losses" refers to the amount by 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 June 30, 2021, subsequent lien loans amounted to £36.7 million after allowances for impairment, representing 0.9% of our total loan assets.

The following table provides a reconciliation, as of June 30, 2021, 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 June 30, 2021
	(£ in millions)
Loan portfolio balances of our core operating subsidiaries	4,125.4
Less allowances for impairment on our core operating subsidiaries	(94.3)
Add part month adjustment for accrued interest(1)	10.8
Add product accrued income(2)	0.3
Less fee spreading(3)	(27.3)
Total loan portfolio balances	**4,014.8**
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)	7.0
Less: allowances for impairment on our shortfalls(5)	(9.9)
Total loan assets (as shown as "Loans and Advances to Customers" on statement of financial position)	**4,011.9**

(1) Adjustment for accrued interest represents a part month adjustment for the interest accrued on loan accounts and included in our total loan assets as of June 30, 2021 in respect of those loans for which the monthly funding anniversary date in the month of June was not June 30, 2021.

(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.

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. 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*."

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 principal amount of the loan and then dividing the sum of the weighted LTVs by the total principal amount of the 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. During the quarter ended December 31, 2020, we transitioned to the updated house price index ("HPI2") for our collateral valuations as a result of an update in methodology of the Halifax House Price Index. Although the update in methodology did not have a significant effect on our portfolio in aggregate, as a result, comparative figures for periods prior to December 31, 2020 may not be comparable.

CERTAIN DEFINITIONS

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

- "2021 Notes" means the £375,000,000 aggregate principal amount of the Issuer's $6^1/_4$% Senior Secured Notes due 2021 issued on October 13, 2016. The 2021 Notes were redeemed using the proceeds of the offering of the 2026 Notes.
- "2021 PIK Notes" means the £220,000,000 aggregate principal amount of the Issuer's $10^1/_2$%/$11^1/_4$% 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 $6^1/_8$% 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 were redeemed using the proceeds of the offering of the 2027 Notes.
- "2024 Notes Refinancing" means the issuance of the 2027 Notes on January 25, 2021 and the use of proceeds therefrom to, among others, satisfy and discharge the indenture relating to the 2024 Notes and to reduce drawn amounts outstanding under the CABS Securitization as of that date.
- "2024 Original Notes" means the £200,000,000 aggregate principal amount of the Issuer's $6^1/_8$% Senior Secured Notes due 2024 issued on February 22, 2017.
- "2026 Notes" means the £435,000,000 aggregate principal amount of the Issuer's $4^7/_8$% 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 Senior Secured Notes 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.
- "2027 Notes" means the £500,000,000 aggregate principal amount of the Issuer's $5^1/_4$ % Senior Secured Notes due 2027 issued on January 25, 2021.
- "2027 Notes Indenture" means the indenture governing the 2027 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 January 25, 2021.
- "2027 Notes Proceeds Loan" means the loan agreement entered into between the Senior Secured Notes Issuer, as lender, and the Company, as borrower, pursuant to which the Issuer lent the gross proceeds from the offering of the 2027 Notes to the Company on January 25, 2021.
- "BABS Securitization" means the series of agreements, dated July 2, 2021, as amended and restated from time to time among, *inter alios*, the Company, certain of the Company's subsidiaries and Brooks ABS, respectively, establishing a senior note issuance facility and a subordinated note issuance facility to finance the purchase price for the acquisition by Brooks ABS of certain of our first- and second-lien mortgage loans.
- "Borrower Group" means the Company and its subsidiaries and does not include Brooks ABS, Charles Street ABS, Delta ABS 1, Delta ABS 2, Highfield ABS, Lakeside ABS, Together ABS 1, Together ABS 2, Together ABS 3, Together ABS 4, Together ABS 5, Together CRE 1 and Together CRE 2.
- "Brooks ABS" means Brooks Asset Backed Securitisation 1 Limited, a special purpose vehicle that purchases certain of our mortgage loans pursuant to the BABS Securitization.
- "BTL+" loans are secured on residential property, which includes our buy-to-let lending activity (excluding CBTL (as defined herein) 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.

- "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 private revolving securitization of certain of our mortgage loans.
- "Charles Street ABS" means Charles Street Conduit Asset Backed Securitisation 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).
- "Company 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*."
- "CRE 1 Securitization" means the series of agreements, dated March 15, 2021, among, *inter alios,* the Company, certain of the Company's subsidiaries and Together CRE 1, as applicable, establishing an asset backed securitization for certain of our mortgage loans.
- "CRE 2 Securitization" means the series of agreements, dated June 11, 2021, among, *inter alios,* the Company, certain of the Company's subsidiaries and Together CRE 2, as applicable, establishing an asset backed securitization for certain of our mortgage loans.
- "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, which established a private revolving securitization 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 private revolving securitization of certain of our bridging loans.
- "Delta ABS 1" means Delta Asset Backed Securitisation 1 Limited, a special purpose vehicle that purchased certain of our bridging loans pursuant to the DABS 1 Securitization, which is currently dormant.
- "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.
- "Development loans" means 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 refinancing of the units.
- "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.
- "HABS Securitization" means the series of agreements, dated June 27, 2018, and amended and restated from time to time (including the latest amendment on September 1, 2021 as a result of which the total commitment size increased from £104.4 million (following the Securitization entering a phase of amortization) back to its original size of £525.0 million and the maturity of the facility was extended to September 2025), among, *inter alios*, the Company, certain of the Company's subsidiaries and Highfield ABS, as applicable, establishing a private revolving securitization of certain of our medium and long-term commercial purpose loans.
- "Highfield ABS" means Highfield Asset Backed Securitisation 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—The Exit Financing.*"
- "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, Deutsche Bank AG, London Branch as paying agent and transfer agent, and Deutsche Bank AG, London Branch as security agent.

- “Issuer” means Bracken Midco1 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 private revolving securitization 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 Issuer.
- “Midco2 Intercompany Loans” means Midco2 Novated Shareholder Loan, the Midco2 Roll-Up Notes and the Midco2 2021 PIK Notes Intercompany Loans. On or about the Issue Date, the Midco2 Intercompany Loans will form part of the Collateral.
- “Midco2 2021 PIK Notes Intercompany Loan” means the loan made by the Issuer to Midco2 for the amount of £212.4 million issued on November 2, 2016. The Midco2 2021 PIK Notes Intercompany Loan will remain outstanding following the Offering.
- “Midco2 Novated Shareholder Loan” means the loan made by the Issuer to Midco2 for the amount of £43.0 million issued on November 2, 2016. The Midco2 Novated Shareholder Loan will remain outstanding following the Offering.
- “Midco2 Roll-Up Notes” means the £100.0 million in aggregate principal amount notes issued by Midco2 and held by the Issuer in connection with the roll-up of the obligations under the Vendor Notes from Midco2 to the Issuer and from the Issuer to Topco on November 2, 2016. The Midco2 Roll-Up Notes will remain outstanding following the Offering.
- “Moser Family Shareholders” means Henry Moser and/or the D.L. Moser 1995 Family Settlement No 1 Trust, as the context requires. See “*Shareholders*.”
- “Notes” means the £380,000,000 aggregate principal amount of the Issuer’s 6¾% /7½% Senior PIK Toggle Notes due 2027 offered hereby.
- “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—Company 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).
- “Private Securitizations” means the Private Revolving Securitizations and the Private Term Securitization.
- “Private Revolving Securitizations” means the CABS Securitization, the DABS 1 Securitization, DABS 2 Securitization, the HABS Securitization and the LABS Securitization, as appropriate.
- “Private Term Securitization” means the BABS Securitization.
- “Public Securitizations” means the TABS 1 Securitization, the TABS 2 Securitization, the TABS 3 Securitization, the TABS 4 Securitization, the TABS 5 Securitization, the CRE 1 Securitization and the CRE 2 Securitization, as appropriate.

- "Private 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 Private Securitization SPVs pursuant to the relevant note issuance facility agreements, as described under "*Description of Certain Financing Arrangements—Securitizations—Private Securitizations*."
- "Private Securitization SPVs" means Brooks ABS, Charles Street ABS, Delta ABS 1, Delta ABS 2, Highfield ABS and Lakeside ABS, as applicable.
- "Public Securitization SPVs" means Together ABS 1, Together ABS 2, Together ABS 3, Together ABS 4, Together ABS 5, Together CRE 1 and Together CRE 2.
- "2023 PIK Notes" means the £368.2 million aggregate principal amount of the Issuer's $8^{7}/_{8}\%/10^{3}/_{8}\%$ 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.
- "2023 PIK Notes Indenture" means the indenture governing the 2023 PIK 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 principal paying agent and as security agent.
- "Rated Debt" means the Rated TABS 1 Notes, the Rated TABS 2 Notes, the Rated TABS 3 Notes, the Rated TABS 4 Notes, the Rated TABS 5 Notes, the Rated CRE 1 Notes and the Rated CRE 2 Debt 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.
- "Rated TABS 5 Notes" means the rated Class A notes, the Class B notes, the Class C notes and the Class X notes issued by Together ABS 5 pursuant to the TABS 5 Securitization and listed on Euronext Dublin.
- "Rated CRE 1 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 CRE 1 pursuant to the CRE 1 Securitization and listed on Euronext Dublin.
- "Rated CRE 2 Debt" means the rated Class A loan 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 CRE 2 pursuant to the CRE 2 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 Senior Secured Notes Guarantors and certain lenders.
- "Securitization Vehicles" means Brooks ABS, Charles Street ABS, Delta ABS 1, Delta ABS 2, Highfield ABS, Lakeside ABS, Together ABS 1, Together ABS 2, Together ABS 3, Together ABS 4, Together ABS 5, Together CRE 1 and Together CRE 2, as appropriate.
- "Securitizations" means the Private Securitizations and the Public Securitizations.
- "Security Agent" means Deutsche Bank AG, London Branch.
- "Security Documents" means (i) the fixed charge over the shares of Midco2 dated on or around the Issue Date by and among, inter alios, the Issuer and the Security Agent, and (ii) the assignment of the Midco2 Intercompany Loans dated on or around the Issue Date by and among, inter alios, the Issuer and the Security Agent.
- "Senior Secured Notes" means the 2026 Notes and the 2027 Notes, as applicable.

- “Senior Secured Notes Indentures” means, collectively, the 2026 Notes Indenture and the 2027 Notes Indenture, as applicable.
- “Senior Secured Notes 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 Senior Secured Notes Issuer, the Company, the Subsidiary Guarantors and certain lenders and creditors.
- “Senior Secured Notes Issuer” means Jerrold FinCo plc.
- “Senior Secured Notes 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.
- “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.*”
- “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.*”
- “SSNs Security Agent” means NatWest Markets plc as security agent for the Revolving Credit Facility, the Senior Secured Notes and certain hedging arrangements.
- “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*.”
- “Subordination Deed” means the agreement among the Issuer, Topco, the Security Agent and the Trustee providing for the subordination of the obligations with respect to the Issuer Subordinated Shareholder Funding to the obligations of the Issuer under the Notes.
- “Subsidiary Guarantors” means the Senior Secured Notes 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 public securitization of certain of our mortgage loans. The TABS 1 Securitization Rated Debt was redeemed on the optional redemption date of September 13, 2021 with the remaining assets being transferred out of the TABS 1 Securitization and the arrangement ceased. See “*Summary—Recent Developments—New Sources of Funding*.”
- “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 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 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 for certain of our mortgage loans.
- “TABS 5 Securitization” means the series of agreements, dated September 22, 2020, among, *inter alios,* the Company, certain of the Company’s subsidiaries and Together ABS 5, as applicable, establishing an asset backed securitization for certain of our mortgage loans.
- “TCFL” means Together Commercial Finance Limited (formerly Lancashire Mortgage Corporation Limited).
- “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, the Rated Debt, £93.3 million of which was subsequently redeemed on the optional redemption date in September 2021 with the remaining assets being transferred out of the TABS 1 Securitization and the vehicle ceasing to operate. This redemption was carried out in conjunction with the establishment of Together ABS 5 in the same month.

- “Together ABS 2” means Together Asset Backed Securitisation 2018-1 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 ABS 5” means Together Asset Backed Securitisation 2021-1ST1 plc, a special purpose vehicle that purchased certain of our mortgage loans pursuant to the TABS 5 Securitization.
- “Together CRE 1” means Together Asset Backed Securitisation 2021-CRE1 plc, a special purpose vehicle that purchased certain of our mortgage loans pursuant to the CRE 1 Securitization.
- “Together CRE 2” means Together Asset Backed Securitisation 2021-CRE2 plc, a special purpose vehicle that purchased certain of our mortgage loans pursuant to the CRE 2 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 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 2023 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 47-year history. We pride ourselves on bringing common sense to lending by helping individuals, families, investors, small and medium-sized enterprises ("SMEs") and other businesses achieve their ambitions in a world that has changed when traditional lending has not.

Our loans include secured first and second lien loans, of which, as of June 30, 2021, 63.6% are secured by residential properties, with the balance of 36.4% secured by commercial and semi-commercial properties, all within the United Kingdom. We differentiate ourselves through our flexible lending criteria and underwriting each application on its individual merits, which is supported by an effective service proposition and by responding quickly to our customers' needs, thereby minimizing competition from mainstream lenders (including high street banks), challenger banks and other non-bank lenders. 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. 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 year ended June 30, 2021, we had Underlying profit before taxation of £149.7 million and generated Underlying EBITDA of £272.6 million. In the year ended June 30, 2021, we advanced £1,170.8 million of new loans, of which £816.9 million was advanced in the last six months of the year ended June 30, 2021 as we prudently resumed new lending following a temporary pause in accepting new applications as a result of Covid-19. As of June 30, 2021, we had Shareholders' Funds of £937.0 million and total loan assets of £4,011.9 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*."

As of June 30, 2021, 26.2% of our loan portfolio was classified as retail purpose and 73.8% was classified as commercial purpose, calculated by value, with 36.5% of the commercial purpose loan portfolio relating to buy-to-let+ loans ("BTL+"). We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA"). Retail purpose loans include loans for purchasing a new home, making home improvements, debt consolidation 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 (including "chain breaks," which are loans used by customers looking to purchase a new home ahead of completing the sale of their existing home). 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 loans advanced to a borrower to lease a property ("BTL+ but excluding CBTL), to raise capital against a property including for general business use or to renovate a property, to bridge a transaction against a property (but excluding regulated bridging loans), or to finance the development of land or property primarily into residential units with repayments typically being made out of the sale or refinancing of the units. Commercial purpose loans are currently unregulated. Our classification of a mortgage as either retail or commercial purpose is not defined by the collateral securing it. As of June 30, 2021, 100% of our retail purpose loans, 100% of our BTL+ loans and 22.4% of our remaining commercial purpose loans (including a proportion of 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 (being either a physical valuation or where appropriate in certain instances using an automated 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 policies, 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 are conducted annually pursuant to the terms of certain of our financing arrangements.

Our key underwriting metrics remained fairly consistent as of and for the year ended June 30, 2021, in spite of reduced volumes during that period, as compared with previous years, with the LTVs of our loan portfolio (on a weighted average indexed basis) as of June 30, 2021 at 52.1% (compared with 54.9% as of June 30, 2020 and 54.3% as of June 30, 2019) and the origination LTV on a weighted average basis of new loans underwritten by us for the year ended June 30, 2021 at 59.8% (compared with 57.7% for the year ended June 30, 2020 and 58.0% for the year ended June 30, 2019). As of June 30, 2021, 97.1% of our total loan portfolio and 95.0% of the Borrower Group loan portfolio, calculated by value, consisted of loans with LTVs (on a weighted average indexed basis) equal to or less than 80.0%. This fundamental, long-standing principle of our group has historically provided us with significant protection in times of falling property prices and economic downturns, thereby mitigating our levels of provisions and losses. For the years ended June 30, 2019, 2020 and 2021, impairment charges amounted to £15.4 million, £66.9 million (largely reflecting the impact of Covid-19) and £16.1 million, respectively, representing 0.46%, 1.70% and 0.39%, 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 relatively conservative LTV (on a weighted averaged indexed basis) of our loan portfolio. The ratio of our net senior secured borrowings (including our Securitizations) to total loan assets was 75.6% as of June 30, 2021. 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 39.4% as of June 30, 2021.

Retail Purpose Lending

As of June 30, 2021, retail purpose loans comprised 26.2% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 46.8% and a weighted average nominal rate of 6.6%, 100% 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. 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 lien 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 June 30, 2021, CBTL mortgages represented £67.7 million, being 6.4% of our retail purpose loans or 1.7% 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 represents £34.0 million, being 3.2% of our retail purpose loans or 0.8% of our total loan portfolio as of June 30, 2021. First lien and second lien loans (including CBTL and regulated bridging loans as applicable) represented 58.8% and 41.2% of our retail purpose loans, respectively, calculated by value as of June 30, 2021. Our retail purpose loans are distributed primarily through an established network of mortgage intermediaries, as well as being sold directly to customers. In the year ended June 30, 2021, we distributed 76.4% 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 June 30, 2021, commercial purpose loans comprised 73.8% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 54.0% and a weighted average nominal rate of 8.2%, 36.5% of which are BTL+ loans, 26.8% of which are commercial term loans, 31.3% of which are unregulated bridging loans and 5.5% of which are development loans, calculated by value of the Commercial loan portfolio. BTL+ loans are secured 100% on residential property, which includes our BTL+ lending activity (excluding CBTL but including loans underwritten prior to March 2016 that would 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 secured 100% on commercial and semi-commercial property. Our unregulated bridging loans are secured by property, of which 43.2% is residential and 56.8% is commercial and semi-commercial property. Of our development loans, 8.7% were originated prior to December 31, 2009 (including any further advances advanced post 2010), 17.7% were originated between January 1, 2010 and December 31, 2018 (including any further advances made after 2018) and 73.6% originated after January 1, 2019. For the year ended June 30, 2021, we extended £67.4 million in further advances on loans originated prior to June 30, 2020 and underwrote £50.1 million in new development loans comprised of £19.2 million of initial advances and £30.9 million of further advances.

Our Commercial purpose loans primarily consist of first and second lien loans, which represented 66.1% and 33.9% of our BTL+ loans, respectively, 95.7% and 4.3% of our commercial term loans, respectively, 88.3% and 11.7% of our unregulated bridging loans, respectively, and 74.8% and 25.2% of our development loans, respectively, calculated by value as of June 30, 2021. 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 origination 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 originate commercial purpose loans.

In the year ended June 30, 2021, we distributed 61.1% of our BTL+ loans, and 52.9% of our commercial term loans through our established network of mortgage intermediaries, respectively, with the remainder being distributed through direct channels. In the year ended June 30, 2021, we distributed 62.7% 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 37.3% of our unregulated bridging loans through our established network of mortgage intermediaries. 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.

Loan Portfolio Characteristics

The table below provides certain characteristics of our retail purpose and commercial purpose lending as of June 30, 2021 and for the year ended June 30, 2021, as applicable.

	Retail Purpose 26.2%	**Commercial Purpose[1] 73.8%**			
		BTL+ 26.9%	**Commercial Term 19.8%**	**Unregulated Bridging 23.1%**	**Development 4.0%**
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
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	• £1,052.1 million[3]	• £1,081.3 million	• £793.1 million	• £926.4 million	• £161.8 million
Number of Loans	• 17,144	• 10,088	• 3,840	• 3,083	• 175
Average Inception Loan Size[2]	• £67.3 thousand	• £112.5 thousand	• £220.6 thousand	• £317.8 thousand	• £540.8 thousand
Weighted Average Indexed LTV	• 46.8%	• 55.4%	• 49.3%	• 55.6%	• 59.2%
Weighted Average Nominal Rate	• 6.6%	• 7.0%	• 7.7%	• 9.9%	• 9.9%
% of which are Fixed Rate	• 46.2%	• 5.1%	• 1.0%	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 3.2%	• —	• —	• 100.0%	• 97.9%
Comprising first lien and second lien split as follows:					
First Lien Loan Portfolio					
Loan Portfolio Value	• £619.0 million	• £714.3 million	• £759.0 million	• £817.6 million	• £121.1 million
Number of Loans	• 6,619	• 5,162	• 3,573	• 2,703	• 116
Average Inception Loan Size[2]	• £100.0 thousand	• £144.7 thousand	• £226.4 thousand	• £321.2 thousand	• £700.0 thousand
Weighted Average Indexed LTV	• 44.4%	• 55.5%	• 49.5%	• 55.1%	• 56.9%
Weighted Average Nominal Rate	• 5.9%	• 6.6%	• 7.6%	• 9.8%	• 9.8%
% of which are Fixed Rate	• 58.4%	• 4.8%	• 0.8%	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 5.5%	• —	• —	• 100.0%	• 98.2%

	Retail Purpose 26.2%	Commercial Purpose[1] 73.8%			
		BTL+ 26.9%	Commercial Term 19.8%	Unregulated Bridging 23.1%	Development 4.0%
Second Lien Loan Portfolio					
Loan Portfolio Value . . .	• £433.1 million	• £367.0 million	• £34.2 million	• £108.8 million	• £40.7 million
Number of Loans	• 10,525	• 4,926	• 267	• 380	• 59
Average Inception Loan Size[2]	• £46.8 thousand	• £78.8 thousand	• £141.9 thousand	• £294.1 thousand	• £227.9 thousand
Weighted Average Indexed LTV	• 50.1%	• 55.2%	• 44.3%	• 59.6%	• 66.1%
Weighted Average Nominal Rate	• 7.5%	• 7.7%	• 8.2%	• 10.7%	• 10.2%
% of which are Fixed Rate	• 28.8%	• 5.7%	• 4.1%	• —	• 0.1%
% with Term ≤ 24 months Loan Portfolio Value	• —	• —	• —	• 100.0%	• 97.0%
Total Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £130.6 million)	• £119.0 million[4]	• £225.8 million	• £178.5 million	• £497.7 million	• £19.2 million
Number of Loans	• 988	• 1,328	• 598	• 2,120	• 37
Average Inception Loan Size[2]	• £120.4 thousand	• £170.0 thousand	• £298.5 thousand	• £234.8 thousand	• £519.2 thousand
Weighted Average Origination LTV	• 52.1%	• 62.9%	• 58.5%	• 61.2%	• 43.4%
Weighted Average Nominal Rate	• 6.3%	• 6.0%	• 6.9%	• 9.6%	• 10.0%
% of which are Fixed Rate	• 74.8%	• 0.6%	• —	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 8.9%	• —	• —	• 100.0%	• 99.0%
Comprising first lien and second lien split as follows:					
First Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £96.2 million)	• £95.7 million	• £191.0 million	• £175.6 million	• £460.0 million	• £17.0 million
Number of Loans	• 724	• 1,064	• 594	• 2,024	• 24
Average Inception Loan Size[2]	• £132.2 thousand	• £179.5 thousand	• £295.6 thousand	• £227.3 thousand	• £706.6 thousand
Weighted Average Origination LTV	• 51.2%	• 63.7%	• 58.6%	• 61.6%	• 40.0%
Weighted Average Nominal Rate	• 6.3%	• 5.8%	• 6.9%	• 9.6%	• 9.8%
% of which are Fixed Rate	• 73.9%	• 0.7%	• —	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 11.1%	• —	• —	• 100.0%	• 99.3%

	Retail Purpose 26.2%	Commercial Purpose(1) 73.8%			
		BTL+ 26.9%	Commercial Term 19.8%	Unregulated Bridging 23.1%	Development 4.0%
Second Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £34.4 million)	• £23.2 million	• £34.8 million	• £2.9 million	• £37.7 million	• £2.3 million
Number of Loans	• 264	• 264	• 4	• 96	• 13
Average Inception Loan Size(2)	• £88.0 thousand	• £131.9 thousand	• £729.1 thousand	• £393.1 thousand	• £173.2 thousand
Weighted Average Origination LTV	• 56.0%	• 58.8%	• 50.8%	• 56.2%	• 69.0%
Weighted Average Nominal Rate	• 6.3%	• 6.9%	• 5.7%	• 10.1%	• 11.4%
% of which are Fixed Rate	• 78.4%	• 0.3%	• —	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• —	• —	• —	• 100.0%	• 96.7%

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 £177.9 thousand.

(2) The aggregate average inception loan size of retail and commercial purpose is £122.7 thousand.

(3) The retail loan portfolio value of £1,052.1 million as of June 30, 2021 includes £67.7 million of CBTL loans and £34.0 million regulated bridging loans. Such loans are segmented into first and second lien loans, as appropriate.

(4) Retail purpose loans underwritten in the year ended June 30, 2021 of £119.0 million includes £8.7 million of CBTL loans and £10.6 million of regulated bridging loans. Such loans are segmented into first and second lien 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, the Private Securitizations and capital markets indebtedness represented by Senior Secured Notes and the Public Securitizations.

As of June 30, 2021, our Shareholders' Funds were £937.0 million, including Issuer Subordinated Shareholder Funding with a carrying value of £29.3 million. As of June 30, 2021, we had £2,059.0 million of total aggregate facilities (of which £1,117.0 million was drawn) under the Private Securitizations and we had £1,198.4 million of Rated Debt outstanding under the Public Securitizations, £935.0 million of Senior Secured Notes outstanding and a Revolving Credit Facility of £71.9 million, which as of the date of this offering memorandum remains undrawn. Prior to the Issue Date, we expect to draw under the Revolving Credit Facility. See "*—Trading Update.*"

On September 29, 2017, we entered into the 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. The TABS 1 Securitization was subsequently redeemed on September 13, 2021. On November 8, 2018, we entered into the 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. On March 15, 2021, we entered into the CRE 1 Securitization pursuant to which we sold commercial mortgages with aggregate principal balance amounts of £204.3 million through the issuance of £203.3 million Rated CRE 1 Notes (including £9.0 million Class X notes, which are held by the Company) to qualified institutional investors. On June 11, 2021, we entered into the CRE 2 Securitization pursuant to which we sold commercial mortgages with aggregate principal balance amounts of £267.8 million through the issuance of £255.4 million Rated CRE 2 Debt (including £13.7 million Class X notes, which are held by the Company) to qualified institutional investors. On

September 22, 2021, we entered into the TABS 5 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £318.0 million through the issuance of £313.2 million Rated TABS 5 Notes (including £11.1 million Class X notes, which are held by the Company) to qualified institutional investors. In addition, in respect of some of the Public 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 Public Securitizations represent an interest that is subordinate to that of the relevant Rated TABS Notes, Rated CRE 1 Notes and Rated CRE 2 Debt respectively. Where Class R notes have been issued they are so issued to provide initial liquidity to the relevant Public Securitizations. The assets purchased by the Public Securitization SPVs from the Originators had been re-purchased by the Originators from Charles Street ABS (in connection with the TABS 1 Securitization, TABS 2 Securitization, TABS 3 Securitization, TABS 4 Securitization and TABS 5 Securitization), from Highfield ABS (in connection with the CRE 1 Securitization and the CRE 2 Securitization) and from the Borrower Group (in connection with the TABS 5 Securitization, the CRE 1 Securitization and the CRE 2 Securitization). Unlike our Private Securitizations which are revolving facilities (excluding the BABS Securitization which consists of a static pool of non-revolving loans), the Public Securitizations do not purchase additional mortgages from the Originators on an ongoing basis.

Pursuant to the Private Revolving 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 Private Revolving Securitizations, certain of our qualifying mortgage loans to Charles Street ABS, Delta ABS 2 (previously, under the now-refinanced DABS 1 Securitization, to Delta ABS 1), Highfield ABS and Lakeside ABS, respectively, each a bankruptcy-remote special purpose vehicle established for purposes of the Private Revolving 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 relevant Originators.

In connection with our newly established BABS Securitization, some of the Originators sold certain mortgage loans in varying levels of arrears to Brooks ABS which is a bankruptcy-remote special purpose vehicle established for purposes of the BABS Securitization which is a Private Term Securitization. Brooks ABS finances the purchase of such mortgage loans from borrowings funded through the issuance of notes to the note purchaser with the balance of any funding requirements provided through the issuance of subordinated notes to the relevant 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 Private Securitization (except for the BABS Securitization which consists of a static pool of non-revolving loans). In order to maximize the borrowing level, as well as to prevent a default from occurring in each of the Private 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 Private Securitization, as applicable, to fund the ineligible loans. To date, we have chosen to substitute ineligible loans with eligible loans. In the year ended June 30, 2021, £84.1 million of defaulted loans were repurchased from the Private Securitizations compared to £101.9 million in the year ended June 30, 2020. We estimate principal losses recognized on defaulted loans repurchased from the CABS Securitization were, on average, less than £0.2 million per year between January 1, 2013 and June 30, 2021. 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 June 30, 2021. Principal losses recognized on defaulted loans repurchased from the HABS Securitization have been £nil since its inception in April 2018 until June 30, 2021. 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 June 30, 2021.

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 or quarterly basis (as applicable), except during a default or full amortization period, as applicable. Surplus income paid back to the Originators in the year ended June 30, 2021 amounted to £155.2 million.

The table below provides certain characteristics of our Public Securitizations as of June 30, 2021, 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**	**Together CRE 1**	**Together CRE 2**	**Total Term Securitizations**
As of Issuance date							
Principal balance	• £275.0 million	• £286.9 million	• £332.0 million	• £366.0 million	• £204.3 million	• £267.8 million	• £1,732.1 million
Rated Notes / Debt	• £261.3 million	• £272.6 million	• £315.4 million	• £360.5 million (including £12.8 million Class X notes)	• £203.3 million (including £9.0 million Class X notes held by the Company)	• £255.4 million (including £13.7 million Class X notes held by the Company)	• £1,668.4 million (including £35.5 million Class X notes under the TABS 4 Securitization, TABS CRE 1 Securitization and TABS CRE 2 Securitization)
Class Z notes	• £13.8 million	• £14.3 million	• £16.6 million	• £18.3 million	• £10.0 million	• £12.5 million	• £85.6 million
Class R notes	• £5.2 million	• £7.2 million	• £8.2 million	• £11.0 million			• £31.6 million
As of June 30, 2021							
Principal balance	• £108.3 million	• £153.8 million	• £239.8 million	• £313.9 million	• £192.7 million	• £267.8 million	• £1,276.3 million
Rated Notes / Debt	• £93.3 million	• £139.4 million	• £223.2 million	• £295.5 million	• £191.6 million (including £4.8 million Class X notes)	• £255.4 million (including £13.7 million Class X notes which are held by the Company)(1)	• £1,198.4 million (including £18.5 million Class X notes under the CRE 1 and CRE 2 Securitizations, respectively)(2)
Class Z notes	• £15.0 million	• £14.3 million	• £16.6 million	• £18.3 million	• £10.0 million	• £12.5 million	• £86.8 million
Cash Reserve owed to originators	• £3.8 million	• £6.8 million	• £7.9 million	• £11.0 million	• £4.0 million	• £5.0 million	• £38.5 million
Surplus income paid back to the Originators, for the year ended June 30, 2021	• £7.8 million	• £9.8 million	• £11.1 million	• £0.8 million	• £0.1 million	• £nil million	• £29.6 million

(1) There have been no changes to the principal balance, CRE 2 Debt and other notes outstanding under the CRE 2 Securitization compared to its issuance date on or about June 11, 2021.

(2) Stated after the allocation of £31.4 million of principal receipts, received during the month of June 2021, for which such receipts are only formally applied to reduce the Rated Debt in the subsequent month. £3.1 million in relation to Together ABS 1, £5.2 million in relation to Together ABS 2, £11.1 million in relation to Together ABS 3, £7.9 million in relation to Together ABS 4 and £4.2 million in relation to Together CRE 1, respectively. Surplus income does not include revenue receipts used for redemptions related to the Class X notes under the CRE 1 Securitization and CRE 2 Securitization, which amounted to £0.1 million and £nil million, respectively.

In May 2020, the relevant originators and each of the note purchasers under the Private Securitizations entered into waivers and amendments, which were subsequently extended, of certain documents under each of the Private Securitizations in order to support the provision of Mortgage-Payment Deferrals, in line with initial guidance from the FCA.

The TABS 1 Securitization was redeemed on September 13, 2021. See "*Summary—Recent Developments—New Sources of Funding.*" Upon entry into the TABS 5 Securitization on September 22, 2021 and the purchase by Together ABS 5 of assets previously held in Charles Street ABS, the principal balance of loans in Charles Street ABS was reduced by £242.0 million, with the total notes outstanding under the CABS Securitization reduced by £217.8 million and subordinated subscription notes reduced by £24.2 million.

The table below provides certain characteristics of our Private Securitizations as of June 30, 2021, unless stated otherwise. For additional information in respect of the Securitizations, see "*Description of Certain Financing Arrangements—Private Securitizations*."

	Charles Street ABS	Delta ABS 2	Highfield ABS	Lakeside ABS	Total Private Revolving Securitizations
Total commitments as of June 30, 2021 . . .	• £1,254.5 million	• £200.0 million	• £104.4 million (due to entering the amortization period and was previously £525.0 million)	• £500.0 million	• £2,059.0 million
Total notes outstanding as of June 30, 2021	• £724.6 million	• £25.0 million	• £104.4 million	• £163.0 million	• £1,117.0 million
Principal balance as of June 30, 2021	• £796.7 million	• £41.9 million	• £124.9 million	• £190.7 million	• £1,254.2 million
Cash balance as of June 30, 2021	• £27.4 million	• £12.5 million	• £9.6 million	• £16.1 million	• £65.6 million
Net creditor / (debtor) balance as of June 30, 2021	• £1.0 million	• £(0.2) million	• £2.0 million	• £0.6 million	• £3.3 million
Total subordinated subscription notes outstanding as of June 30, 2021	• £8.4 million	• £29.6 million	• £28.1 million	• £43.2 million	• £199.4 million
Surplus income paid back to the Originators for the year ended June 30, 2021	• £53.0 million	• £17.3 million	• £27.6 million	• £27.7 million	• £125.6 million

Upon entry into the BABS Securitization on July 2, 2021, £96.2 million principal balance of mortgage loans that were in arrears either on, or had been prior to, the issue date of the BABS Securitization was sold to Brooks ABS resulting in additional funding to the group of £71.2 million.

On September 1, 2021, the HABS Securitization was amended and, as a result, the total commitment size increased from £104.4 million (following the HABS Securitization entering a phase of amortization) back to its original size of £525.0 million while the maturity of the facility was also extended to September 2025.

Supplemental Cash Flow Information for the group and Borrower Group

The group is highly cash generative with £1,570.1 million, £1,562.5 million and £1,687.2 million of Cash Receipts in the years ended June 30, 2019, 2020 and 2021, respectively, comprising of £309.0 million, £315.0 million and £314.7 million of interest and fees, respectively, and £1,261.1 million, £1,247.5 million and £1,372.5 million of principal receipts, respectively. Cash Receipts expressed as a percentage of total average loan assets were 47.2%, 39.8% and 41.3% in the years ended June 30, 2019, 2020 and 2021.

The Borrower Group generated £779.5 million, £735.2 million and £851.9 million of Cash Receipts in the years ended June 30, 2019, 2020 and 2021, respectively, comprising of £90.3 million, £65.4 million and £78.5 million of interest and fees, respectively, £540.4 million, £504.5 million and £618.2 million of principal receipts, respectively, and £148.8 million, £165.3 million and £155.2 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 68.8% 64.2%, and 65.3% in the years ended June 30, 2019, 2020 and 2021, respectively.

The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £116.9 million, £116.5 million and £104.9 million in the years ended June 30, 2019, 2020 and 2021, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £1,453.2 million, £1,446.0 million and £1,582.3 million, respectively.

The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £111.8 million, £116.5 million and £104.9 million in the years ended June 30, 2019, 2020 and 2021, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £667.7 million, £618.7 million and £747.0 million, respectively.

The group paid interest costs of £105.1 million, £125.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing) and £110.5 million (including £5.4 million of exceptional costs relating to the 2024 Notes Refinancing), respectively, and debt issuance costs of £9.1 million, £8.5 million and £11.0 million in the years ended June 30, 2019, 2020 and 2021, respectively.

The Borrower Group paid interest costs of £45.7 million, £50.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing) and £47.8 million (including £5.4 million of exceptional costs relating to the 2024 Notes Refinancing), respectively, and debt issuance costs of £9.1 million, £8.5 million and £11.0 million in the years ended June 30, 2019, 2020 and 2021, respectively.

In addition, the group (and the Borrower Group) paid dividends of £29.9 million, £15.6 million and £52.7 million in the years ended June 30, 2019, 2020 and 2021 to its parent company, Midco2, which in turn paid approximately the same amount to the Issuer, principally to allow the Issuer to pay interest on the 2023 PIK Notes as cash interest as well as an £20.0 million in respect of shareholder distributions paid above the Issuer in 2021. In April 2020, responding prudently to the uncertainty during the early stages of Covid-19, the group elected to pay interest on the 2023 PIK Notes as PIK Interest and no dividend was paid to Midco2. Regarding the interest payment subsequently to April 2020, the group reverted to making cash interest payments on the 2023 PIK Notes.

Total cash as of June 30, 2021 was £228.6 million, comprising of £79.9 million unrestricted cash and £148.7 million restricted cash (which is cash held by the Securitization Vehicles), compared to £252.5 million, comprising of £112.9 million unrestricted cash and £139.6 million restricted cash as of June 30, 2020 and compared to £120.2 million, comprising of £22.6 million unrestricted cash and £97.6 million restricted cash as of June 30, 2019.

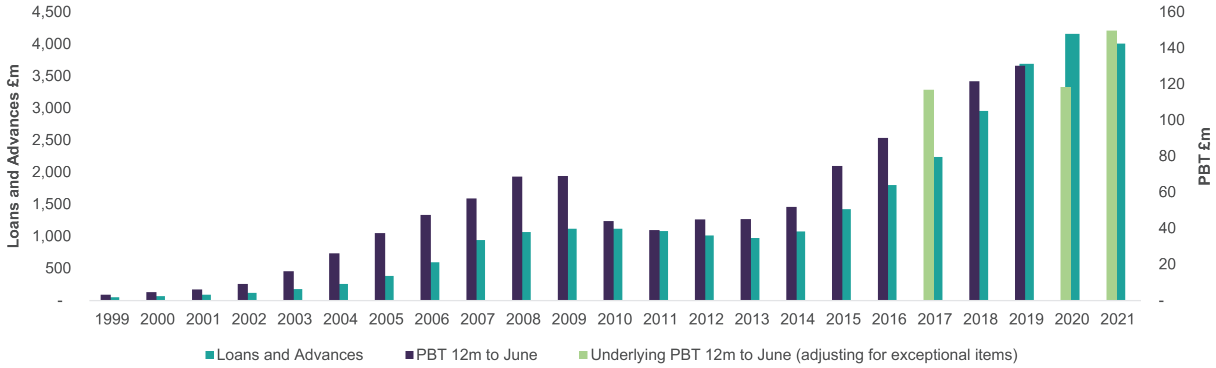
Total Accessible Liquidity as of June 30, 2021 was £453.4 million, compared to £144.7 million for June 30, 2020, and compared to £46.1 million for June 30, 2019. Total Accessible Liquidity does not give *pro forma* effect to the Offering or the effects of the optional redemption of the TABS 1 Securitization, the entries into the TABS 5 and BABS Securitizations and most recent amendments to the HABS Securitization.

See "*—Overview—Our Sources of Funding*" and *"Summary—Supplemental Cash Flow Information for the group and Borrower Group."*

Our Strengths

Established track record of continuous profitability through multiple business cycles. We have been profitable since our establishment over 47 years ago, including throughout the global financial crisis of 2007/2008 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 the Covid-19 pandemic, emerging from the pandemic with strong profitability and cash flows.

The chart below shows the growth of our loan book and our profit before taxation (and, with respect to the years ended June 30, 2020 and 2021, Underlying profit before taxation) in the period from the year ended June 30, 1999 to the year ended June 30, 2021. 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, 2021 is presented in accordance with IFRS.



For the years ended June 30, 2019, 2020 and 2021, our EBITDA was £251.5 million, £238.4 million and £279.1 million, respectively. Our Underlying EBITDA for the years ended June 30, 2020 and 2021 was £255.6 million and £272.6 million, respectively.

In the years ended June 30, 2019, 2020 and 2021, we had profit before taxation of £130.3 million, £118.5 million (on an underlying basis) and £149.7 million (on an underlying basis), respectively. Historically, we have primarily reinvested our profits in our business, with the main exception being dividends principally used to service cash interest on the PIK Notes, and more recently in the year ended June 30, 2021, further dividends of £20.0 million to our shareholder in accordance with our dividend policy. This reinvestment of profits has generally supported growth in our balance sheet historically and resulted in Shareholders' Funds as of June 30, 2021 of £937.0 million. In the years ended June 30, 2019, 2020 and 2021, we advanced £1,982.9 million, £1,688.3 million and £1,170.8 million of new loans, respectively.

Proven business model focused on building long-term value by helping underserved customers in growing market segments. As a financially inclusive lender with a tradition in serving customers who are underserved, we support a broad customer base including employed, self-employed and retired owner occupiers, SMEs, landlords, property investors, entrepreneurs, developers and high net worth individuals who require a lender that understands and responds quickly to their needs. We offer our customers a range of flexible lending products for both retail and commercial purposes, secured on both residential and commercial property, at conservative LTVs. Our products include residential and BTL+ mortgages, commercial term loans, bridging and development finance delivered via an established distribution network of mortgage intermediaries, repeat customers and direct marketing.

Mainstream lenders often automate the underwriting process, which can lead to rejection of a large number of creditworthy customers who do not comply fully with their often inflexible lending criteria or who cannot provide adequate service levels or within the timescales required. Our customers are often unable to secure funding from mainstream lenders due to the complexity of their 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 prevalent, and we believe the lending criteria of mainstream lenders have struggled to keep up with the pace of change in society. In addition, we believe more customers may fall outside the one-size-fits-all automated models of other lenders as the UK economy emerges from Covid-19, and we estimate that demand for support from specialist lenders may rise substantially as a result.

We consider each application on its own merits taking into account each 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 valuation comparisons, legal reviews, assessment of the relevant repayment strategy, affordability assessments including verification of income and application of default minimums, expenditure levels and stress buffers. In contrast to mainstream lenders, we apply, where appropriate, manual assessments and use our extensive lending experience acquired over many years to carefully assess each customer and the security on their individual merits, as opposed to making our decision purely using a general credit score approach which allows us to gain a greater understanding of the nature and level of the credit risk.

Mortgage intermediaries turn to us because of our diverse product offering, our experience and strong reputation, built over 47 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 lending at conservative LTVs, we are able to achieve long-term appropriate risk-adjusted returns on our total loan assets. The weighted average nominal rate of new loans underwritten by us for the year ended June 30, 2021 was 8.0%. Our net interest margin and underlying net interest margin for the year ended June 30, 2021 were 6.1% and 6.2%, respectively.

As one of the UK's largest and most experienced specialist lenders, we believe we are well placed to help increasing numbers of customers realize their ambitions and to play our part in supporting society and the UK economy. The UK mortgage and housing markets have recovered since the initial onset of Covid-19, due to, among other reasons, changing consumer preferences as well as government support (for example, the stamp tax duty holiday). According to HM Land Registry, average house prices have increased by 4.5% as of June 2021 compared to May 2021, which translates into an annualized price increase of 13.2%. The average property in the UK was valued at £265,688 as of June 2021. According to the FCA, the outstanding value of all residential mortgage loans was £1,584.1 billion as of June 30, 2021, which is 4.6% higher than the previous year. The value of gross mortgage advances in the quarter ended June 30, 2021 was £89.0 billion, which represents an increase of over 200% compared to the second quarter of 2020.

Strong, established distribution network, supported by long-standing relationships with mortgage intermediaries and direct routes to market. We have a highly diverse approach to our distribution channels, supported by the relationships with mortgage intermediaries that have been built over our 47-year history, professional sector relationships and direct routes to market. While the bulk of our business was historically centered around our intermediary channels, over recent years, we have focused on growing our 'direct to market' proposition and the growth of our direct offering has extended across the various channels. 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. In recent years and throughout the recent pandemic, we have maintained strong relationships with our key business partners and have widened our reach into affinity relationships and the auction market. In the year ended June 30, 2021, 76.4% 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 8.8% of our mortgage intermediaries-sourced retail purpose business and the top ten mortgage intermediaries representing approximately 47.7% of our mortgage intermediaries-sourced retail purpose business for the year ended June 30, 2021, which is higher than in previous years as we chose to be more selective in our distribution plans.

Following our decision to temporarily pause accepting new loan applications in March 2020 due to Covid-19, we sought to maintain and protect our relationships with our key partners by regularly communicating our return to lending plans. We commenced our return to lending in the second half of 2020 by initially focusing on our key partners, before widening this reach out further over the remainder of the year. Mortgage clubs and networks remain a component to the future growth of the business in our view and, while this channel is still temporarily paused, we have been providing these partners with alternative routes to transact with us by requesting mortgage clubs and networks to submit an application directly to our sales team or via one of our preferred packagers. Although we are evolving our distribution network to include emerging channels (including online mortgage brokers, aggregators and digital distribution), we remain committed to growing and strengthening our existing long-standing relationships with customers and mortgage intermediaries.

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 June 30, 2021, diversified across retail purpose loans (owner occupier mortgages, CBTL and regulated bridge loans) and commercial purpose loans (BTL+, commercial term loans, unregulated bridging loans and development loans), as well as across customer types, property types, maturity lengths, geographical spread and differing underserved markets. We have refined our underwriting process based on over 47 years of experience, including through various economic and property cycles, remaining profitable throughout. As of June 30, 2021, 63.6% of our loans were secured on residential properties and the balance were secured on commercial and semi-commercial properties.

A long-standing, fundamental principle of our group has been lending at conservative LTVs, which mitigates our risk of loss in the event of repossession. It also 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 and supports us in offering appropriate forbearance arrangements with customers with the aim of minimizing any potential losses. Moreover, our policy of lending at conservative 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 52.1% and the weighted average indexed LTV of the Borrower Group's loan portfolio was 55.9%, in each case as of June 30, 2021. As of June 30, 2021, 98.1% of our loan portfolio and 95.0% our Borrower Group's loan portfolio had a weighted average indexed LTV of 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, 2019, 2020 and 2021 was 58.0%, 57.7% and 59.8%, respectively, with 3.3%, 3.2% and 2.9% of new loans underwritten having an LTV in excess of 80.0%, respectively. 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.

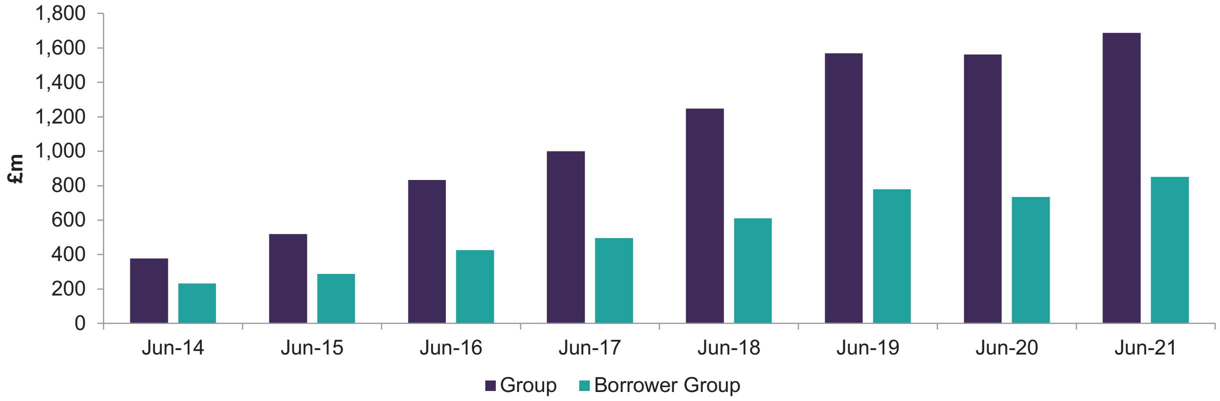
In stress testing our loan portfolio, as of June 30, 2021, when comparing our loan balances, prior to the netting of allowances for impairment, to the respective indexed valuations of the properties, an assumed 10%, 20% and 30% decline to indexed valuations on a loan by loan basis would result in an additional negative equity exposure of £7.4 million, £21.1 million and £66.2 million, respectively. In stress testing the Borrower Group's loan portfolio, as of June 30, 2021, 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 £7.3 million, £20.7 million and £58.8 million, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—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 Private Securitizations, the Public Securitizations, the Revolving Credit Facility, the 2026 Notes, the 2027 Notes and the Company Subordinated Shareholder Funding. In the case of the Private Securitizations and the Revolving Credit Facility, our lenders consist of financial institutions and institutional investors, including a number with whom we have long-standing relationships. In the past five years, we have increased the amounts committed under our Private Securitizations from £1,255.0 million as of June 30, 2016 to £2,059.0 million (of which £1,117.9 million was drawn) as of June 30, 2021. On July 2, 2021, we entered into a further series of agreements in connection with the establishment of the BABS Securitization, which funded £96.2 million of mortgage loans that were in arrears either on, or had been prior to, the issue date of the BABS Securitization and matures on January 2, 2026. We have also successfully issued five 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, the TABS 4 Securitization in July 2020 and the TABS 5 Securitization in September 2021, issuing £261.3 million, £272.6 million, £315.4 million, £360.5 million and £313.2 million of Rated Debt (in the case of the TABS 4 Securitization, including £12.8 million Class X notes and in the case of the TABS 5 Securitization, including £11.1 million Class X notes that are held by the Company), respectively. Furthermore, we were the first UK issuer to originate a small balance commercial real estate securitization in the form of the CRE 1 Securitization in March 2021, followed in June 2021, as a result of strong investor demand, by the CRE 2 Securitization. The CRE 1 Securitization issued £203.3 million of Rated Debt, of which £9.0 million related to Class X notes held by the Company. The CRE 2 Securitization issued £255.4 million of Rated Debt, of which £13.7 million related to Class X notes held by the Company. In addition, since June 30, 2016, we have grown our Revolving Credit Facility from a committed capacity of £29.0 million to a committed capacity of £71.9 million and increased the aggregate principal amount outstanding under our Senior Secured Notes from £300 million to £935.0 million. On September 1, 2021, as a result of amendments to the HABS Securitization, the facility size increased from £104.4 million during an amortization phase of the facility as of June 30, 2021 back to its original size of £525.0 million and the maturity of the facility was extended to September 2025.

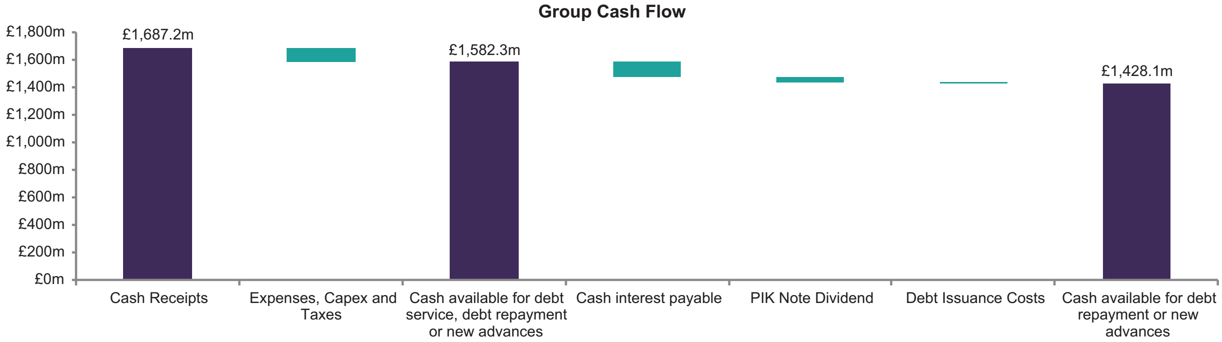
We have a track record of successfully extending maturities, increasing the size and generally enhancing the terms of our financing arrangements in line with our growth and maturity and, where necessary, taking action and working in conjunction with our lenders/investors to amend facilities in response to external factors. Our maximum exposure to any single lending counterparty under the Private Securitizations and the Revolving Credit Facility as a percentage of such drawn balances as of June 30, 2021 was 18.1%. We adopt a policy of regularly extending the 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 any short economically challenging period. Our weighted average maturities profile of our drawn facilities was 3.3 years as of June 30, 2021 (3.6 years after giving effect to the redemption of the TABS 1 Securitization on September 13, 2021 and the establishment of the TABS 5 Securitization on September 22, 2021 as well as the establishment of the BABS Securitization on July 2, 2021 and the amendments to the HABS Securitization on September 1, 2021 as if these events had taken place on June 30, 2021).

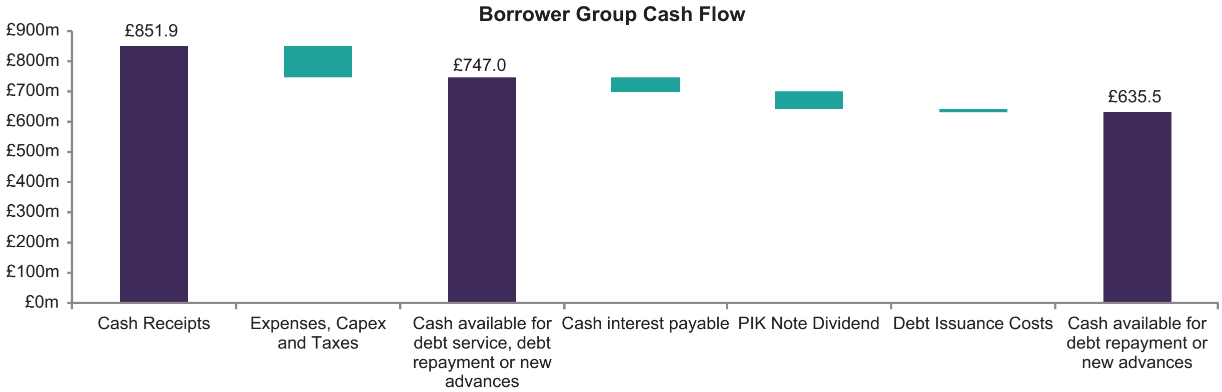
Highly cash generative. The group benefits from significant cash generation and had £1,687.2 million of Cash Receipts for the year ended June 30, 2021, comprising £314.7 million of interest and fees and £1,372.5 million of principal receipts. As of June 30, 2021, our total loan assets were £4,011.9 million. Cash Receipts expressed as a percentage of total average loan assets were 47.2%, 39.8% and 41.3% in the years ended June 30, 2019, 2020 and 2021, respectively. The Borrower Group generated £851.9 million of Cash Receipts in the year ended June 30, 2021 comprised of £78.5 million in interest and fees, £618.2 million in principal receipts and £155.2 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 68.8%, 64.2% and 65.3% in the years ended June 30, 2019, 2020 and 2021, 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 year ended June 30, 2021, resulting in cash available for debt service, debt repayment or originating new advances of £1,582.3 million for the group and £747.0 million for the Borrower Group. Through our strong cash generation, 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 with 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 "*Summary—Supplemental Cash Flow Information for the group and Borrower Group*."

The graph below sets forth Cash Receipts by the group and the Borrower Group for the years ended June 30, 2014 to 2021.



The graphs below set forth the paid interest costs and debt issuance costs for the group and the Borrower Group for the year ended June 30, 2021.





For the year ended June 30, 2021, cash available for debt repayments and originating new advances was £1,439.1 million (representing cash available for debt service, debt repayment or originating new advances of £1,582.3 million less cash interest payable of £110.5 million (including £5.4 million of exceptional items paid in connection with the 2024 Notes Refinancing) and payment of dividend amounts related to the servicing of cash interest on the 2023 PIK Notes of £32.7 million (excluding £20.0 million of dividends in respect of shareholder distributions), but before debt issuance costs of £11.0 million). For a reconciliation of cash available for debt service, debt repayment or originating new advances to the nearest IFRS measure, see "*Summary—Supplemental Cash Flow Information for the group and Borrower Group*." For the year ended June 30, 2021, cash flows available for debt repayments and originating new advances were 5.3 times Underlying EBITDA. Cash available for debt repayments and originating new advances are equivalent to 85.3% of total Cash Receipts of £1,687.2 million. For the year ended June 30, 2021, loan advances required to maintain the size of the loan book equivalent to the size of the loan book as of June 30, 2020 are estimated to be approximately £1,335.1 million with associated debt issuance costs of £11.0 million.

Proactive and effective internal arrears and collections management. We proactively manage our level of arrears by engaging with our customers to understand the reason for any arrears and employing collection strategies based on the particular circumstances of each customer, and a variety of appropriate forbearance measures where we seek to act fairly and appropriately. We work with our customers who are experiencing a reduced ability to service their secured loans and support them through 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 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 believe we have appropriately supported customers throughout the Covid-19 government support scheme period and, as customers have been transitioning out of their Mortgage-Payment Deferral periods, we have worked 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.

Due to our proactive management of arrears, in addition to our strong underwriting and the conservative LTV profile of our loan assets, we had virtually no principal losses prior to 2008 and our provisions for bad and doubtful debts expensed to our profit and loss account in respect of potential loan principal losses in each of the years between 2008 and 2013 amounted to only 1% of our average total loan assets, pursuant to UK GAAP, and for the years ended June 30, 2019, 2020 and 2021, the impairment losses pursuant to IFRS 9 amounted to 0.46%, 1.70% (which was partially impacted by adverse forward-looking macroeconomic assumptions applied as a result of Covid-19 in the UK), and 0.39%, of our total average total loan assets, for the years ended June 30, 2020 and 2021, respectively. As a result of our proactive approach with our customers and an improvement in the credit quality of the customers to whom we have advanced loans 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 0.6% for loans funded in the year ended, June 30, 2020. We believe that our close management of accounts in arrears supports many customers making regular payments in line with agreed payment plans. As of June 30, 2021, of our contractual arrears greater than one month's contractual installment, which represented 6.3% of our loan portfolio and 11.8% 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 59.4% and 48.6% 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 with a focus on ESG. Together has a bespoke culture that has been shaped by our 47-year history and experience. Our culture and the values of our colleagues' are deeply embedded within our senior management team and the wider organization. Our purpose is "realizing" people's ambitions by making finance "work" for everyone and 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 to help them realize opportunities. We also seek to provide support to our customers including those who are in financial difficulty, or those that may be vulnerable, through pre-emptive collection strategies and the application of forbearance tools. We also undertake customer surveys, seek customer reviews and undertake root cause analysis of complaints received in order to help us to improve our customers' journeys.

We have a long tradition of supporting our local communities and charities and have integrated sustainability into our management process through our commitment to environmental, social and governance ("ESG"). Our key commitments and initiatives related to ESG are summarized as follows:

- *Environment.* We remain committed to reducing carbon emissions and support the UK's ambition to reduce greenhouse gas ("GHG") emissions to net zero by 2050. In line with this mission, we are committed to achieving net zero carbon operations by 2030 or earlier and to be a net zero carbon business by 2050 or earlier. We also aim to reduce our total energy consumption by 50% by 2030, are committed to switching all energy suppliers to green tariffs or sustainable energy sources by 2025, and our goal is for all cars in the Together fleet to be electric or hybrid models by 2025. Our Grass Roots sustainability program seeks to raise awareness, measure the success of changes made and support further changes to reduce our carbon footprint. Over the past three years, we have undertaken a number of energy efficiency initiatives which have led to a reduction in overall GHG emissions, while we stay committed to looking for the most energy efficient models in the market and introducing cleaner sources of energy when investing in new office equipment.
- *Social.* As a large local employer, we recognize our duty to society and our local community. We recognize the well-established benefits of having a diverse workforce and sustaining an inclusive working environment, and we recently established a new Diversity & Inclusion advisory committee to provide views and advice on issues of diversity and inclusion to the Board and Senior Management. We have also committed to signing the Women in Finance Charter. In addition, during the pandemic we have continued to provide funding into the social housing sector, bring the total of such funding to £24.0 million since the beginning of 2020.
- *Governance.* 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 have also established governance and oversight processes in order to help ensure that our products and services meet our customers' expectations and, in our regulated division that they are in line with regulatory requirements. We also believe that our

focus on risk and compliance is essential to our reputation and represents good business. Recognizing the importance of high standards of governance, the Company also voluntarily adopted the Wates Corporate Governance Principles for Large Private Companies in 2020. Our commitment to strong governance and risk and compliance control is also evidenced by our continued investment in people and our colleague 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 recent additional appointments.

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 have served on the Group Board for over 27 years, amassing over 100 years' service at Together in total. 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 board of directors of the group and the Personal 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. In the last twelve months, we have appointed two significantly experienced Chief Operating Officers in respect of the Personal Finance and Commercial Finance divisions, as well as a new Chief Information Officer with significant change experience working with leading firms in the financial services industry known for robust customer service, while in May 2020 we appointed a new Group CEO Designate.

Our Strategy

Continue to deliver secured lending to underserved customers in attractive and growing market segments. Our vision is to be the most valued lending company in the UK – the most valued by our colleagues, our customers and our intermediaries, and also the most valued for the impact we have on our communities, society and the economy. As one of the UK's leading specialist lenders, we help a wide range of underserved customers realize their ambitions. We are able to help customers with more complex incomes streams, the self-employed, those who are in later life or have thin or impaired credit, entrepreneurs, property investors and SMEs who need a lender that understands and responds quickly to their needs. The way people live and work is evolving rapidly and we expect this process to escalate as a result of the Covid-19 pandemic. Customers' expectations are also changing. Retail customers want products that are easy to understand, fairly priced and simple to use. Commercial customers in turn want a trusted relationship with a lender that can make quick decisions to help them realize opportunities.

The UK retail and commercial purposes mortgage markets have grown in recent years, and with an overall upward movement in UK property prices along with record low unemployment, prior to the recent onset of the Covid-19 pandemic. 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 well serviced by these lenders. We believe that mainstream lending criteria have struggled to keep up with the pace of change in society and, as increasing numbers of people may find their situations have changed as a result of Covid-19, our ability to lend when other lenders are not able to do so is more relevant than ever. As activity levels in the loan market have resumed following the onset of the Covid-19 pandemic, we believe there is significant opportunity for the business to grow by making finance work for underserved customers and to deliver increasing value for all our stakeholders.

As the UK economy began to recover from Covid-19 we decided to resume new lending, with monthly originations returning to pre-pandemic levels in June 2021, thereby evidencing the continued attractiveness of our proposition to customers, and we believe this pervasive societal change provides the potential to further grow significantly beyond the post-pandemic economic environment. As part of the reprioritization of our work to address the initial consequences of the Covid-19 pandemic, we remained committed to, and accelerated, our investment program. This has to date included embedding process automation that has reduced operating costs and risk, removing friction and time from our processes and improving the experience both for customers and intermediaries. This ongoing investment in technology is in turn facilitating our strategy to evolve our distribution to include emerging channels (including online mortgage brokers, aggregators and digital distribution) and at the same time growing and strengthening our existing long-standing relationships with our mortgage intermediaries, direct customers and professional introducers so to increase penetration in these segments.

Achieving positive outcomes by putting the customer at the heart of our business and offering. We continuously aim to deliver positive outcomes to our customers. We believe that the key to being able to deliver positive outcomes to our customer is our family-like culture, our focus on long-term value, and providing our colleagues with the support, training and innovation to deliver the best customer journeys and experiences. We are proud of our culture and, while we modernize and transform our business, we will continue to do what we do best, including understanding individual customer circumstances and needs, and making finance work to help them to achieve their ambitions. We offer a simple range of secured lending products and regularly review this offering against the market and feedback from our customers, to ensure that it continues to meet their changing needs. 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.

As new technologies emerge which can help to further improve the customer journey and experience, we aim to invest in the right tools to help evolve and enhance our business, while retaining a focus on the characteristics of our business that have made us successful. We have embarked on a process to modernize and transform our operations to take advantage of technological enablers to help to improve consistency, user input and speed for customers and intermediaries. 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, freeing up our colleagues to concentrate on more complex aspects of an application. We are focusing on using technology in automating certain manual processes with limited "value add" (where appropriate) and obtaining better data more efficiently, ensuring every customer has a consistent journey.

As we shape our business for the future, we will continue to learn from our customers, taking 'Voice of Customer' feedback at key touchpoints throughout the loan lifecycle, carefully monitoring our Net Promoter Scores and responding to and, where appropriate, remedying and learning from any complaints. In the last year we have also appointed a new Chief Information Officer with significant change experience working with leading financial services firms known for strong customer service and will therefore support and drive our investment in new technologies as we implement a transformational change plan within the business.

Maintain high asset quality with prudent underwriting based on secured lending at conservative LTVs. Maintaining the 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 are firmly committed to our principles of providing secured lending at conservative LTVs, with appropriate affordability and repayment assessments, and with a focus on risk adjusted margins. This enables us to achieve sustainable levels of returns.

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. Over the past ten years, we have also 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 0.6% for loans funded in the year ended June 30, 2020.

Our business model is based on creating long-term sustainable value. As we seek to increase new lending, we will continue to focus on offering a differentiated and sustainable proposition in attractive markets, by offering a range of products that meet our customers' needs and ensuring that we maintain our focus on the quality of our lending — supported by our ongoing program of investment in technology aimed at either improving the customer journey directly or freeing up our colleagues to focus on serving the customer. Some of the projects already delivered by this program include implementation of an electronic underwriting file, a customer messaging and data sharing app, an automated income verification tool, an "affordability unlock" tool, a first phase of e-disbursements and the release of a new core product pricing engine. We also 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.

Increase diversity and depth of funding, and reinvest profits to support future ambitions. Together's business model is underpinned by an established, mature and stable funding structure, comprising our Senior Secured Notes, the Revolving Credit Facility, the Private Securitizations, the Public Securitizations and Shareholder Funds. Our funding strategy largely centers upon the development and maintenance 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 of funding or counterparty, mitigates refinancing risks and results in a more cost-effective strategy over the long-term. Having multiple funding facilities also allows us to compare relative funding terms, supporting our negotiation of terms, including pricing and structure efficiency, on both refinancing of existing sources of funding, and originating new sources of funding, both in the private and public markets.

We continually seek to extend both the diversity of, and the depth of maturity within, our sources of funding, 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, depth and diversity to our funding structure and, from time to time, amend the terms of our existing sources of funding as well as actively exploring alternative sources of funding to support our loan book and opportunistically accessing the markets. We have a demonstrable track record of achievements in diversifying and improving the mix and the terms of our sources of funding. For example, we recently reopened the public small balance commercial real estate markets by way of the CRE 1 Securitization, which was the first such issuance since the global financial crisis. We will seek to continue to explore alternative sources of funding to give comfort that our funding structure continues to be robust and to extend and refinance our existing funding channels as appropriate. Subject to market conditions, from time to time, we will also seek to access both the private and public markets to optimize the balance of our sources of funding and also to take advantage of prevailing market conditions to increase liquidity which will further support the sustainable and planned growth in our loan book.

We recognize the importance of the financial institutions and investors that support these structures and place great emphasis on developing and maintaining these strategic relationships.

Maintain a purpose-driven and supportive culture. We have a strong family-like culture and entrepreneurial spirit, and we recognize that our colleagues are at the heart of our success. We aim to create a diverse, inclusive and collaborative environment where our colleagues can grow, develop and realize their ambitions. Our expert underwriters and customer service teams continue to provide traditional lending services while also going the extra mile to make finance work and to deliver great customers outcomes. By continuing to invest in technology and innovation, we aim to make processes simpler and leave colleagues with more time to focus on what we do best – making finance work to help our customers realize their ambitions. At the same time, we strive to maintain an environment where our colleagues feel empowered to play their part and also to give something back to our communities and to society.

We believe in creating opportunities and actively driving a learning culture across the business, including an extensive, interactive learning and development program, beginning from the recruitment stage, to help our colleagues grow and develop. We develop, engage and retain our colleagues through provision of a range of 'open learning' opportunities, mandatory training activity and support to achieve and maintain competence in role. We also provide a partnering model through both our recruitment and learning activity to understand the business needs and design and deliver solutions. These include careers support, succession planning, targeted learning and coaching for long-term personal development.

Well-being has always been an important focus for the business and we have a range of initiatives in place to promote the health and wellbeing of colleagues, including having set up a number of networking groups to promote diversity and inclusion across the business. Feedback from our colleagues helps us to continuously improve and we have established annual and quarterly colleague surveys. We also have a long-established commitment to our communities and charities through our colleague-led 'Let's Make it Count' program.

Trading Update

The preliminary financial results presented below 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."

We originated a monthly average of £179.0 million of loans in the three months ended September 30, 2021, compared to a monthly average of £146.9 million for the three months ended June 30, 2021 and a monthly average of £43.6 million for the three months ended September 30, 2020.

We received average monthly cash receipts of £139.7 million in the three months ended September 30, 2021, compared to a monthly average of £153.4 million for the three months ended June 30, 2021, and a monthly average of £125.7 million for the three months ended September 30, 2020.

Total Accessible Liquidity as of September 30, 2021 (which is based on the preliminary draft position pending the finalization of the net loan book for September 2021) was £454.7 million, compared to £453.4 million for June 30, 2021. See "*Presentation of Financial and Other Information*."

As of September 30, 2021, amounts available and undrawn under our Revolving Credit Facility and the Securitizations were £1,465.5 million, compared to £1,013.9 million (which does not give effect to the amendments to the HABS Securitization on September 1, 2021, the establishment of BABS Securitization on July 2, 2021, the establishment of TABS 5 Securitization on September 22, 2021 and the optional redemption of TABS 1 Securitization on September 13, 2021) as of June 30, 2021.

Total cash as of September 30, 2021 was £210.5 million, comprising of £138.8 million restricted cash and £71.7 million unrestricted cash, compared to £228.6 million, comprising of £148.7 million restricted cash and £79.9 million unrestricted cash as of June 30, 2021.

After June 30, 2021, we have made £39.0 million of net drawings under the Private Revolving Securitizations (which included a net repayment under the CABS Securitization of £67.8 million (including the impact of £217.8 million reduction in the CABS Securitization on the establishment of the TABS 5 Securitization on September 22, 2021)), £nil million of drawings under the DABS 2 Securitization, £36.8 million of drawings under the HABS Securitization and £70.0 million of drawings under the LABS Securitization. In addition, prior to the Issue Date, in the ordinary course of our business to support initial and future lending, we expect to draw up to an additional £80.0 million from a mixture of our Revolving Credit Facility and our Private Revolving Securitizations.

On July 2, 2021 we entered into a further series of agreements in connection with the establishment of the BABS Securitization. Our BABS Securitization funds £96.2 million of mortgage loans that were in arrears either on, or had been prior to, the issue date of the BABS Securitization. Under the BABS Securitization, pursuant to a variable funding note issuance facility agreement, Brooks Asset Backed Securitisation 1 Limited, as note issuer, issued unrated notes to a certain financial institution.

On September 1, 2021, the HABS Securitization was amended and, as a result, the total commitment size increased from £104.4 million (following the HABS Securitization entering a phase of amortization) back to its original size of £525.0 million while the maturity of the facility was also extended to September 2025.

On September 13, 2021, the TABS 1 Securitization was redeemed upon the optional call date.

On September 22, 2021, we established the TABS 5 Securitization for which certain assets were purchased from the CABS Securitization. An aggregate principal amount of £313.2 million of Rated TABS 5 Notes were issued in connection with the establishment of the TABS 5 Securitization with an anticipated prepayment rate of 15%.

An interim dividend of £27.6 million was approved by the Company on September 29, 2021 and paid on October 7, 2021 to its parent company, Midco2, which in turn paid approximately the same amount to the Issuer, predominantly consisting of £10.0 million relating to shareholder distributions in line with the Company's dividend policy and £16.3 million relating to the October 2021 cash servicing of PIK Note interest to be paid by the Issuer. The Issuer subsequently paid the £10.0 million amount relating to shareholder distributions to its own parent, Topco on October 8, 2021.

The Refinancing

The Issuer intends to issue a notice of redemption to holders of the 2023 PIK Notes for the entire outstanding principal amount of the 2023 PIK Notes and intends to use a portion of the proceeds from the Offering to redeem in full the 2023 PIK Notes on or about the Issue Date. See "*Use of Proceeds*." As of the date of this offering memorandum, £368.2 million in aggregate principal amount of the 2023 Notes are outstanding.

Recent Developments

New Sources of Funding

On July 2, 2021, the BABS Securitization, our fifth Private Securitization (and our first Private Term Securitization) was established. See "*Description of Certain Financing Agreements—Securitizations.*"

On September 1, 2021, the HABS Securitization was amended. See "*Description of Certain Financing Agreements—Securitizations.*".

On September 13, 2021, the TABS 1 Securitization was fully redeemed at the optional call date. See "*Description of Certain Financing Agreements—Securitizations.*"

On September 22, 2021, the TABS 5 Securitization, our fifth public residential mortgage-backed securitization and our inaugural first charge public securitization was established. See "*Description of Certain Financing Arrangements—Securitizations*."

As of the date of this Offering Memorandum, the HABS Securitization and the LABS Securitization have all transitioned from LIBOR to SONIA. On or around the date of this offering memorandum, the interest reference rate under the Revolving Credit Facility will be updated from LIBOR to SONIA.

Directorate Changes

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) was appointed as Interim Group Finance Director and, after a successful period in situ, was subsequently appointed as Group Finance Director on August 2, 2021.

Following the retirement of Simon Carter, our previous Information Technology director, Tom Pirrie was appointed to the role of Chief Information Officer on February 1, 2021. Tom joins having previously served as CIO for Digital Services at HSBC as well as CIO for First Direct among other positions. See "*Management*."

Marcus Golby, our Group Chief Operating Officer, has recently resigned and ceased serving on the Board of Directors as of September 30, 2021. The recent appointments of Andrew Wicken and Daren Clarke as COO's of the retail and commercial division respectively will fulfill the operational aspects of Marcus's role and the appointment of Tom Pirrie, our Chief Information Officer, will be widened to incorporate leading the modernization and transformation agenda.

Dividend Payments

An interim dividend of £27.6 million was approved by the Company on September 29, 2021 and paid on October 7, 2021 to its parent company, Midco2, which in turn paid approximately the same amount to the Issuer, predominantly consisting of £10.0 million relating to shareholder distributions in line with the Company's dividend policy and £16.3 million relating to the October 2021 cash servicing of PIK Note interest to be paid by the Issuer. The Issuer subsequently paid the £10.0 million amount relating to shareholder distributions to its own parent, Topco on October 8, 2021.

The Issuer

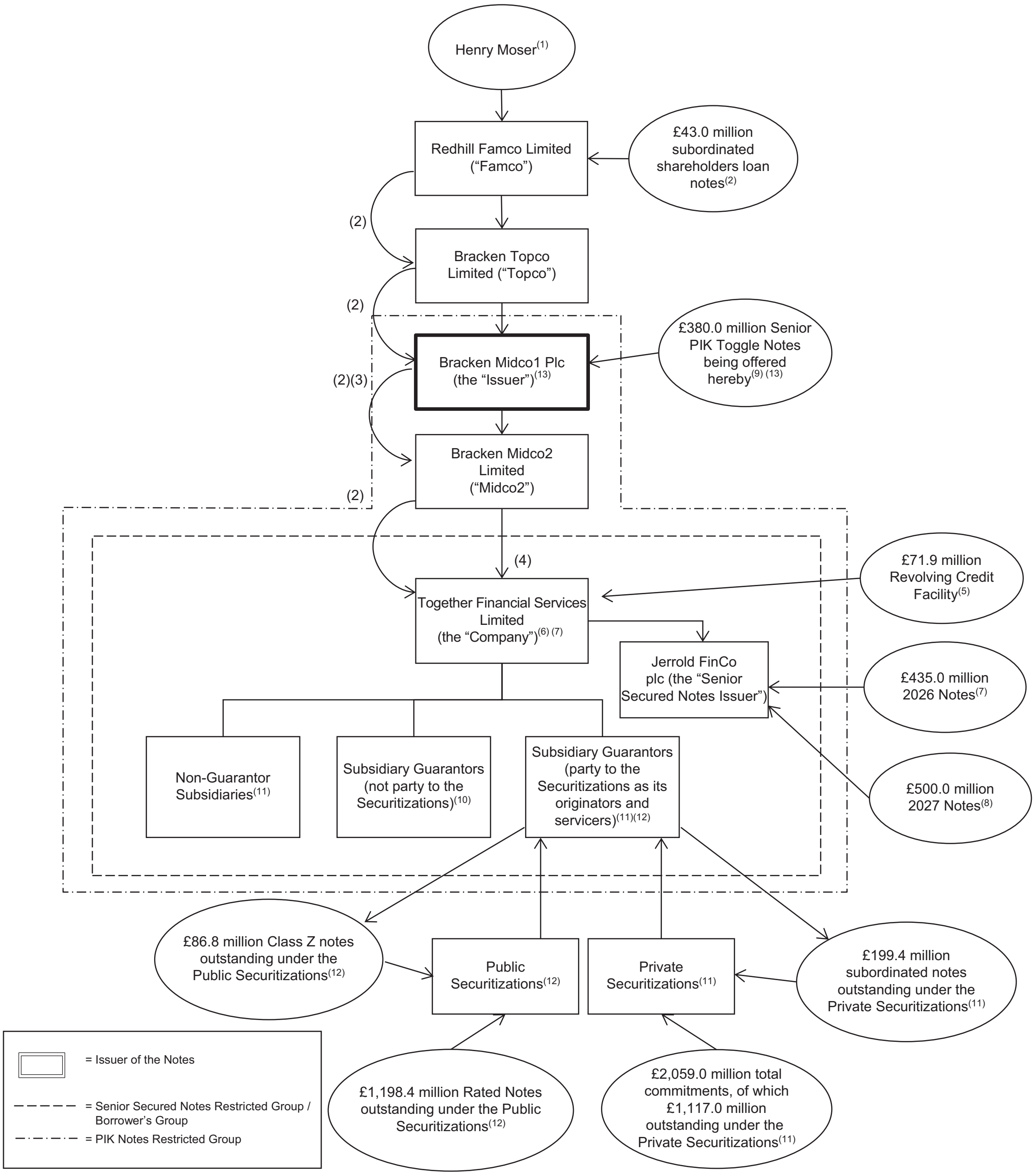
The Issuer, Bracken Midco1 plc, registration number 10219097, was formed on June 7, 2016 as a public limited company under the laws of England and Wales. The Issuer's registered office is located at Lake View, Lakeside, Cheadle, Cheshire SK8 3GW, United Kingdom and its telephone number is +44-161-956-3200. The members of the Board of Directors of the Issuer may be reached at the registered address of the Issuer.

The Company

The Company, now trading as "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 registered office is 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 June 30, 2021, after giving *pro forma* effect to the Offering. The diagram does not reflect the optional redemption in full of the TABS 1 Securitization, the establishment of the TABS 5 Securitization, the establishment of the BABS Securitization or the most recent amendments to the HABS Securitization, each of which occurred after June 30, 2021, and the related effects thereof. See "*Summary—Recent Developments—New 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) The Moser Family Shareholders, indirectly hold (through wholly owned holding companies) 100.0% of the voting shares of the Company. See "*Shareholders*."

(2) The £43.0 million aggregate principal amount of subordinated shareholder loan notes were issued to the Moser Family Shareholders by the Company and novated to Redhill Famco Limited as part of the Exit Transactions. See "*Shareholders—The Exit Transactions*." In exchange for the novation, the Company, Midco2, the Issuer and Topco also entered into intercompany loans, by virtue of which the

Company, Midco2, the Issuer and Topco each incurred debt obligations in an aggregate amount of £43.0 million from Midco2, the Issuer, Topco and Famco, respectively. The loan from Topco to the Issuer in the amount of £7.5 million (the "Issuer Subordinated Shareholder Funding") will be subordinated to the repayment of the Notes pursuant to the Subordination Deed and constitutes deeply subordinated shareholder funding under the Indenture. See "*Description of Certain Financing Arrangements—Subordination Deed*." The receivables in connection with the loan from the Issuer to Midco2 (the Midco2 Novated Shareholder Loan) will form part of the Collateral. On August 27, 2021, £7.75 million of the principal balance of these novated shareholder loan notes held by Famco was repaid along with associated accrued interest. The principal aggregate amount of the Company Subordinated Shareholder Funding incurred in connection with the Exit Transactions is £68.1 million. See "*Related Party Transactions—Subordinated Shareholder Funding*."

(3) In addition to the receivables in connection with the loan from the Issuer to Midco2 referred to in note (2) above (the "Midco2 Novated Shareholder Loan"), as of the Issue Date, the outstanding receivables in connection with loans from the Issuer to Midco2 are the £212.4 million principal aggregate amount Midco2 2021 PIK Notes Intercompany Loan and the £100.0 million Midco2 Roll-Up Notes, which will, together with the Midco2 Novated Shareholder Loan, form part of the Collateral.

(4) 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*."

(5) The total commitments available under the Revolving Credit Facility are £71.9 million and it is currently undrawn. See "*Description of Certain Financing Arrangements—Revolving Credit Facility.*" Prior to the Issue Date, we expect to draw under the Revolving Credit Facility. See "*Summary—Trading Update*."

(6) 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.

(7) On February 10, 2020, the Senior Secured Notes 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 Senior Secured Notes Guarantors, including the Company.

(8) On January 25, 2021, the Senior Secured Notes Issuer issued £500.0 million aggregate principal amount of 2027 Notes. The £500.0 million aggregate principal amount of the 2027 Notes are guaranteed on a senior basis by the Senior Secured Notes Guarantors, including the Company.

(9) The Issuer is hereby offering £380.0 million aggregate principal amount of the Notes. The Notes will be senior obligations of the Issuer and will rank equal in right of payment with all other existing and future senior indebtedness of the Issuer that is not subordinated in right of payment to the Notes. The Notes will not be guaranteed by any of the Issuer's subsidiaries and will be structurally subordinated to all existing and future indebtedness of such subsidiaries, including any amounts owing under the Revolving Credit Facility and the Senior Secured Notes. The Notes will not be guaranteed by Together Financial Services Limited (the "Company") or any of its subsidiaries. The Notes will be secured by (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 Issuer is the lender, including, as of the Issue Date, the Midco2 Intercompany Loans. 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—Subordination Deed*."

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

(11) In connection with the Private Securitizations, the bankruptcy-remote special purpose vehicles established for purposes of the Private 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 June 30, 2021, total commitments under the Private Securitization Vehicles amounted to £2,059.0 million, total notes outstanding amounted to £1,117.0 million and subordinated shareholder subscription notes outstanding amounted to £199.4 million. See "*Summary—Our Sources of Funding*." On July 5, 2021, we entered into the BABS Securitization. The total commitments, adjusting *pro forma* for the BABS Securitization as if it had taken place on June 30, 2021, would have been £2,103.2 million. On September 1, 2021, the HABS Securitization was amended. Giving effect to the most recent amendments to the HABS Securitization as if it had taken place on June 30, 2021, total commitments would have been £525.0 million. The amounts included in the diagram exclude £39.0 million of net drawings under the Private Securitizations (which included a net repayment under the CABS Securitization of £67.8 million (including the impact of a £217.8 million reduction in the CABS Securitization on the establishment of the TABS 5 Securitization on September 22, 2021), £nil million drawn under the DABS 2 Securitization, £36.8 million drawn under the HABS Securitization and £70.0 million drawn under the LABS Securitization after June 30, 2021. See "*Description of Certain Financing Arrangements—Private Securitizations*."

(12) In connection with the Public Securitizations, Together ABS 1, Together ABS 2, Together ABS 3, Together ABS 4, Together ABS 5, Together CRE 1 and Together CRE 2, the bankruptcy-remote special purpose vehicles established for purposes of the Public Securitizations, purchased certain of our mortgage loans from certain operating subsidiaries. As of June 30, 2021, the total Rated Notes outstanding were £1,198.4 million (after the allocation of £31.4 million of principal receipts received in June 2021), of which £18.5 million were Class X notes. The Class X notes in the CRE 1 and CRE 2 Securitizations are held by the Company. See "*Summary—Our Sources of Funding*." The amounts included in the diagram exclude the reduction of Rated Notes outstanding in the Public Securitizations after June 30, 2021 (which occurs as a result of the application of the proceeds of the redemption of loan assets within the Public Securitizations).

(13) As of June 30, 2021, giving *pro forma* effect to the 2024 Notes Refinancing and the Offering, the Issuer and its subsidiaries would have had gross senior secured borrowings of £3,642.7 million, £935.0 million of which was secured indebtedness under the 2026 Notes, the 2027 Notes and the Revolving Credit Facility, excluding the £39.0 million of net drawings under the Private Securitizations after

June 30, 2021 (which included a net repayment under the CABS Securitization (including the impact of £217.8 million in the reduction in CABS Securitization on the establishment of the TABS 5 Securitization on September 22, 2021), £nil million of drawings under the DABS 2 Securitization, £36.8 million of drawings under the HABS Securitization and £70.0 million of drawings under the LABS Securitization), and excluding the reduction of £93.3 million of Rated TABS 1 Notes upon redemption of the TABS 1 Securitization, addition of 313.2 million of Rated TABS 5 Notes on establishment of the TABS 5 Securitization, £96.2 million on the establishment of the BABS Securitization, which all occurred after June 30, 2021.). See "*Summary—Trading Update*," "*Use of Proceeds*" and "*Shareholders—The Exit Transactions*."

THE OFFERING

The following summary of the offering contains basic information about the Notes 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, including certain definitions of terms used in this summary, see "*Description of Notes.*"

Issuer	Bracken Midco1 plc
Notes Offered	£380,000,000 aggregate principal amount 6¾% / 7½% Senior PIK Toggle Notes due 2027.
Issue Date	The Notes will be issued on November 1, 2021.
Issue Price	100.000% plus accrued interest, if any, from the Issue Date.
Maturity Date	November 1, 2027.
Interest Rate	Cash Interest will accrue at a rate of 6.75% per annum; and PIK Interest will accrue at 7.5% per annum on the Notes.
Interest Payment Dates	Semi-annually in arrears on each April 15 and October 15 commencing April 15, 2022. The first and last interest payments on the Notes will be made in cash. For each other interest payment, the Issuer will be required to pay interest on the Notes entirely in cash ("Cash Interest"), unless the conditions described in this offering memorandum are satisfied, in which case the Issuer will be entitled to pay, to the extent described herein, interest for such interest period through the issuance of Additional Notes (as defined herein) either by increasing the principal amount of the Notes (or by issuing a new global note of an increased principal amount) or by issuing Notes in a principal amount equal to such interest (in each case, "PIK Interest"). See "*Description of the Notes—Interest*."
Denominations	The Notes will have minimum denominations of £100,000 and integral multiples of £1 in excess thereof. Notes in denominations of less than £100,000 will not be available.
Ranking of the Notes	The Notes will: • be the general senior obligations of the Issuer; • be secured as set forth under "*Description of Notes—Security*"; • 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; • 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, including the Issuer Subordinated Shareholder Funding; • be effectively subordinated to all existing and future obligations of the Issuer that are secured by property or assets that do not secure the Notes to the extent of the value of the property and assets securing such obligations; and • be structurally subordinated to all obligations of the Company's subsidiaries, including the Senior Secured Notes and borrowing under the Revolving Credit Facility.

Security	The Notes will be secured by (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 Issuer is the lender, including, as of the Issue Date, the Midco2 Intercompany Loans. See "*Description of Notes—Security.*" The security granted by the Issuer 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 the Collateral.*"
Use of Proceeds	The gross proceeds from the offering of the Notes are expected to be £380.0 million. The Issuer intends to use the proceeds from the offering of the Notes (i) to redeem the 2023 PIK Notes, (ii) to pay the optional redemption call premium in respect of the 2023 PIK Notes, (iii) for general corporate purposes and (iv) to pay fees and expenses in connection with the Offering.
Optional Redemption	At any time prior to November 1, 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 November 1, 2023, at the redemption prices described under "*Description of Notes—Optional Redemption*." Prior to November 1, 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 106.75% 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 Relevant Tax Jurisdiction (as defined under "*Description of Notes*") is required by law, subject to certain exceptions, the Issuer will pay additional amounts so that the net amount received by each holder of Notes in respect of such payment 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 Midco2); 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 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 Authority for the listing of the Notes on the Official List of the Exchange and permission to deal in the Notes. The Exchange is not a regulated market pursuant to the provisions of MiFID II. There can be no assurance that the Notes will be listed on the Official List of the Exchange or that such permission to deal in the Notes on the Official List of the Exchange will be granted or maintained.

Original Issue Discount . . . . Because interest on the Notes is payable at the option of the Issuer as PIK Interest if certain conditions are met, no stated interest on the Notes will be treated as qualified stated interest for U.S. federal income tax purposes. As a result, the Notes will be considered to be issued with original issue discount ("OID") for U.S. federal income tax purposes. There will be additional OID to the extent that the issue price of the Notes is less than their stated principal amount. Holders subject to U.S. federal income taxation generally will be required to include this OID in gross income (as ordinary income) as it accrues on a constant yield basis, in advance of the receipt of cash payments to which such income is attributable and regardless of a holder's method of accounting for U.S. federal income tax purposes. For further discussion, see "*Certain Tax Considerations—Certain U.S. Federal Income Tax Considerations*."

Trustee . . . . Deutsche Trustee Company Limited.

Security Agent . . . . Deutsche Bank AG, London Branch.

Registrar . . . . Deutsche Bank Luxembourg S.A.

Paying Agent and Transfer Agent . . . . Deutsche Bank AG, London Branch.

Listing Agent . . . . Mourant Securities Limited, Jersey Branch.

Governing Law . . . . The Indenture is governed by the laws of the State of New York. Each of the Security Documents and the Subordination Agreement 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, 2019, 2020 and 2021 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. Except as noted, the financial information below does not reflect the financial information of the Issuer or Midco2. For a reconciliation between the Issuer's and the Company's consolidated financial statements, see "*Annex A: Reconciliation of Certain Selected Balance Sheet Data of the Company and Its Subsidiaries with Certain Selected Balance Sheet Data of the Issuer and its subsidiaries (including Midco2).*" 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, 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 financial data presented as of and for the years ended June 30, 2020 and 2021 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 years ended June 30, 2020 and 2021 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 for the Issuer as of and for the year ended June 30, 2021 to give *pro forma* effect to the Offering and the 2024 Notes Refinancing as if they had occurred on July 1, 2020, or June 30, 2021, as applicable. This pro forma analysis does not reflect the optional redemption of the TABS 1 Securitization, the effects of the establishment of the TABS 5 Securitization, the most recent amendments to the HABS Securitization and the BABS Securitization and the interim dividend payment. See "*Summary—Recent Developments*." 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 Issuer would have been reported had the Offering and the 2024 Notes Refinancing been completed as of July 1, 2020 for the purpose of the calculation of interest payable and other metrics derived from the Company's statement of comprehensive income data and cash flow statement data as of June 30, 2021 for purposes of the calculation of net borrowings and other metrics derived from the Issuer's financial position data and should not be taken as indicative of the Issuer's future consolidated results of operations or financial position.

For purposes of metrics related to calculation of the *pro forma* cash interest payable of the Issuer, we have given effect to (i) the interest that would have been payable on the Notes offered hereby and the 2027 Notes and (ii) exclusion of the interest that would no longer have been payable on the 2023 PIK Notes and 2024 Notes as if the Offering and the 2024 Notes Refinancing had each taken place on July 1, 2020.

For purposes of metrics related to calculation of the *pro forma* Adjusted EBITDA of the Issuer have given effect to (i) the interest that would have been payable on the 2027 Notes and (ii) exclusion of the interest that would no longer have been payable on the 2024 Notes as if the 2024 Notes Refinancing had each taken place on July 1, 2020.

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 June 30, 2021. 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 the Issuer's or its subsidiaries' 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 the Issuer 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,*" *"Annex A: Reconciliation of Certain Selected Balance Sheet Data of the Company and Its Subsidiaries with Certain Selected Balance Sheet Data of the Issuer and its subsidiaries (including Midco2)"* 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, 2019, 2020 and 2021 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,		
	2019	**2020**	**2021**
Statement of comprehensive income of Together Financial Services:			
Continuing operations:			
Interest receivable and similar income	343.1	388.4	370.9
Interest payable and similar charges	(116.8)	(137.1)	(123.5)
Net interest income	**226.3**	**251.3**	**247.4**
Fees and commission income	4.4	4.5	4.2
Fees and commission expense	(2.3)	(2.9)	(1.8)
Other income	0.1	1.4	2.8
Operating Income	**228.5**	**254.3**	**252.6**
Administrative expenses (excluding depreciation and amortization)	(78.4)	(86.2)	(80.8)
Depreciation and amortization	(4.4)	(6.6)	(5.4)
Operating profit	**145.7**	**161.5**	**166.4**
Impairment losses	(15.4)	(66.9)	(16.1)
Profit before taxation	**130.3**	**94.6**	**150.3**
Income tax	(18.6)	(10.5)	(19.2)
Profit after taxation	**111.7**	**84.1**	**131.1**

	As of June 30,		
	2019	2020	2021
Statement of financial position of Together Financial Services:			
***Assets*:**			
Cash and cash equivalents[1]	120.2	252.5	228.6
Loans and advances to customers	3,694.5	4,162.2	4,011.9
Derivative assets held for risk management	0.1	—	0.6
Inventories	0.6	0.6	0.6
Other assets	4.8	6.3	5.6
Investments	0.1	0.1	0.1
Property, plant and equipment	5.4	13.9	31.6
Intangible assets	8.8	8.1	7.0
Current tax asset	—	3.2	—
Deferred tax asset	7.5	7.6	11.0
Total assets	**3,842.0**	**4,454.5**	**4,297.0**
Liabilities			
Borrowings	3,015.7	3,550.1	3,304.0
Derivative liabilities held for risk management	—	2.9	1.2
Other liabilities[2]	50.6	51.2	57.1
Provisions for liabilities and charges[2]	4.2	22.3	25.1
Current tax liabilities	8.7	—	1.9
Total liabilities	**3,079.2**	**3,626.5**	**3,389.3**
Equity:			
Share capital	9.8	9.8	9.8
Share premium account	17.5	17.5	17.5
Merger reserve	(9.6)	(9.6)	9.6)
Capital redemption reserve	1.3	1.1	1.1
Subordinated Shareholder Funding reserve	41.0	39.7	38.7
Share-based payment reserve	1.6	1.6	1.6
Cashflow-hedging reserve	—	(2.7)	(1.1)
Cost of hedging reserve	(0.2)	(0.1)	(0.4)
Retained earnings	701.4	770.7	850.1
Total equity	**762.8**	**828.0**	**907.7**
Total equity and liabilities	**3,842.0**	**4,454.5**	**4,296.9**

	For the year ended June 30,		
	2019	2020	2021
Cash flow statement of Together Financial Services:			
Net cash (outflow)/inflow from operating activities[3]	(520.9)	(235.6)	417.1
Net cash outflow from investing activities	(4.1)	(3.7)	(2.4)
Net cash (outflow)/inflow from financing activities[3]	570.9	371.6	(438.6)
Net (decrease) /increase in cash and cash equivalents[1][3]	**45.9**	**132.3**	**(23.9)**

	For the year ended June 30,		
	2019	2020	2021
Statistical and other financial data of Together Financial Services:			
Total loan assets[4]	3,694.5	4,162.2	4,011.9
Interest payable and similar charges	116.8	137.1	123.5
Interest payable and similar charges (adjusted for exceptional items related to the 2021 Notes Refinancing and the 2024 Notes Refinancing)[5]	N/A	130.4	117.6
Underlying net interest margin[6]	6.8%	6.6%	6.2%
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)[7]	58.0%	58.4%	59.1%
LTV of loan portfolio (on a weighted average indexed basis)[7]	54.3%	54.9%	52.1%
EBITDA[8]	251.5	238.4	279.1
EBITDA margin[9]	72.4%	60.7%	74.4%
Ratio of EBITDA to interest payable and similar charges[8]	2.2x	1.7x	2.3x
Underlying EBITDA[8]	N/A	255.6	272.6
Underlying EBITDA margin[9]	N/A	65.1%	72.7%
Ratio of underlying EBITDA to interest payable and similar charges (adjusted for exceptional items related to the 2021 Notes Refinancing and the 2024 Notes Refinancing)[5][8]	N/A	2.0x	2.3x
Underlying profit before taxation[10]	N/A	118.5	149.7
Senior secured borrowings[11]	3,001.7	3,524.7	3,262.7
Net senior secured borrowings[1][11]	2,881.4	3,272.2	3,034.0
Ratio of net senior secured borrowings to total loan assets[4][11]	78.0%	78.6%	75.6%
Ratio of net senior secured borrowings to value of total underlying security[12]	42.3%	43.1%	39.4%
Tangible equity[13]	781.1	848.3	930.0
Tangible assets[13]	3,833.2	4,446.3	4,290.0
Ratio of tangible equity to tangible assets[13]	20.4%	19.1%	21.7%

	As of and for the year ended June 30,		
	2019	2020	2021
Statistical and other financial data of the Borrower Group:			
Total loan assets[14]	1,189.3	1,102.0	1,507.3
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)[7]	58.3%	60.7%	61.9%
LTV of loan portfolio (on a weighted average indexed basis)[7]	55.9%	57.4%	55.9%
Cash interest payable[15]	46.3	45.8	45.5
Adjusted EBITDA[8]	189.7	163.8	216.7
Adjusted EBITDA margin[9]	66.4%	51.5%	69.3%
Underlying Adjusted EBITDA[8]	N/A	181.1	210.2
Underlying Adjusted EBITDA margin[9]	N/A	56.9%	67.2%
Ratio of Adjusted EBITDA to cash interest payable[8][15]	4.1x	3.6x	4.8x
Ratio of Underlying Adjusted EBITDA to cash interest payable[8][15]	N/A	4.0x	4.6x
Senior secured borrowings[16]	780.0	795.0	935.0
Net senior secured borrowings[16]	757.3	682.1	855.1
Ratio of senior secured borrowings to total loan assets[14][16]	65.6%	72.1%	62.0%
Ratio of net senior secured borrowings to total loan assets[14][16]	63.7%	61.9%	56.7%
Ratio of net senior secured borrowings to value of total underlying security[17]	35.6%	35.5%	31.7%

	As of and for the year ended June 30, 2021
	(£ in millions, except percentages and ratios)
***Pro forma* financial data of the Issuer:**	
Pro forma cash interest payable(18)	73.9
Pro forma Adjusted EBITDA(19)	210.8
Pro forma senior borrowings(20)	3,642.7
Pro forma net senior borrowings(1)(21)	3,413.4
Ratio of *pro forma* Underlying Adjusted EBITDA to *pro forma* cash interest payable(8)(18)	2.9x
Ratio of *pro forma* net senior borrowings to total loan assets(4)(22)	85.1%
Ratio of *pro forma* net senior borrowings to the value of total underlying security(12)(23)	44.4%
Pro forma tangible equity(24)	549.4
Pro forma tangible assets(25)	4,290.0
Ratio of tangible equity to *pro forma* tangible assets(26)	12.8%
Ratio of the Notes offered hereby to tangible equity(27)	40.9%

(1) Total cash as of June 30, 2021 was £228.6 million, comprising of £79.9 million unrestricted cash and £148.7 million restricted cash (which is cash held by the Securitization Vehicles), compared to £252.5 million, comprising of £112.9 million unrestricted cash and £139.6 million restricted cash as of June 30, 2020 and £120.2 million, comprising of £22.6 million unrestricted cash and £97.6 million restricted cash as of June 30, 2019. Cash and cash equivalents does not include the use of cash since July 1, 2021, including the effect of the payment by the Company of a dividend on October 7, 2021 of £27.6 million to Midco2 and in turn the Issuer to fund the cash interest payment on the 2023 PIK Notes primarily with respect to the October 15, 2021 interest payment date and payment of a dividend to its shareholder.

(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. These provisions are reported as a separate category within the audited consolidated financial statements as of and for the year ended June 30, 2019, June 30, 2020 and the year ended June 30, 2021 presented in the comparative column of these financial statements.

(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 and the 2024 Notes Refinancing)" represents interest payable and similar charges as adjusted to exclude £6.7 million in respect of the year ended June 30, 2020 related to the redemption cost of the 2021 Notes, and £5.9 million in respect of the year ended June 30, 2021 related to the redemption cost of the 2024 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. The adjustments related to the 2024 Notes Refinancing consist of £5.4 million call premium with respect to the early redemption of the 2024 Notes, £1.2 million related to the release of remaining debt issuance costs in relation to the 2024 Notes and £0.7 million related to the release of the remaining issuance premium in relation to the 2024 Notes.

(6) "Underlying net interest margin" represents interest receivable and similar income *less* interest payable and similar charges divided by average total loan assets. For the years ended June 30, 2020 and 2021 respectively, interest payable and similar charges have been adjusted to exclude exceptional interest payable and similar costs related to the 2021 Notes Refinancing and the 2024 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 relevant 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. 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*."

(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 and Adjusted EBITDA for Together Financial Services, 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; and (ii) for the year ended June 30, 2021, excluding the effect of exceptional items related to the exceptional redundancy costs of £1.7 million and exceptional items related to the provisions in respect of a release of forbearance and customer communication remediation in the amount of £8.2 million.

We adopted IFRS 16 for all financial periods ending on or after July 1, 2019. Consequently, our EBITDA, Underlying EBITDA, Adjusted EBITDA and Underlying Adjusted EBITDA for the years ended June 30, 2020 and 2021 respectively, reflect the effect of IFRS 16 on interest payable and similar charges. As a result, our EBITDA-based measures for the years ended June 30, 2020 and 2021, respectively, may not be directly comparable to those for the year ended June 30, 2019 or any prior period. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—IFRS 16" and "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,		
	2019	**2020**	**2021**
Profit after taxation	111.7	84.1	131.1
Add back:			
Interest payable and similar charges	116.8	137.1	123.5
Income tax	18.6	10.5	19.2
Depreciation and amortization	4.4	6.6	5.4
EBITDA	**251.5**	**238.4**	**279.1**
Exceptional items(a)	N/A	17.2	(6.5)
Underlying EBITDA	**N/A**	**255.6**	**272.6**
EBITDA	251.5	238.4	279.1
Securitization interest(b)	(61.8)	(74.6)	(62.5)
Adjusted EBITDA	**189.7**	**163.8**	**216.7**
Exceptional items(a)	N/A	17.2	(6.5)
Underlying Adjusted EBITDA	**N/A**	**181.1**	**210.2**

(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 year ended June 30, 2021 represents a provisions release in respect of forbearance and customer communication remediation of £8.2 million, 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*" and note 19 to our consolidated financial statements for the year ended June 30, 2021, and exceptional costs in respect of redundancy costs in relation to the consultation process completed in the year of £1.7 million.

(b) "Securitization interest" represents interest paid on the indebtedness issued under each Private Securitization and on the Rated Debt on each Public 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, the 2024 Notes Refinancing, provisions in respect of forbearance and customer communication remediation and exceptional redundancy costs:

	For the year ended June 30,		
	2019	**2020**	**2021**
Profit before taxation	130.3	94.6	150.3
Exceptional items relating to the 2021 Notes Refinancing and the 2024 Notes Refinancing(a)	—	6.7	5.9
Exceptional items relating to provisions / (release of provisions) in respect of forbearance and customer communication remediation(b)	—	17.2	(8.2)
Exceptional items relating to redundancy costs(c)	—	—	1.7
Underlying profit before taxation	**130.3**	**118.5**	**149.7**

(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. Exceptional items relating to the 2024 Notes Refinancing represents adjustments related to the redemption cost of the 2024 Notes, the release of residual deferred debt issuance costs associated with the issuance of the 2024 Notes and the release of remaining bond issuance premium, as detailed in (5) above.

(b) Exceptional items relating to provisions in respect of forbearance and customer communication remediation represents the estimated financial impact of such 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 note 19 to our consolidated financial statements for the year ended June 30, 2021.

(c) Exceptional items relating to redundancy costs represents exceptional costs in respect of redundancy costs in relation to the consultation process completed. 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*."

(11) "Senior secured borrowings" represent total indebtedness, which is calculated as the amounts outstanding under the 2026 Notes, the 2027 Notes, the Revolving Credit Facility, indebtedness issued under each Private Securitization and the Rated Debt of the Public Securitizations, as applicable on the relevant date. 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 June 30, 2020 and reporting periods thereafter, such leases recognized within borrowing following the adoption of IFRS 16) and include the carrying value of the Company Subordinated Shareholder Funding. Senior secured borrowings excludes £39.0 million of net drawings under the Private Securitizations (which included a net repayment which included a net repayment under the CABS Securitization of £67.8 million (including the impact of £217.8 million reduction in the CABS Securitization on the establishment of the TABS 5 Securitization on September 22, 2021), £nil million drawn under the DABS 2 Securitization, £36.8 million drawn under the HABS Securitization and £70.0 million drawn under the LABS Securitization). "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 Issuer Subordinated Shareholder Funding less intangible assets. "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 and the 2024 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 years ended June 30, 2020 and 2021 respectively, interest in respect of leases recognized as borrowings following adoption of IFRS 16). It also does not include the amortization of the fair value discount on the Company 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) In the case of the Issuer, "*Pro forma* cash interest payable" is calculated as interest payable of the Borrower Group (as further described in note (15) above) *as* adjusted to give effect to the Offering and the 2024 Notes Refinancing as described under "*Use of Proceeds*," as though they had taken place on July 1, 2020, and includes *pro forma* interest based on the balances for the Notes (assuming interest accruing at an assumed rate applicable to interest payable in cash for the Notes) and the 2027 Notes. *Pro forma* cash interest payable does not include the amortization of debt issuance costs (including those associated with the Offering and the 2024 Notes Refinancing) and interest payable on leases. It also does not include the amortization of the fair value discount on the Issuer Subordinated Shareholder funding and the interest on derivatives held for risk management. "*Pro forma* cash interest payable" does not give effect to the optional redemption of the TABS 1 Securitization, which we exercised, the establishment of the TABS 5 Securitization, the establishment of the BABS Securitization or the most recent amendments to the HABS Securitization, each of which occurred after June 30, 2021. See "*Summary—Recent Developments.*"

(19) "*Pro forma* Adjusted EBITDA" is calculated as Adjusted EBITDA as set out in note (8) above excluding the interest payable in respect of the CABS Securitization that would have no longer been payable had the 2024 Notes Refinancing taken place on July 1, 2020. For avoidance of doubt, no *pro forma* adjustment has been made to include interest payable in respect of any additional drawings under our Securitization facilities that have occurred since June 30, 2021. Adjusted EBITDA of the Issuer and Adjusted EBITDA of the Company are identical.

(20) In the case of the Issuer, "*Pro forma* senior borrowings" represent senior borrowings of Together Financial Services Limited (as described in note (11) above) plus the Notes offered hereby as set forth in "*Use of Proceeds*." "*Pro forma* net senior borrowings" represent net senior borrowings as adjusted to give effect to the Offering as set forth in "*Use of Proceeds*." Neither "*Pro forma* senior borrowings" nor "*Pro forma* net senior borrowings" give effect to the optional redemption of the TABS 1 Securitization, which we exercised, the establishment of the TABS 5 Securitization, the establishment of the BABS Securitization or the most recent amendments to the HABS Securitization, each of which occurred after June 30, 2021. See "*Summary—Recent Developments.*" and the footnotes under "*Capitalization*."

(21) "*Pro forma* net senior borrowings" represents *pro forma* senior borrowings less cash at hand and in bank *(excluding cash at the Issuer)* and less cash held by the Securitizations.

(22) In the case of the Issuer, "ratio of *pro forma* net senior borrowings to total loan assets" represents *pro forma* net senior borrowings of the Issuer to total loans assets of Together Financial Services Limited (as of June 30, 2021).

(23) In the case of the Issuer, "ratio of *pro forma* net senior borrowings to the value of total underlying security" is calculated as the LTV of Together Financial Services Limited's loan portfolio on a weighted average indexed basis multiplied by the ratio of *pro forma* net senior borrowings of the Issuer to total loan assets.

(24) In the case of the Issuer, "pro forma tangible equity" represents shareholders' funds, which includes total equity of the Issuer and the Issuer Subordinated Shareholder Funding less intangible assets of Together Financial Services.

(25) "*Pro forma* tangible assets" represents total assets *less* intangible assets of Together Financial Services.

(26) "Ratio of tangible equity to *pro forma* tangible assets" represents tangible equity divided by *pro forma* tangible assets.

(27) "Ratio of the Notes offered hereby to tangible equity" represents the Notes offered hereby divided by tangible equity of Together Financial Services.

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, shortages of labor and/or materials and supplies, rising energy prices 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 (including the cost of construction and building materials) and other related factors (including, but not limited to, delays in delivery of materials due to availability of raw material and/or transportation) 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 negatively 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 redundancies 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 ongoing uncertainty surrounding Covid-19 had increased the risk that our customers may be unable to pay their debts, as they face redundancies (particularly as furlough schemes come to an end), and/or reductions in income, all of which may cause our customers to seek forbearance options and could impact our level of arrears. As the government support schemes have only recently been phased out, we have not yet experienced any significant changes in our arrear levels. However, there can be no assurance in the period that following the phase out of government support schemes our arrear levels will not increase significantly. Notwithstanding the long-term impact of Covid-19 and the UK Government's response to an economic downturn as a result of Covid-19, the impact of such 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). Interest rates in recent years have been historically low. See *"—Interest rate fluctuations may have a material adverse effect on our business, results of operations and financial condition*." In addition, an increase in inflation, including as a result of Brexit, may negatively affect household incomes, which in turn, decreases the demand for our loans, decreases loan redemption levels, increases loan delinquency rates and increase our loan losses. As a significant proportion of our costs consists of wage costs, inflationary pressures may also materially affect our cost base. See "*The United Kingdom's exit from the European Union may adversely impact 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 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 may be 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.

The Covid-19 pandemic is ongoing and there is a significant risk of recurring outbreaks in many countries around the world and possible future mutations in the virus may prove even more difficult to contain. For example, many countries in Europe have re-introduced full or partial lockdowns in late 2020 and 2021 in order to stem subsequent waves of higher infection rates. It is unclear when, if at all, the Covid-19 pandemic will be contained. Although Covid-19 vaccination coverage has broadened considerably since the vaccines were first approved and became available in late 2020, the progress in vaccination rates has slowed in certain geographies. While the Covid-19 vaccines generally have been reported to be highly effective against the original Covid-19 virus strain, their effectiveness against certain variants, including the Delta variant, is understood to be not as effective. The duration of effectiveness of the vaccines, as well as their effectiveness against future variants is uncertain.

Both Covid-19 and the related countermeasures have led to materially increased volatility in financial markets, resulting in declines in financial markets and significant worsening of the macroeconomic environment and its outlook during 2020. Given the unprecedented nature of the actions taken by governments following the onset of Covid-19, it is difficult to assess or predict the medium to long-term 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 may be concealing a more serious underlying deterioration in the economy and our customers' circumstances. As the majority of such government support schemes have now ended or are coming to an end (including the UK Government's Coronavirus Job Retention Scheme for companies to furlough their staff), there is some ongoing uncertainty as to the economic outlook going forward.

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 payment deferrals, meaning arrangements under which a firm permits the customer to make reduced or no payments ("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 Private 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. The provision of Mortgage-Payment Deferrals resulted in lower cash received on loans within the Borrower Group and lower excess spread (i.e. deferred consideration) available from the Securitizations. There can be no assurance that such measures will not be reinstated in the future, either as a result of any worsening of the epidemiological outlook related to the ongoing Covid-19 pandemic or the worsening of wider economic conditions. Additionally, the UK Government implemented a moratorium on repossessions which was in place until March 31, 2021. If such a moratorium were to be implemented again, this may result in an increased level of arrears because such route to recovery is temporarily removed. There can be no assurance that Mortgage-Payment Deferrals, repossession moratorium or other subsequent UK Government 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*."

On March 24, 2020, similar to some other mortgage lenders, we took the decision, to temporarily pause accepting new loan applications. Though this allowed us to focus on our existing customers and we gradually resumed accepting new loan application in the following quarter, such decision 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 certain of 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 viability of any such new arrangements is dependent upon a number of factors such as communications, internet connectivity and the proper functioning of information technology systems and has varied from organization to organization. In addition, as a result of Covid-19, we implemented certain cost cutting measures, including making 175 colleagues redundant. In addition, a significant number of our employees may become unavailable as a result of a potential resurgence of Covid-19 or another health crisis. A rise in collections activity (including as a result of the ending of government support schemes), 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 have, or might in the future, 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.

While the courts have now reopened and they are working to a set of priorities in respect of the backlog of cases brought to them, to the extent that courts and other government agencies are closed again 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 further backlogs of such actions that accumulated during the period of closure. 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 future 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.

Certain industries and sectors were more severely affected than others as a result of the impact of Covid-19 and resulting countermeasures such as the limitation on individuals' ability to leave their homes and travel restrictions both within and outside the United Kingdom. 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 and they may be more severely affected if there were to be a resurgence of Covid-19 (or variants thereof). 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 a resurgence of Covid-19 (or variants thereof) may impact our results of operations, liquidity, access to funding and financial position going forwards will depend on future developments, which are still highly uncertain and cannot be predicted. These developments may include, but are not limited to, the severity of any resurgence of Covid-19, any further mutation of the virus, actions taken to contain Covid-19 (including further countermeasures such as lockdowns or restrictions) or treat its impact, the timeliness and success of the vaccinations and treatments (including against new variants), the timeliness and extent and effectiveness of economic stimulus taken to mitigate the economic impact of Covid-19. Notwithstanding that the impact of Covid-19 has not been as severe as anticipated, we may face further adverse impacts on our business in the event of any resurgence of Covid-19 and the implementation of further countermeasures, which could lead to negative 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). 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.

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

After 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") and the UK Government invoked article 50 of the Lisbon Treaty relating to withdrawal on March 29, 2017.

The UK left the EU on 31 January 2020 at 11pm, and the transition period ended on 31 December 2020 at 11pm. As a result, the Treaty on the European Union and the Treaty on the Functioning of the European Union have ceased to apply to the UK. The UK is also no longer part of the EEA.

The EU-UK Trade and Cooperation Agreement (the "Trade and Cooperation Agreement") which governs the relations between the EU and the UK following the end of the transition period and which had provisional application pending completion of ratification procedures, entered into force on 1 May 2021. The Trade and Cooperation Agreement does not create a detailed framework to govern the cross border provision of regulated financial services from the UK into the EU and from the EU into the UK. The EUWA and secondary legislation made under powers provided in the EUWA ensure that there is a functioning statute book in the UK. While the UK introduced a temporary permission regime to allow EEA firms to continue to do business in the UK for a limited period of time, once the passporting regime fell away, the majority of EEA states have not introduced similar transitional regimes. The Trade and Cooperation Agreement is only part of the overall package of agreements reached. Other supplementing agreements included a series of joint declarations on a range of important issues where further cooperation is foreseen, including financial services. The declarations state that the EU and the UK will discuss how to move forward with equivalence determinations in relation to financial services.

It should be noted that even if equivalence arrangements for certain sectors of the financial services industry are agreed, and it is not assumed that they will be, market access is unlikely to be as comprehensive as the market access that the UK enjoyed through its EU membership.

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 if at all possible. In particular, there may be differences in the interpretation or implementation of the Trade and Cooperation Agreement which may result in it being withdrawn. In addition, 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 EU member states 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.

Our exit from the EU could result in additional costs to consumers as supply may decrease and lower cost labour is replaced with higher cost labour resulting in inflation. 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. Removal of, new or modified arrangements between the United Kingdom and other countries following Brexit may also have a material adverse effect on our economy, including 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 an increased cost of funding, 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 all of our funding arrangements under the Securitizations are linked to either 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 and property markets, resulting in, among other things, a general decline in property values and, in turn, the net worth of property owners (including as a result of any post Covid-19 after effect 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. As a result, we may experience increasing arrears and lower redemption rates (by value and volume) in regions and sectors most affected by such impact.

In addition, governmental policy related to the property market could also affect prices and subsequent demand for our products. For example, governmental incentives which promote the building of affordable housing, the increase of tax rates on BTL properties or the introduction of measures targeted at reducing second-home ownership could adversely affect our business. If regulation related to the property market tightens or if the government establishes additional capital requirements on lenders, property activity and access to the mortgage lending market could decrease.

Changes to UK Government tax policy could also affect the property market. A new 2% stamp duty land tax surcharge for overseas buyers, which was announced as part of the 2020 UK budget and came 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 June 2021 (tapering to pre-pandemic thresholds between July and September 2021) stimulated additional property activity and an increase in average prices in certain locations in the short term, but this could result in lower property activity following the end of the scheme on October 1, 2021.

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 moratorium on mortgage lenders initiating court action to repossess the properties of borrowers in default during the period of March 20, 2020 to April 1, 2021 and consequential delays and backlogs in courts may have impacted 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 will 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 increasing at a slower rate than the rest of the country overall. As of June 30, 2021, 17.1% 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 offer forbearance and / or to collect payments), which we may not be able to fully recover. We cannot provide any assurance that 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 our 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 earnings (including the 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*." 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) will effectively predict such losses or that our allowances for impairment will be sufficient to cover any future losses.

If the credit quality of our borrowers is not maintained and/or we cannot control the level of delinquencies on our loans in the future, or if our allowance for impairment is insufficient (including as a result of the 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. We have increasingly been relying on automated valuation models, in lieu of in person valuations, and there can be no assurance that automated valuation models are as reliable as in person valuations.

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 underwriting may consist making use of automated valuation models (which increased as a result of Covid-19) or performing "drive by" exterior examinations. Moreover, following the onset of Covid-19, the Royal Institution of Chartered Surveyors ("RICS") released an update (most recently updated on July 21, 2021) stating that valuations may be subject to 'material valuation uncertainty' (as set out in VPS3 and VPGA10 of the RICS Valuation – Global Standards), that although available valuation evidence in many markets globally has improved, in certain markets and circumstances, material valuation uncertainty can remain and that, where this is the case, the valuer should explicitly state this via a declaration of material valuation uncertainty. Where there is a shortage of market evidence for comparison purposes, this can result in less certainty and a higher degree of caution should be attached to such 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 June 30, 2021, we had a total of £161.8 million in development loans, £14.1 million 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 or provision over all our loans will be adequate to cover all potential losses. A material reduction in the volume of property transactions and/or dated information could also hinder our ability to accurately estimate the value of properties as we experienced during period of the Covid-19 pandemic.

We depend on the accuracy and completeness of information supplied to us and internal and external models used to process and analyze this information, 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, credit reference agencies and accountants, including employment, income and other financial information. We also rely on representations of customers as to the accuracy and completeness of information 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 continuously looking at ways to enhance our data quality, these controls have not always functioned as designed, and there can be no assurance we will be able to identify input or classification errors that we have made or that we could potentially make in the future. 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. Regardless of whether inaccurate information is provided to us intentionally, unintentionally or negligently, any inaccuracies that are not detected prior to the funding, modification or servicing of a loan or failure to accurately capture such information in our system could adversely impact the future recoverability of the affected loan, result in a failure to complete our regulatory returns accurately, or result in a failure to comply with certain terms of our financing agreements, including certain representations, warranties and covenants, which could materially adversely affect our business, results of operations and financial condition.

Although we review and test the implementation of system updates and amendments, the speed and scale of challenges presented during Covid-19 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 during such period. For example, as a result of Covid-19, we 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 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 "*—Covid-19 raises a number of unprecedented challenges and risks to our business, many of which cannot yet be measured*."

Although we have controls and processes designed to help us identify misrepresented or incorrect information in our loan origination and servicing processes, including Customer Due Diligence ("CDD") checks, financial crime checks, underwriting checks and for non-direct loan applications, a requirement for certain (but not 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 or fail to appropriately manage any regulatory inspections, reviews and investigations, 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*." As an example, 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. Our procedures may prove to be insufficient 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 prevention architecture, implement new data governance frameworks and have first and second line of defense functions dedicated to financial crime. While these changes are being implemented, we have an increased reliance on manual controls to mitigate these risks. 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 financial loss and 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 borrowers with arrears in an effort to avoid repossession and potential losses on recoverability, then the number of mortgage loans in default and eventually going into repossession and the potential for losses on recoverability could increase.

Through our proactive account-management workflow, we work with those of our customers who are experiencing difficulties and, as a result, have a reduced ability to service their mortgage loans. We aim to identify mutually acceptable short-term, medium-term and longer-term payment solutions (as applicable) that are sustainable, including reduced monthly payment plans and support via other forbearance options. Across the business, we believe it is important to be proactive in our management of customer accounts that are in arrears as detecting the issues early can help us to provide the appropriate level of support depending on the individual circumstances. In acting fairly, in a timely manner and with regard to the individual circumstances of each customer, we evidence how we align with treating our customers fairly, the 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 were phased out, our default position was 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 also offered 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 offered forbearance support to those customers who continued to require additional help for a longer period. As of June 30, 2021, the percentage of the group's total loan assets, by value, which were MPD Live Loans was less than 0.1% (£2.0 million). Should we see a significant increase in the number of customers experiencing financial difficulties, for example as a result of a similar health crisis as with the Covid-19 pandemic, there is a risk that we may not have the capacity in our operational practices to consistently apply our forbearance of loan servicing strategies. This may lead to us failing to treat customers in arrears fairly, failure to meet our regulatory obligations or failure to collect appropriately. As a lender, we need 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 vulnerability appropriately, then the number of mortgage loans with arrears 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 or fail to appropriately manage any regulatory inspections, reviews and investigations, 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*."

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 the year ended June 30, 2021, 49.2% 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. 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. In addition, while we started accepting new applications again in August 2020, we undertook such activity pursuant to a phased approach both in terms of products and intermediaries. While origination levels are returning and growing our distribution channels, it remains to be seen as to whether these actions may have negatively impacted our reputation and our relationships with certain intermediaries. Accordingly, we may not be successful in distributing our loans through mortgage intermediaries or maintaining our existing relationships with certain mortgage intermediaries. If such mortgage intermediaries, professional networks or other sources, through whom we source our loans choose not to distribute our loans or refer business to us, 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 CDD 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. Demand for mortgage loans in our market segments have historically increased and consequently, 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 "Fintech" lenders and challenger banks (including new start-up banks), some of which provide property loans with respect to certain of our products or who may seek to try and launch such products in the future. 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 recently 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 continually seek opportunities to differentiate ourselves including by identifying trends in demand for alternative products or alternative distribution channels within the mortgage market and providing an efficient and effective customer experience by way of ongoing investment in processing platforms.

Fluctuations in interest rates and general economic conditions may also affect our competitive position. During periods of declining interest rates, competition increases as competitors may solicit our customers to refinance their mortgage loans. Furthermore, a cyclical decline in the level of originations of the mortgage loan industry, or decreased demand for mortgage loans due to a higher interest rate environment, may lead to increased competition for the remaining mortgage loans. If we are unable to compete successfully in our markets either by identifying new lending trends of which we can take a commercial advantage, 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 or fail to appropriately manage any regulatory inspections, reviews and investigations, 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 (the latter in relation to Spot Finance Limited). 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. In particular, in 2021 the FCA has been focusing on the financial resilience of non-bank lenders and conducting a survey to identify emerging risks related to financial distress, which may lead to additional scrutiny by the FCA of the financing arrangements of non-bank lenders. Moreover, 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 RegData (previously known as 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"), 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 complaints 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.

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 Data Protection Act 2018 and the UK General Data Protection Regulation relating to personal data that we collect, process 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 have implemented controls and procedures to help us meet our regulatory obligations, we have identified deficiencies in these controls and procedures in the past, and we cannot assure you that our controls are now or 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. See "*—Calculation and application of interest and fees in our industry is complex in nature and subject to regulation and in certain segments of our industry has been subject to regulatory reviews in recent years.*"

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.

Additionally, on May 14, 2021 the FCA published CP21/13 A new Consumer Duty which proposes a new duty on firms in respect of retail clients. The proposed new Consumer Duty has a very wide scope and draft rules are yet to be published. Consequently, the Company is likely to become subject to enhanced regulatory expectations with little time to adjust its operations and practices. Additionally, CP 21/13 could be seen to be indicative of the FCA having increasingly onerous conduct expectations for firms that have exposure to retail clients. See "*Regulation —Conduct Risk"*.

We rely on our Enterprise Risk Management Framework, which includes risk, 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 team, and risk committees and our internal audit functions, respectively. See "*Business—Risk Management*." From time to time, either through our quality assurance, RCSA's or through work undertaken by our risk (including 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 in line with our breach reporting policy, 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 our Enterprise Risk Management Framework including our internal audit processes.

As part of ongoing reviews within our business, including as a result of input from our risk committees and our compliance team and internal audit functions, we have identified certain past failings 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 to have been 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 where it has been determined that such exposure is likely and that we can reliably estimate the amount of such payments, such reviews are ongoing and 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.

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 and took proactive steps to resolve these matters which included the payment of remediation to customers where detriment has been identified. We have now completed the remediation for all live customer accounts and have processed remediation for redeemed customers where we have validated contact and payment details. We will continue to contact the remaining customers and intend to process these payments at the earliest opportunity. 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, 2021, a provision in respect of forbearance and customer communication remediation was recognized at £3.0 million. This substantially relates to amounts remaining to be paid to customers whose loans have redeemed where we continue to seek to establish contact and to the costs of finalizing the remediation program.

There can be no assurance that such provisions (including costs, fines or penalties) may not result in a higher overall amount when subsequent phases or residual remediation activity is taken into account. The calculation of these provisions 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 (including basis and approach to calculating such amounts), 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.

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. All impacted customers have now either been refunded or contacted in writing. While provisions are in place in respect of this matter in the amount of £0.8 million as of June 30, 2021 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.

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.

Failure to demonstrate operational resilience could adversely affect our business, results of operations and financial condition.

As we emerge from the disruptions caused by Covid-19, it is evident that it remains of critical importance for firms to invest in their operational resilience. A failure to identify the correlation between the business services we provide and our underlying resources, could result in a potential failure to prevent a future operational disruption.

While we endeavor to embed all relevant controls and processes into our Enterprise Risk Management Framework, there can be no assurance that these will be sufficient to prevent, reduce the impact of, or mitigate any operational disruption. Operational risks that we may face from time to time relate to a variety of factors including *inter alia*:

- our dependence on our own operating systems and resilience, or lack thereof, of hardware and interfaces supporting such systems;
- the successful implementation of new policies regarding working arrangements (including working remotely or from home) and services provided in a post-Covid-19 working environment, whose success depends on a number of internal factors such as efficiency of IT systems and communication and external factors such as the changing employee expectations and nationalization of the jobs market;
- our ability to adapt our operational processes to deliver our services in a timely, safe and controlled manner;
- reliance, in part, on manual processing and input from our colleagues. While we have certain controls in place (including the introduction of a data governance framework) and are continuously seeking ways to enhance our data quality, we may not always be able to identify input or classification errors; and
- the evolving landscape related to cybersecurity risks, including hackers and human or technological errors. Although we believe we have taken and continue to take reasonable and appropriate security measures to prevent unauthorized access to information on our databases 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 that we maintain on our databases and secure our broader systems of operation from abuse by malicious actors.

Any failure to identify or adequately address deficiencies in our operational systems and to maintain operational resilience could result in operational disruptions with wide-reaching effects on our customers, our partners and our colleagues and could materially adversely affect our business, 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 in certain segments of our industry has been subject to regulatory reviews in recent years.

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 regulation, legislation (or the interpretation thereof) and guidance applicable to certain loans. 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.

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. We continually focus on improving our customer processes and responding to changes in customer needs. The FCA's recent program of works included the establishment of a project to understand fair pricing in financial services (FCA Feedback Statement 19/04). Following this, the FCA engaged with certain lenders (which included us) around the pricing and the mortgage interest rates of certain products that were considered to be "top quartile" among each such lender's rates. Pursuant to this program of works, the FCA asked us for further information pertaining to the pricing of certain of our products, our communication in respect thereof and the fair treatment of customers in relation to which the FCA are seeking certain assurances. The FCA provided certain lenders (which included us) with feedback following its review and requested details of how and when we would address that feedback noting that it would consider any future follow-up on progress in these areas through its ongoing supervisory work. As part of our focus on our customer processes and continued engagement with the FCA in relation to this matter, a process is underway to assess the way that customer rates are set and reviewed and consider those that have historically been charged to certain customers. Upon the development of the framework, including with the assistance of a third party expert which we appointed on a voluntary basis, we may make payments to certain customer populations or process reductions to loan balances. The development of the scope and definition of the parameters of the framework remains in progress and therefore there is a high degree of uncertainty pertaining to any estimated financial impact upon the group. Uncertainty remains in relation to: the scope of application and customer populations which could possibly be included; the period which may be covered by the framework; the timeline for implementation of the framework; any amounts which may be ultimately payable under the framework; and the timing of any such payments. Our current best estimate is that we may incur costs of £8.5 million. This represents management's best estimate as of June 30, 2021, derived by considering potential scenarios which could impact upon live and redeemed loans and includes estimated operational expenditure associated with these activities. This estimate is, however, subject to a significant degree of judgment and it is possible that the ultimate outcome could be materially different for the group due to the sensitivity of the selection of certain judgements and assumptions. In addition, in October 2021, while carrying out a review of charges made to our customers, our compliance department identified certain failings in our governance processes in respect of the application of certain loan arrangement fees ("LAF") charged to our customers within our regulated loan book in 2016, 2017 and 2019. In particular, our compliance department determined that the rationale for the inclusion of the LAF in the product customer fee has not been adequately documented. As a result, we are unable to demonstrate that the LAF represented in each case a fair charge to our customers. We have notified in the FCA of such failings and we are commencing a review to ascertain if such failing have resulted in customer detriment and if so appropriate redress will be undertaken. 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. We are currently not yet in a position to determine whether any provisions or any contingent liability disclosure in our financial statements will be appropriate and we cannot assure you that our provisions (if any) will be adequate to cover all potential losses.

See "*—We operate in the financial services sector, which is regulated, and if we fail to comply with regulatory requirements or fail to appropriately manage any regulatory inspections, reviews and investigations, 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 "*—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 has also been concentrating on the second lien 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 lien 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 and as a result may lead to 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 the pricing and mortgage interest rates of certain products, 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. 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."*

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")). The FCA also set a deadline of August 29, 2019 for any PPI complaints by consumers. 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. As of the date of this offering memorandum, we have not yet seen any such significant increase in the number of PPI claims received. We have also experienced an increase in the number of claims received which relate to undisclosed broker commission. These claims are also brought under section 140A Consumer Credit Act 1974 and relate to commission paid to brokers in or around 2004—2008. 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 (including associated estimated legal costs of defending claims), 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 ended 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 year ended June 30, 2021, the number of first lien regulated contract originations (excluding regulated bridging and CBTL originations) was £77.4 million. The percentage of "high loan to income mortgages" is monitored by our Executive Risk Committee on an ongoing basis. The percentage of new "high loan to income mortgages" was an average of approximately 4% per month of total mortgages advanced for the year ended June 30, 2021. 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. The FCA's recent program of works included the establishment of a project to understand fair pricing in financial services. Following this, the FCA engaged with certain lenders (which included us) around the pricing of certain products that were considered to be "top quartile." Pursuant to this program of works, we have been asked for further information pertaining to the pricing of certain of our products, our communication in respect thereof and the fair treatment of customers in relation to which the FCA are seeking certain assurances. See "*—Calculation and application of interest and fees in our industry is complex in nature and subject to regulation and in certain segments of our industry has been subject to regulatory reviews in recent years*."

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, where applicable, 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 lien 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 lien residential mortgage administration and for TPFL to register as a CBTL firm. BFL's application to administer second lien 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. The FCA has begun to make changes to the FCA Rules in response to the mortgage market study. See "*Regulation – FCA regime"*.

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 have initially adjusted rates for certain customers with a view to undertaking further work to determine if further rate reduction are required. 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 the initial stages of the Covid-19 pandemic, there was 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. 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 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 July 14, 2021, the FCA published its 2021/22 Business Plan in which it outlined its key priorities. It focuses on economic, technological and social changes, as well as the challenges of the pandemic, the UK's exit from the EU and how they want to ensure firms provide better outcomes for consumers. The 2021/22 Business Plan included a number of broad priorities that cut across the areas the FCA regulates, including driving down the incidence and impact of fraud; improving diversity and inclusion, both at the FCA and in regulated firms; and pursuing environmental goals by using the regulatory framework to enable a market-based transition to net-zero carbon emissions.

On July 28, 2021, the FCA published CP21/24: Diversity and inclusion on company boards and executive committees. CP 21/24 proposes changes to the Listing Rules that would affect various persons, including companies with securities admitted to listing or trading on a regulated market in the UK. CP 21/24 aims to increase transparency relating to the diversity of company boards and executive management and to improve consideration of diversity aspects more broadly within. In-scope companies would be required to publicly disclose in their annual financial report whether they meet certain board diversity targets relating to gender and ethnicity on a 'comply or explain' basis. Additionally, CP 21/24 proposes expanding existing corporate governance rules within the disclosure guidance and transparency rules broaden existing reporting requirements on board diversity policies to include wider diversity characteristics such as ethnicity, sexual orientation, disability and socio-economic background.

The FCA is currently considering the effectiveness of certain areas of the second lien 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 lien 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. 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.

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. On February 4, 2021, the FCA published FS21/4 Guidance for firms on the fair treatment of vulnerable customers: Feedback on GC20/3, which set out firms' responses to GC 20/3. The FCA's recent program of works included the establishment of a project to understand fair pricing in financial services. Following this, the FCA engaged with certain lenders (which included us) around the pricing of certain products that were considered to be "top quartile." Pursuant to this program of works, the FCA asked us for further information pertaining to the pricing of certain of our products, our communication in respect thereof and the fair treatment of customers in relation to which the FCA are seeking certain assurances. See "*—Calculation and application of interest and fees in our industry is complex in nature and subject to regulation and in certain segments of our industry has been subject to regulatory reviews in recent years*."

The finalized guidance was issued 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 and provides more clarity on what firms should do to understand the needs of consumers in vulnerable situations and what changes they need to make to meet the standards set by the Principles for Businesses. 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 continuing to guide 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 November 17, 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 and by Mortgages and Coronavirus: Tailored Support Guidance. See "*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 regulations provide for qualifying individuals who take professional debt advice to benefit from a 60-day moratorium and came into force on May 4, 2021. 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 in the United Kingdom 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 Data Protection Act 2018 and the UK General Data Protection Regulation relating to personal data that we collect, process and retain.

We maintain records that include our customers' personal data. The handling and storage of such data is subject to extensive regulation, including the UK General Data Protection Regulation (the "UKGDPR") – the domestic law retained from the EU General Data Protection Regulation (the "EUGDPR"), post-Brexit; and the UK Data Protection Act 2018 (the "UKDPA") (collectively the "Data Protection Laws"). The Data Protection Laws impose a substantially higher compliance burden on us and have materially increased the maximum level of fines for compliance failures compared to the data protection legislation in force prior to the EUGDPR. As part of their audit plan, our internal audit function reviewed our implementation of the Data Protection Laws, agreeing a plan with management where further enhancements could be introduced, which are being progressed. We ran a full program following external legal advice and employing subject matter experts to prepare for the entry into effect of the EUGDPR and we appointed a new Data Protection Officer ("DPO"). Since the removal of the provision to charge a fee of £10.00 when responding to a Data Subject Access Request ("DSAR"), we have been experiencing increased levels of DSARs from claims management firms, including further bulk requests. As a result of such volumes, we infringed certain aspects of the applicable legislation relating to response times. We communicated such infringements to the ICO, together with our remediation plans, which are now complete. The ICO acknowledged the notification, and our remediation plans, concluding to take no further action. There can be no assurance that we will not in the future receive bulk requests that lead to future infringements; however, additional controls are now in place including oversight reporting to assist the DPO's team in monitoring the volumes and trends closely. There can be no assurance that the ICO will not take any actions against us in the future for breaches of the applicable legislation; however, with the ongoing implementation of our enhancement plan and second line oversight from the DPO's team, we believe that the likelihood of such action reduces greatly. The security measures we currently use to protect personal data are tested by external partners regularly to assess effectiveness. 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.*"

While we initiated a program of work in 2017 to enable us to ensure compliance with the Data Protection Laws and additional initiatives have been progressed since 2017, as of the date of this offering memorandum, there are still a number of key data protection areas that require improvement. These areas have been identified by our internal audit function and as part of our outstanding work to resolve historical "known issues" relating to data protection. In particular, our internal audit's most recent findings in connection with data protection relate to improvements required to demonstrate past compliance and the need to carry out an ongoing monitoring plan. While we have appointed a dedicated DPO in 2021 with an action plan to address such findings and we are currently in the process of implementing an accountability, traceability and monitoring framework, there can be no assurance that we will be able to resolve previously identified issues or new issues as they emerge in a timely manner or at all.

Any failure to implement and comply with the Data Protection Laws 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.

At the time of this Offering Memorandum, a number of our sources of funding continue to be linked to LIBOR while others are linked to 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. The FCA announced on September 20, 2021 that it would compel the publication of synthetic LIBOR for one-, three- and six-month tenors in sterling (as well as yen) for the duration of 2022 and would consult on allowing the use of such benchmarks for legacy contracts. It also confirmed on September 29, 2021 that the new synthetic sterling LIBOR methodology will use the ICE Term SONIA Reference Rate with the addition of the relevant credit spread adjustment published by ISDA (which has been fixed since March 2020 at 3.26 bps for the one-month tenor, 11.93 bps for three months tenor, and 27.66 bps for six months tenor). The benchmarks will not be "representative" under the Benchmark Regulation with the proposal put forward by the FCA being to allow the use of such synthetic LIBOR settings in legacy contracts (not including any cleared derivatives). The FCA is consulting with the market on the proposal to exercise its powers to permit the use of synthetic LIBOR from January 1, 2022 – the deadline to such proposal being October 20, 2021—with the justification being to avoid disruption to legacy contracts that reference the one-, three- and six-month sterling tenors. A feedback statement is expected after this date. We are currently in the process of transitioning all of our LIBOR referencing funding structures over to SONIA and intend to complete this process ahead of the December 31, 2021 deadline. As at the date of this Offering Memorandum, the HABS Securitization and the LABS Securitization have transitioned from LIBOR to SONIA. On or around the date of this offering memorandum, the interest reference rate under the Revolving Credit Facility will be updated from LIBOR to SONIA.

With regards to SONIA, 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, as detailed below. 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 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, which as noted above will be discontinued after December 31, 2021, (or any of its successor benchmarks, including SONIA) is discontinued and in relation to any funding structures which have not transitioned to SONIA and where synthetic LIBOR is not permitted to be used, 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. We refer to the paragraph above in relation to the intention to transition our remaining LIBOR referencing funding facilities to SONIA.

More generally, any of the above matters or any other significant change to the setting or existence of LIBOR or SONIA (or any of their successor benchmarks, as applicable) 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 SONIA, as applicable, (or any successor benchmarks) 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. 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 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. As discussed, some of our financings refer, or may in the future refer, to SONIA or another benchmark. It remains the case that SONIA, or any other such replacement benchmark, is largely untested, and 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. On March 5, 2021 the FCA confirmed that most LIBOR panels would cease immediately following December 31, 2021. 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). 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 and the Revolving Credit Facility. Both the FCA and the PRA are actively encouraging the transition to SONIA and other risk free rates. For example, on March 26, 2021 the FCA and PRA published a joint Dear CEO letter stating that they expect firms to meet the milestones set out by the Working Group on Sterling Risk Free Reference Rates. The Working Group on Sterling Risk Free Reference Rates milestones include for lenders to include contractual arrangements in new and re-financed LIBOR-referencing loan products to facilitate conversion to SONIA or other alternatives by the end of the third quarter of 2021 and for lenders to complete active conversion where viable and, where active conversion is not viable, ensure robust fallbacks are adopted where possible, also by the end of the third quarter of 2021. Where interest on our funding facilities reference a SONIA rate, the interest payable on those facilities can only be determined at the end of the relevant observation period and shortly prior to the relevant interest payment date. Failure to transition all our LIBOR-linked funding structures over to SONIA and comply with the relevant requirements and deadlines may affect our sources of funding and could have a material adverse effect on our business and results of operations.

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 was announced as part of the 2020 UK budget and became effective 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 to some borrowers. 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.

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 law 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.

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 the FCA's proposal to introduce a new 'Consumer Duty') 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. We included a provision of £11.8 million within our consolidated statement of financial position as of June 30, 2021 in relation to such claims and, to the best of our knowledge, we do not expect that these will materially affect our financial position. Notwithstanding the investigation, defense and resolution of such matters can be prolonged and costly, and given the inherent uncertainty of litigation, we can offer no assurance that existing claims or any such future claims on the same or other issues 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 also reliant on the ability to attract and retain experienced staff to support our programs of modernization and transformation, in particular with skills related to technology. These roles are currently in particularly high demand and we need to compete with a variety of employers to attract and retain such personnel. If we are unable to attract and retain personnel to support our programs of modernization and transformation, we may not be able to carry out our strategy in a timely manner or at all.

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, technologists 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.

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). There can be no assurance that in the event of a disruption, disaster or further lockdown caused by Covid-19 or any other pandemic, our operations will remain 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 CDD 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. We identified such breach within hours, notified both the police and the ICO and obtained confirmation that the data had been destroyed. However, 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 and are undertaking a project to replace certain core operating systems, there can be no assurance as to the current or future effectiveness of our in-house developed systems or any new systems we introduce relative to any other alternative third-party systems available in the industry and used by our peers. As we further develop our lending propositions, we increasingly assess relying on leverage technology developed by external parties, increasing our dependence upon third parties in the future.

Any failures to effectively maintain, improve or upgrade our information technology infrastructure and information systems or keep up to date with technological changes in the industry could adversely affect the reliability and effectiveness of our systems and/or the information sources from those systems 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. 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 Data Protection Act 2018 and the UK General Data Protection Regulation relating to personal data that we collect, process 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 June 30, 2021, our various Public Securitizations provided us with £1,198.4 million and our Private Securitizations provided us with £1,117.0 million in drawn funding. The end maturities of our Private Securitizations are staggered between 2023 and 2025. Our Private Securitizations include eligibility criteria and, in the vast majority of cases, 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 Private Securitizations, as well as the loan performance in an economic downturn may lead to deterioration that causes a default in our Private 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 prevent defaults and so 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 Private 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, and where applicable, breaches of certain covenants (or failure to cure certain covenant breaches, where relevant) could result in the relevant Private Securitizations beginning to amortize, which would result in the removal of facility headroom and deferral of receipts from such Private Securitizations.

In February 2020, we issued an aggregate amount of £435.0 million of 2026 Notes. In January 2021, we issued an aggregate amount of £500.0 million of 2027 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). Prior to the Issue Date, we expect to draw under the Revolving Credit Facility. See "*Summary—Trading Update*." 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 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 available financing options less favorable. If the Private 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 or commercial 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.

As a result of the introduction of Mortgage Payment Deferrals by the FCA due to Covid-19 we entered into waivers and amendments of certain documents under the Private Securitizations which were in existence at the time in order to support the provision of such Mortgage-Payment Deferrals, and subsequently entered into further modifications to such waivers as the guidance was amended. There can be no assurance that we will not require any other waivers (or amendments to existing waivers) or amendments to documents under the Private 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 further waivers and/or amendments in the future will be sufficient in preventing defaults or acceleration, or breaches of covenants, under the Private Securitizations. We cannot rule out that future waivers may require us to increase capital within our Private Securitizations or to introduce other structural changes in order to mitigate against potential arrears emergence. In particular, any reintroduction of 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 in respect of the Private Securitizations where applicable.

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.

All of our funding arrangements under the Securitizations and the Revolving Credit Facility, are indexed to either LIBOR or SONIA or, in respect of certain of the Private Securitizations are funded or may be funded, in part, in the commercial paper market, by reference to the prevailing commercial paper rate. Although many 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. We have begun developing our retention strategies and retention products to assist with the retention of customers who come to the end of their fixed rate period.

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. Certain of our Private Securitizations are subject to conditions related to hedging of fixed rate exposures in the structure. Where there is an over hedging due to the reduction of fixed rate assets in the structure the interest rate hedge within the structure will result in a "break cost"—such break cost may be payable by us or payable to us depending on the mark to market of the relevant swap at the time of the break—we can give no assurance of the quantum of the break costs as this is dependent on market conditions. Similarly, if there is a large concentration of fixed rate assets in a specific structure we may be required to increase the interest rate swap to hedge the fixed rate risk to bring such risk within certain parameters and the cost associated with such hedge can only be determined at the time the trade is struck which may reduce the excess spread which is returned to the Originators through the structure.

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, who also serves as a director of the Issuer and the Company. 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 US GAAP rather than IFRS.

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 so far is IFRS 9 Financial Instruments, which replaced IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 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 most significant impact of IFRS 9 resulted from its new impairment requirements. IFRS 9 replaced 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.

IFRS 9 introduced 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. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—IFRS 9—including impairment of financial assets*."

We 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. The standard replaced the dual lease accounting model approach of IAS 17, which treated finance leases and operating leases separately. IFRS 16 impacted 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. 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.

In the year ended June 30, 2021, we adopted the Phase 1 amendments to IFRS 9 *Financial instruments* and IFRS 7 *Financial instruments disclosures* relating to market reforms of benchmark interest rates. The reforms will result in our transitioning from LIBOR to the alternative benchmark interest rate known as reformed SONIA. The Phase 1 amendments modify certain hedge-accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the reforms are completed. The amendments also require additional disclosures in relation to those hedging relationships to which the reliefs are applied. We will continue to apply the Phase 1 amendments to IFRS 9 until the end of any uncertainty with respect to the timing and amount of the underlying cash flows arising from the reforms. We expect this uncertainty will continue until any contracts that reference sterling LIBOR are amended to specify the date on which such reference rate will be replaced and the basis for the replacement SONIA cash flows, including any fixed spread, are determined. Additionally, the transition from LIBOR to SONIA poses additional risks relating to our sources of funding. See "*—Changes or uncertainty in respect of LIBOR or SONIA may affect our sources of funding*".

Climate change could materially adversely affect our results of operation.

The extent and timing of the manifestation of the physical risks of climate change, including extreme weather events, flooding, heat waves and wildfires, are inherently uncertain. Significant damage to the properties and operations of our customers due to climate change could impair asset values, business activities and the creditworthiness of our customers leading to increased default rates, delinquencies, write-offs and impairment charges.

In addition, there are significant uncertainties inherent in accurately modelling the impact of climate-related risks. Multiple climate change scenarios depend on a range of variable factors which could unfold over long timeframes. The evaluation of climate-related risk exposure and the development of associated potential risk mitigation techniques largely depend on the choice of climate scenario modelling methodology and the assumptions made. Failure to implement effective and compliant climate change resilient systems, controls and procedures could adversely affect our ability to manage climate-related risks and could have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO THE NOTES

The Issuer is a holding company with no business operations or assets.

The Issuer is a holding company with no business operations or assets other than an indirect ownership of 100.0% of the voting shares of the Company and certain intercompany receivables. The capital stock of the Company is indirectly owned by the Issuer through Midco2. The Indenture will prohibit the Issuer from engaging in any activities other than certain limited activities permitted under "*Description of Notes—Certain Covenants—Limitation on Issuer Activities*."

We conduct our operations primarily through the Company and its subsidiaries, none of which will provide a guarantee for the Notes. Consequently, the Issuer will depend on dividends and other distributions from its direct and indirect subsidiaries to make payments of principal (or interest in cash) on the Notes. The Company and its subsidiaries are separate and distinct legal entities, and they will have no obligation, contingent or otherwise, to pay the amounts due under or in relation to the Notes or to make any funds available to pay those amounts, whether by dividend, distribution or other payments. You will not have any direct claim on our income from business operations because these operations are undertaken by the Company and its operating subsidiaries. If the Company and its operating subsidiaries do not distribute cash to the Issuer (either directly or through Midco2) to make payments on the Notes, the Issuer does not expect to have any other source of funds that would allow it to make payments to the holders of the Notes.

Agreements governing our debt, including the Senior Secured Notes Indentures, the Revolving Credit Facility and the Private Securitizations may from time to time restrict the ability of our subsidiaries to move cash from the Company or its operating subsidiaries to the Issuer. Applicable tax laws may also subject such payments to further taxation in certain circumstances. Applicable laws or regulations may also limit the amounts that some of the Issuer's subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments.

Even if the Issuer has sufficient cash (received as dividends or otherwise) at any time to satisfy its obligations under the Notes at that time, the Issuer may, subject to the satisfaction of certain conditions, make investments in and make other distributions to its subsidiaries and third parties.

The Notes are obligations solely of the Issuer, are not guaranteed by any subsidiary and are structurally subordinated to all of the debt and liabilities of the subsidiaries of the Issuer.

The Notes will be structurally subordinated to all debt and liabilities of the subsidiaries of the Issuer. As of June 30, 2021, the Company and its subsidiaries had borrowings of £3,304.0 million. See "*Description of Certain Financing Arrangements.*"

Generally, claims of creditors of a subsidiary, including trade creditors, will have priority with respect to the assets and earnings of such subsidiary over the claims of creditors of its parent entity, including claims against the Company by the Issuer. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of the Issuer's subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes will be structurally subordinated to the creditors (including trade creditors) of the Issuer's subsidiaries, none of which will guarantee the Notes. The subsidiaries of the Issuer may not have sufficient funds to pay (or receive sufficient funds to pay) all their respective creditors, and you may not receive any payment on the Notes or receive less, ratably, than the holders of debt of the subsidiaries of the Issuer and other liabilities. Subject to certain limitations, the subsidiaries of the Issuer will be permitted to incur additional debt and liabilities in the future under the terms of the Senior Secured Notes Indentures, the Private Securitizations, the Revolving Credit Facility and the Indenture which may lead to further structurally senior indebtedness being incurred in future.

The substantial leverage of the Issuer and its subsidiaries and their debt service obligations could limit their flexibility, adversely affect our business and prevent the Issuer from fulfilling its obligations under the Notes.

The Issuer and its subsidiaries have a substantial amount of debt and significant debt service obligations. As of June 30, 2021, excluding lease liabilities, on a *pro forma* basis after giving effect to the Offering, the Issuer and its subsidiaries would have had an aggregate principal amount of £3,642.7 million of debt (giving effect to the Offering, but excluding the effects of the optional redemption of the TABS 1 Securitization, the establishment of the TABS 5 Securitization (in September 2021), the most recent amendments to the HABS Securitization (occurring in September 2021) and the establishment of the BABS Securitization (in July 2021)), as well as £43.0 million outstanding of intercompany loans from Topco (the "Issuer Subordinated Shareholder Funding") that constitutes "Deeply Subordinated Shareholder Indebtedness" under the Indenture. After June 30, 2021, £39.0 million of net drawings under the Private Securitizations (which included a net repayment under the CABS Securitization of £67.8 million (including the impact of £217.8 million reduction in the CABS Securitization on the establishment of the TABS 5 Securitization on September 22, 2021), £nil million drawn under the DABS 2 Securitization, £36.8 million drawn under the HABS Securitization and £70.0 million drawn under the LABS Securitization). For a detailed description of the debt of the Issuer and its subsidiaries, 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 the Issuer and its subsidiaries to satisfy their obligations with respect to their other debt and to the Notes;
- require the Issuer and its subsidiaries to dedicate a substantial portion of the cash flow from operations to making payments on their debt, thereby limiting the availability of funds for working capital, business opportunities and other general corporate purposes or to pay dividends from the Company to Midco2;
- increase their vulnerability to adverse general economic or industry conditions;
- limit their flexibility in reacting adequately to changes in our business or the industry in which they operate;
- place them at a competitive disadvantage compared to those of our competitors that have less debt than the Issuer and its subsidiaries do; and
- limit their ability to borrow additional funds and increase the costs of any such additional borrowings.

In addition, the BABS Securitization begins to amortize in July 2024 (or following any other early amortization event) and expires in December 2025, CABS Securitization begins to amortize in September 2022 and expires in September 2023, the DABS 2 Securitization begins to amortize in March 2022 and expires in March 2023, the HABS Securitization begins to amortize in September 2024 and expires in September 2025 and the LABS Securitization expires in October 2023. 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, the margin on the Rated TABS 4 Notes will increase following their optional redemption date in June 2024, the margin on the Rated TABS 5 Notes will increase following their optional redemption date in October 2025, the margin on the Rated CRE 1 Notes will increase following their optional redemption date in February 2025 and the margin on the Rated CRE 2 Debt will increase following their optional redemption date in February 2026. Surplus amounts in the Public 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 the high level of indebtedness of the Issuer and its subsidiaries, the Issuer and its subsidiaries may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with its substantial indebtedness.

The Issuer and its subsidiaries may be able to incur significant additional debt in the future. Although financing agreements of the Issuer and its subsidiaries 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 and secured. Under each of the Senior Secured Notes Indentures, in addition to specified permitted indebtedness, the Company and its restricted subsidiaries (excluding the Private Securitizations and Public Securitizations) 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. In particular, the Notes will be structurally subordinated to any such debt incurred by a subsidiary of the Issuer. See "*—The Notes are obligations solely of the Issuer, are not guaranteed by any subsidiary and are structurally subordinated to all of the debt and liabilities of the subsidiaries of the Issuer*." The covenants contained in the Revolving Credit Facility are different to 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*."

The Issuer and its subsidiaries are subject to restrictive debt covenants that may limit their ability to finance their future operations and capital needs and to pursue business opportunities and activities.

The Revolving Credit Facility, Private Securitizations, the Senior Secured Notes Indentures and the Indenture contain covenants that impose, subject to certain exceptions and qualifications, significant operating and financial restrictions on the Issuer and its subsidiaries. These arrangements limit the ability of the Issuer and its subsidiaries 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 Revolving Credit Facility), require us to maintain certain ratios with respect to aspects of certain of our assets. Our Private Securitizations include eligibility criteria and certain Private Securitizations include 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 Private 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, the Issuer and its subsidiaries will be limited in the manner in which they can conduct their business and may be unable to engage in favorable business activities or finance future operations.

In addition to limiting the flexibility of the Issuer and its subsidiaries to operate their business, a failure to comply with their obligations and restrictions contained in their financing arrangements, or to maintain ratios with respect to certain characteristics of their assets required by their financing arrangements, could lead to a default under their terms that could result in an acceleration of the indebtedness. We cannot assure you that future results of operations of the Issuer and its subsidiaries will be sufficient to enable compliance with the covenants in their financing arrangements or to remedy a default. Moreover, our ability to maintain or to meet the financial ratio under the Revolving Credit Facility 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, cease purchase event, sale demand event or event of default under the Private Securitizations or the Revolving Credit Facility (as applicable), which, in the case of the Private 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 Private 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 other financing arrangements of the Issuer and its subsidiaries. If creditors of the Issuer and its subsidiaries, including those under the Private Securitizations or the Revolving Credit Facility, accelerate the payment of amounts due thereunder, there can be no assurance that the Issuer and its subsidiaries 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*."

The Issuer will require a significant amount of cash to service the Notes and its other debt. The ability of the Issuer and its subsidiaries to generate cash depends on many factors beyond their control, and the Issuer and its subsidiaries may not be able to generate sufficient cash to service their debt.

The ability of the Issuer and its subsidiaries to make payments of principal and interest when due on the Notes and to meet their other debt service obligations depends on their future operating and financial performance and ability to generate cash, which are affected by their ability to implement our business strategy as well as general economic, financial, competitive and other factors beyond their control. The Company and its subsidiaries have incurred significant amounts of debt, some of which expire prior to the maturity of the Notes. See "*—The substantial leverage of the Issuer and its subsidiaries and their debt service obligations could limit their flexibility, adversely affect our business and prevent the Issuer from fulfilling its obligations under the Notes*." If at the maturity of these obligations 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, the 2027 Notes and the Private 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 in the economic environment in the United Kingdom could have a material adverse effect on our business, results of operations and financial condition*." There can be no assurance that the Issuer and its subsidiaries will be able to generate sufficient cash through any of the foregoing. If the Issuer and its subsidiaries are not able to refinance any of their debt, obtain additional financing or sell assets on commercially reasonable terms or at all, the Issuer and its subsidiaries may not be able to satisfy their obligations with respect to their debt, including the Notes. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*."

If the Company is not permitted to provide sufficient funds to Midco2, and Midco2 does not distribute cash to the Issuer to pay Cash Interest on the Notes, interest may be paid in PIK Interest instead of in cash.

The Issuer will be required to pay the first and last interest payments on the Notes entirely in cash. The Issuer will be required to pay each other interest payment on the Notes entirely in cash unless the conditions described in this offering memorandum are satisfied, in which case the Issuer will be entitled to pay, to the extent described herein, interest as PIK Interest. In general, the Issuer must pay cash interest only if it has sufficient available cash, together with cash that is then distributable to the Issuer by its subsidiaries, taking into account legal and contractual restrictions, to make such interest payments. See "*Description of Notes—Interest*." Each of the Senior Secured Notes Indentures, the Senior Secured Notes Intercreditor Agreement (as defined under "*Description of Certain Financing Arrangements—Senior Secured Notes Intercreditor Agreement*") and the Revolving Credit Facility limits dividends or distributions from the Company to Midco2 or to the Issuer. With respect to the Notes, the Issuer will only be required to pay cash interest on the Notes to the extent that the Company is able to issue dividends or make distributions pursuant to the "consolidated net income build-up basket," the "general restricted payments basket" or the leverage-based restricted payments basket provisions of the restricted payments covenant in the Senior Secured Notes Indentures.

The Revolving Credit Facility, the Senior Secured Indentures and the Private Securitizations allow the Issuer's subsidiaries to utilize amounts that would otherwise be available to pay dividends to the Issuer for other purposes, and such uses would reduce the amount of cash available to pay dividends to the Issuer in order to pay cash interest on the Notes. The terms of the Notes offered hereby will not restrict the ability of the Issuer's subsidiaries to use their dividend payment capacity for such alternative purposes. See "*Description of Notes—Certain Covenants.*" As a result, there can be no assurance that the Issuer will be required (or able) to make payments on the Notes in cash. The payment of interest through an increase in the principal amount of the outstanding Notes or the issuance of Additional Notes would increase the amount of the Issuer's indebtedness and would increase the risks associated with the Issuer's level of indebtedness.

The Issuer and its subsidiaries 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 and the Senior Secure Notes Indentures, the Issuer and the Senior Secured Notes Issuer, as applicable, 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 2027 Notes Indenture, the Revolving Credit Facility or the Private Securitizations (with the exception of the BABS Securitization) 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 the Issuer and its subsidiaries. If a change of control occurs, there can be no assurance that the Issuer 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 other indebtedness of the Issuer and its subsidiaries.

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, the Issuer is 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 the assets of the Issuer. 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 the Issuer's obligations under the Notes.

The Notes will be secured by (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 Issuer is the lender, including the Midco2 Intercompany Loans. In addition, the Indenture allows the incurrence of certain additional permitted debt 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, among others, general economic conditions, industry conditions and similar factors. The amount to be received upon a sale of the collateral would be dependent on numerous factors, including, but not limited to, the actual fair market value of the collateral at such time, the timing and the manner of the sale and the availability of buyers. By its nature, some of the assets that comprise the collateral are illiquid and/or may have no readily ascertainable market value and its value to other parties may be less than its value to us. In addition, the value of the collateral may decrease because of obsolescence, impairment or certain casualty events. In the event of a foreclosure, liquidation, bankruptcy or similar proceeding, the collateral may not be sold in a timely or orderly manner, and the proceeds from any sale or liquidation of this collateral may not be sufficient to repay the obligations under the Notes.

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

The security interests of the Security Agent may in the future be subject to practical problems generally associated with the realization of security interests over real or personal property. For example, the Security Agent may need to obtain the consent of a third party to enforce a security interest. There can be no assurance 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 the Issuer's obligations under the Notes will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indenture will provide that only the Security Agent has the right to enforce the security interests in the collateral. 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. In addition, the security interests may be enforceable only upon acceleration of the Notes. The ability of the Security Agent to enforce the security is subject to mandatory provisions of the laws of England and Wales, the jurisdiction in which security over the collateral is taken.

The Issuer 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 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 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 the Securitization Vehicles, 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 the Collateral.

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 the Issuer 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 the Issuer has its centre 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".

The recognition of English insolvency and restructuring proceedings in other jurisdictions is governed by applicable treaties in respect of the mutual recognition (or otherwise) of courts' jurisdiction, proceedings and judgments and general principles of private international law such as comity and conflicts of laws rules applicable in the relevant jurisdictions.

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). The nature and scope of the recognition will depend on the way that the Model Law has been implemented into the domestic law of the jurisdiction in question.

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-British) proceedings may be recognized by the English courts as foreign main proceedings where any company has its COMI in that foreign jurisdiction, or as foreign non-main proceedings where it does not have its COMI but has an "establishment" in such foreign jurisdiction. Under the Cross-Border Insolvency Regulations, 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". As such, should the Issuer have its COMI in a country other than Great Britain, 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 main proceedings and would be limited to the assets that the relevant company has in Great Britain. 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. An "establishment" in this context is defined to mean any place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. 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, 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 (the "Hague Convention") and the Lugano Convention 2007 (the "Lugano Convention") (subject to the UK's pending application to accede to the latter) where these apply. In addition, recognition may still be available under principles of private international law and Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations ("Rome I").

The recognition of English courts' jurisdiction and orders in respect of restructuring plans is a developing area of law. It remains to be seen whether restructuring plans will fall within the scope of treaties regarding matters relating to the jurisdiction of courts in civil proceedings and the enforcement of civil judgments such as the Hague Convention and the Lugano Convention, or whether they will be treated more akin to insolvency and restructuring proceedings and fall within related exceptions to such treaties.

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, unless or until a mutual recognition agreement is reached in the future, 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. To the extent relevant proceedings are deemed to fall within the remit of contract law, Rome I may offer an alternative basis for recognition in 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 be adversely affected as a result.

English insolvency laws

The Issuer 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. In the event that the Issuer experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. The obligations under the Notes will be secured by security interests over the Collateral, including but not limited to the issued capital stock in Midco2 and existing and future intercompany loans between the Issuer and Midco2 in respect of which the Issuer is the lender. English insolvency laws and other limitations could limit the enforceability of the payment obligations of the Issuer in respect of the principal, interest and other amounts owing by the Issuer and of the security interests over the Collateral.

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 security interests granted over the Collateral. The application of these laws could adversely affect investors, including their ability to enforce their rights for payment of the principal, interest and other amounts owing by the Issuer and/or under the Collateral securing the Notes and may limit the amounts that investors may receive in an English law insolvency of the Issuer. 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, amongst 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 COMI 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 "—*Qualifying floating charges*" below 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 (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"). The holder of a qualifying floating charge is also entitled to advance notice of an intention of a company or its directors to appoint an administrator, allowing the charge holder to either appoint its own administrator (or, where applicable, administrative receiver) in place of the proposed administrator, conduct negotiations with the proposed appointors over the identity or terms of appointment of the proposed administrator or (in an extreme case) prevent the company going into administration.

A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due) or if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 within 21 days of service or to satisfy in full or in part a judgment debt (or similar court order). Without limitation and subject to specific conditions, a company (falling within the definition set out in the Companies Act 2006), the directors of such company or the holder of a qualifying floating charge (see "—*Administrative*

Receivership 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 he or she thinks either that it is not reasonably practicable to achieve the first objective, or that the second objective would achieve a better result for the company's creditors as a whole. The administrator cannot pursue the third objective 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 over the company's property except with the consent of the administrator or leave of the court. The same requirements for consent or permission apply to the institution or continuation of legal process (including legal proceedings, execution, distress and diligence) against the company or property of the company. In either case, a court will consider a range of discretionary factors in determining any application for leave in light of the hierarchy of statutory objectives of administration described above.

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

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 the Issuer were to enter administration, it is possible that, to the extent such security is not a financial collateral arrangement, the security granted by it would not be able to be enforced while it is in administration without leave of the court or consent of the administrators.

While an administrator is in office, the powers of the board of directors of the relevant company cease (save for those powers that do not interfere with the exercise of the administrators' powers, or where permitted by the administrator) and the administrator has primary responsibility for managing the company's affairs. An administrator is given wide powers to conduct the business 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 (see "—*Qualifying floating charges*"), that party may be able to appoint an administrative receiver or an administrator out of court (see "—*Administration*"), 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. 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*"). 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"). An MVL is initiated by a resolution of the members, and the directors of the company must 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 also initiated by a resolution of the members but does not require a statutory declaration of solvency. Once the CVL is in place, it 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 members' 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.

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 (i) if it is 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 (by a simple majority), the CVA will be implemented if the requisite majority of creditors approve the proposal. Unlike an administration proceeding, a CVA does not trigger a moratorium of claims or proceedings.

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:

a) 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);

b) 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;

c) 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

d) at a time between the filing of a notice of intention to appoint an administrator and the making of an appointment,

provided that where a company enters into a transaction at an undervalue or gives a preference at a time mentioned in a) or b) above, that time is not the relevant time unless 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 a floating charge which is being challenged, the relevant time is deemed to be:

a) 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);

b) 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;

c) 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

d) at a time between the filing of a notice of intention to appoint an administrator and the making of an appointment,

provided that where the charge was granted at a time mentioned in b) above, that time is not the relevant time unless the company was unable to pay its debts at the time the charge was granted 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 unable to pay its debts unless a beneficiary of the transaction was a connected person (see—*Connected Persons*”), in which case 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 nor did it become unable to do so as a consequence of the transaction. 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 reducing payments due under or setting aside 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 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 legislation 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, which may include reducing payments due under or setting aside any security interests or guarantees granted. 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

(the "Consideration").

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).

There is a risk of a fixed charge being recharacterized as a floating charge (see "*—Fixed charges and floating charges*"). If a purported fixed charge that is subsequently recharacterized has been granted within the "relevant time" (see "*—Relevant Time*"), this could render the charge invalid except to the value of the Consideration.

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. Among other requirements, 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 with respect to its entry into of 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.

Certain of the insolvency processes available in England and Wales provide for the automatic or optional moratorium imposing a period of time during which third parties including creditors are unable to institute or continue legal action against the company, enforce certain rights and/or call upon security or guarantees. Besides the moratorium available to companies undergoing administration (see "—*Administration*"), moratoriums are also available to companies entering liquidation (see "—*Liquidation*").

Security registration

Under English company law, subject to limited exceptions, a certified copy of any security document pursuant to which a charging company incorporated in England and Wales grants security (including security governed by law other than English law) (together with prescribed particulars of the relevant security) may be delivered to the Registrar of Companies for registration within 21 days after the date of creation of the relevant security interest (the "Registration Period"). While the Companies Act 2006 does not impose an obligation as such on English companies to register security, security will be deemed to be void against a liquidator, administrator and any creditor of the applicable charging company if not registered within the Registration Period. When security becomes so void, the debt which was intended to be secured by such security is deemed to become immediately payable. In limited circumstances, it may be possible to apply to the English courts for an order to rectify a failure to register and allow the relevant charge to be registered after the Registration Period has expired.

The Financial Collateral Regulations exempt certain charges over financial collateral from registration with the Registrar of Companies (see "—*Financial Collateral Regulations*"). Security created by overseas companies over assets in England and Wales similarly does not need to be registered with the Registrar of Companies, although registration with applicable asset registries may still be required depending on the nature of the collateral assets.

Priority of Claims

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

The general priority of claims on insolvency is as follows (in descending order of priority) and subject to certain circumstances in which super priority vis-à-vis all other claims (other than those of fixed charge holders) 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 society 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 society 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, 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 or the secured creditor elects to surrender its security;

  - 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, 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 a company will 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. This cap was recently increased to £800,000 in respect of property available to be distributed to the holder of a first ranking charge created from 6 April 2020. For first-ranking floating charges created before that date the previous cap of £600,000 applies. 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).

Foreign currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, any proofs of debt of a company payable in a currency other than pounds sterling must be converted by the officeholder into pounds sterling at a single rate for each currency determined by the officeholder by reference to the exchange rates prevailing at the date when the company went into liquidation or administration (except where (i) a liquidation was immediately preceded by an administration, in which case this will instead be the rate prevailing on the date that the company entered administration or (ii) where an administration was immediately preceded by a liquidation, in which case this will instead be the rate prevailing on the date that the company entered liquidation). If a creditor considers the rate to be unreasonable, they may apply to 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. In addition, a foreign company which is liable to be wound up under the Insolvency Act and has a "sufficient connection" to England and Wales could also pursue a Scheme in certain circumstances.

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 at least 75 percent 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 refuse to sanction 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 and will be effective (in accordance with its terms) upon delivery of the court's order sanctioning the Scheme to the Registrar of Companies.

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 provisions of Part 26A of the Companies Act apply where two conditions are met in relation to a company. The first condition is that the company has encountered, or is likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern. The second condition is that a compromise or arrangement is 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 the financial difficulties mentioned in the first condition. 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 within 12 weeks of the day after the end of the new standalone moratorium (see below), any creditors in respect of "moratorium debts" and "priority pre-moratorium debts" (see "—*Corporate Insolvency and Governance Act 2020*") 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, upon application, 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 at least 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 at least 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, and will be effective (in accordance with its terms) upon delivery of the court's order sanctioning the Restructuring Plan to the Registrar of Companies.

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. The validity of share security and the ability of secured parties to enforce security interests over shares may additionally be affected by a failure of the charging company or related parties or (in certain circumstances) the secured parties to comply within the relevant timeframes with the disclosure and notification obligations under English company statutes in respect of persons with significant control and relevant legal entities.

Fixed charges and floating charges

The Notes benefit from fixed and floating charge security over Collateral owned by the Issuer. There are a number of ways in which fixed charge security differs from floating charge security.

Until floating charge security crystallises, 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 crystallised at the time the fixed charge was granted and there were no restrictions on the creation of such security which the fixed charge holder was aware of); (b) general costs and expenses (including the remuneration of insolvency office-holders 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 office-holders 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 to the extent that the value of the charging company's unsecured assets is not sufficient to cover such costs and expenses in full; (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.

Recharacterization of fixed security interests

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

Qualifying floating charges

In order for a floating charge to constitute a qualifying floating charge, it must be created by an instrument which: (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company; or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by section 29(2) of the Insolvency Act. A party will be the holder of a qualifying floating charge if he holds one or more debentures of the company secured: (a) by a qualifying floating charge which relates to the whole or substantially the whole of the company's property; (b) by a number of qualifying floating charges which together relate to the whole or substantially the whole of the company's property; or (c) by charges and other forms of security which together relate to the whole or substantially the whole of the company's property and at least one of which is a qualifying floating charge. 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.

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.

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. The temporary amendments were extended on a number of occasions and were then lifted and replaced by the Corporate Insolvency and Governance Act 2020 (Coronavirus) (Amendment of Schedule 10) (No. 2) Regulations 2021 (the "Schedule 10 Regulations") which came into full force and effect on October 1, 2021 (see "*Temporary Measures*" below).

Moratorium

CIGA introduced a moratorium procedure, which is available under Part A1 of the Insolvency Act to, amongst others, companies registered under the Companies Act 2006 in England, Wales and Scotland, unregistered companies liable to be wound up under Part 5 of the Insolvency Act and certain overseas companies, 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 the debtor must (provided that the company is not an overseas company or already subject to a winding up petition, in which case the directors must apply to the 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 (the "Monitor's Statement"). Despite the existence of a "payment holiday" in respect of certain pre-moratorium debts which exists throughout the moratorium, the company will still be expected to pay certain debts incurred before or while the moratorium is in force under an obligation incurred before the moratorium commenced (known as "priority pre-moratorium debts"), including amounts payable in respect of goods and services supplied during the moratorium, rent in respect of a period during the moratorium and employees' wages or salary, together with all amounts falling due under loan agreements and other financial services contracts which are not relevant accelerated debt (i.e. pre-moratorium debts that fall due during the period beginning with the day on which the Monitor's Statement is made and ending with the last day of the moratorium by reason of the operation of, or the exercise of rights under, an acceleration or early termination clause in a contract or other instrument involving financial services).

The moratorium is not available to certain entities, including those who have been subject to a formal insolvency proceeding in the previous twelve months and 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.

Ipso Facto Termination Clauses

Recent changes to the Insolvency Act introduced a restriction on the operation and exercise of ipso facto clauses in order to preserve the continuity of the provision of goods and services to companies undergoing insolvency procedures. In general terms, ipso facto clauses are provisions in supply of goods or services contracts which allow suppliers to terminate the contract or supply or take any other action, or provide for the automatic termination of the contract or supply or the occurrence of any other event, upon the counterparty entering an insolvency procedure. Under the new approach, to the extent that the trigger event is the counterparty's entry into a 'relevant insolvency procedure' (including an administration, administrative receivership, company voluntary arrangement, liquidation and/or a restructuring plan), such clauses will be deemed void and suppliers will be unable to terminate the relevant contracts unless the company or the relevant office-holder consents to the termination or the court grants permission on the basis that it is satisfied that the continuation of the contract would cause the supplier hardship.

The restrictions do not apply to a range of contracts involving financial services or entities involved in the provision of financial services, including contracts for the provision of lending, financial leasing or guarantees, contracts for the purchase, sale or loan of securities or commodities and agreements which are, or form part of, arrangements involving the issue of a capital market investment (as defined in the Insolvency Act).

Temporary Measures

In light of the Covid-19 pandemic, legislation was introduced to restrict temporarily the ability of creditors to present winding-up petitions and of courts to grant winding-up orders. With effect from October 1, 2021, those restrictions expired and were replaced by the Schedule 10 Regulations, a set of new more limited regulations introducing temporary targeted measures to limit the use of winding-up petitions in certain circumstances but not prevent their general use.

The Schedule 10 Regulations provide that a winding-up petition may not be presented by a creditor on the grounds that a company is unable to pay its debts unless certain conditions are met. The principal consequence of those conditions is that, between October 1, 2021 and March 31, 2022:

- a creditor may not present a winding up petition on the grounds that a company is unable to pay its debts in respect of an excluded debt, being a debt in respect of any sum payable by a tenant under a business tenancy that is unpaid by reason of a financial effect of coronavirus. In addition, the debt must be for a liquidated amount that is due for payment;
- a creditor may not present a winding up petition on the grounds that a company is unable to pay its debts in respect of a debt or (where the petition relates to two or more debts) debts totaling less than £10,000; and
- a creditor may not present a winding up petition on the grounds that a company is unable to pay its debts unless the creditor has delivered written notice to the debtor stating that the creditor is seeking the debtor's proposals for the payment of the debt and that if the debtor has not made a proposal that is to the creditor's satisfaction within 21 days beginning with the day the notice was delivered, the creditor intends to present a winding-up petition.

The court has the power to waive the requirement for creditors to serve a formal request seeking proposals for payment of the debt or to shorten the period within which such proposals are to be submitted.

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 will provide that the Security Agent is authorized to release the liens over the collateral, in certain circumstances, including in connection with the disposal of an asset:

- where such disposal is permitted under the Indenture; and
- in connection with the enforcement of the collateral.

See *"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.

The Issuer and its subsidiaries 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. The Issuer does not believe that any of the Issuer or its subsidiaries is required to be so registered. If that were to change, material modifications to the business of the Issuer and its subsidiaries 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. All the directors and executive officers of the Issuer live outside the United States. All the assets of the directors and executive officers of the Issuer are located outside the United States. Although the Issuer 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 their respective directors and officers or (ii) to enforce against either the Issuer 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 application will be made to the Authority for the listing of and permission to deal in the Notes on the Exchange, there can be no assurances that the Notes will be listed on the Official List of the Exchange and that such permission to deal in the Notes will be granted or that such listing will be maintained. 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 the financial condition, performance and prospects of the Issuer and its subsidiaries, 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. There can be no assurance that if a market for the Notes were to develop, such a market would not be subject to similar disruptions. The Issuer has 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, there can be no assurance 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 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 the Issuer's 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. There can be no assurance 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. There can be no assurance 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, 2019, 2020 and 2021 were unqualified. The independent auditors' reports for Together Financial Services for the years ended June 30, 2019, 2020 and 2021 are included on pages F-180, F-105 and F-24, 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 will be issued with original issue discount for U.S. federal income tax purposes.

Because interest on the Notes is payable at the option of the Issuer as PIK Interest if certain conditions are met, no stated interest on the Notes will be treated as qualified stated interest for U.S. federal income tax purposes. As a result, the Notes will be considered to be issued with OID for U.S. federal income tax purposes. There will be additional OID to the extent that the issue price of the Notes is less than their stated principal amount. Holders subject to U.S. federal income taxation generally will be required to include this OID in gross income (as ordinary income) as it accrues on a constant yield basis, in advance of the receipt of cash payments to which such income is attributable and regardless of a holder's method of accounting for U.S. federal income tax purposes. See "*Certain Tax Considerations— Certain U.S. Federal Income Tax Considerations*."

USE OF PROCEEDS

The gross proceeds from the offering of the Notes are expected to be £380.0 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)	380.0	Redemption of the 2023 PIK Notes(2)	368.2
		2023 PIK Notes redemption premium(3)	7.4
		General corporate purposes	0.7
		Estimated fees and expenses(4)	3.8
Total Sources	**380.0**	**Total Uses**	**380.0**

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

(2) Represents the aggregate principal amount of the 2023 PIK Notes intended to be redeemed as part of the Offering (excluding payment of accrued and unpaid interest since the last interest payment date to the assumed redemption date and the optional call redemption premium).

(3) Represents the optional redemption call premium of 2.0% for the aggregate principal amount of the 2023 PIK Notes (excluding payment of accrued and unpaid interest in respect of the 2023 PIK Notes from their last interest payment date to the assumed redemption date).

(4) 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 the consolidated available cash and capitalization of Together Financial Services as of June 30, 2021 on a historical consolidated basis, the cash and capitalization of the Issuer and its subsidiaries on a consolidated historical basis as of June 30, 2021 and the pro forma adjusted cash and capitalization of the Issuer and its subsidiaries on an as adjusted consolidated basis to give *pro forma* effect to the Offering as if it occurred on June 30, 2021. The table does not give effect to the optional redemption of the TABS 1 Securitization, the establishment of the TABS 5 Securitization, the establishment of the BABS Securitization or the most recent amendments to the HABS Securitization, each of which occurred after June 30, 2021. See "*Summary–Recent Developments.*" The balance of borrowings reflected on our consolidated statement of financial position includes the carrying value of Company Subordinated Shareholder Funding and obligations under finance leases and is net of unamortized debt issuance costs. The table below presents the aggregate principal amount of our indebtedness and excludes leases.

The historical information of Together Financial Services has been derived from the audited consolidated financial statements of Together Financial Services as of June 30, 2021, which are included elsewhere in this offering memorandum. The *pro forma*-adjusted information below is presented for illustrative purposes only and does not purport to be indicative of the Issuer's consolidated cash and cash equivalents or the Issuer's and its subsidiaries' 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*," "*Annex A: Reconciliation of Certain Selected Balance Sheet Data of the Company and Its Subsidiaries with Certain Selected Balance Sheet Data of the Issuer and its subsidiaries (including Midco2)*" 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 June 30, 2021.

	As of June 30, 2021				
	Together Financial Services Actual(A)	**Adjustment(B)**	**Issuer and its subsidiaries Actual(C)**	***Pro Forma* Adjustments(D)**	***Pro Forma* adjusted(E)**
			(£ in millions)		
Cash and cash equivalents:(1)					
Unrestricted cash(2)	79.9	0.6	80.5	0.7	81.2
Restricted cash(2)	148.7	—	148.7	—	148.7
Total cash	**228.6**	**0.6**	**229.2**	**0.7**	**229.9**
Debt, including current portion:					
CABS Securitization(3)	724.6	—	724.6	—	724.6
DABS 2 Securitization(4)	125.0	—	125.0	—	125.0
HABS Securitization(5)	104.4	—	104.4	—	104.4
LABS Securitization(6)	163.0	—	163.0	—	163.0
TABS 1 Securitization(7)	96.4	—	96.4	—	96.4
TABS 2 Securitization(8)	144.7	—	144.7	—	144.7
TABS 3 Securitization(9)	234.3	—	234.3	—	234.3
TABS 4 Securitization(10)	303.4	—	303.4	—	303.4
CRE 1 Securitization(11)	190.3	—	190.3	—	190.3
CRE 2 Securitization(12)	241.6	—	241.6	—	241.6
Revolving Credit Facility(13)	—	—	—	—	—
2026 Notes(14)	435.0	—	435.0	—	435.0
2027 Notes(15)	500.0	—	500.0	—	500.0
2023 PIK Notes(16)	—	368.2	368.2	(368.2)	—
Notes offered hereby(17)	—	—	—	380.0	380.0
Total debt(18)	**3,262.7**	**368.2**	**3,630.8**	**11.8**	**3,642.7**
Company Subordinated Shareholder Funding(19)	29.3	(29.3)	—	—	—
Issuer Subordinated Shareholder Funding(20)	—	7.5	7.5	—	7.5
Total Equity(21)	907.7	(358.8)	548.9	—	548.9
Total Shareholders' Funds(22)	**937.0**	**(380.6)**	**556.4**	**—**	**556.4**
Total capitalization	**4,199.7**	**(12.4)**	**4,187.2**	**11.8**	**4,199.2**

(A) The column "Together Financial Services Actual" represents the historical consolidated financial information of Together Financial Services as of June 30, 2021. It has been derived from the consolidated statement of financial position of Together Financial Services as of June 30, 2021 included elsewhere in this offering memorandum.

(B) The column "Adjustments" represents the adjustments to reconcile the actual consolidated financial information of Together Financial Services to the actual consolidated financial information of the Issuer and its subsidiaries as of June 30, 2021. See "*Annex A: Reconciliation of Certain Selected Balance Sheet Data of the Company and Its Subsidiaries with Certain Selected Balance Sheet Data of the Issuer and its subsidiaries (including Midco2).*"

(C) The column "Issuer and its subsidiaries Actual" represents the historical consolidated financial information of the Issuer and its subsidiaries as of June 30, 2021.

(D) The column "*Pro forma* Adjustments" represents the adjustments to the historical financial information of the Issuer and its subsidiaries as of June 30, 2021 to give *pro forma* effect to the Offering as if it occurred on June 30, 2021.

(E) The column "*Pro forma* adjusted" represents the historical consolidated financial information of the Issuer and its subsidiaries as of June 30, 2021 as adjusted to give *pro forma* effect to the Offering as if it occurred on June 30, 2021.

(1) Cash and cash equivalents within our consolidated statement of financial position as of June 30, 2021 includes £148.7 million of 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. Cash and cash equivalents in the column *"Together Financial Services Actual*" does not reflect cash generated from operations since June 30, 2021 nor does it reflect the payment of the £27.6 million dividend by Together Financial Services Limited to Midco2 on October 8, 2021 nor the payment of the dividend of £10.0 million from Midco1 to Topco on October 8, 2021. nor does it give effect to the optional redemption of the TABS 1 Securitization, which we exercised, the establishment of the TABS 5 Securitization, the establishment of the BABS Securitization or the most recent amendments to the HABS Securitization, each of which occurred after June 30, 2021. See "*Summary—Recent Developments.*"

(2) Cash and cash equivalents within our consolidated statement of financial position as of June 30, 2021 includes restricted cash. As of June 30, 2021, restricted cash included £39.7 million of cash accessible by the group subject to meeting the relevant Securitization borrower base requirements. As of September 30, 2021, Together Financial Services had £210.5 million of cash, of which £138.8 million was restricted cash and £71.7 million was unrestricted cash. Subsequent to September 30, 2021, a dividend of £27.6 million was paid by Together Financial Services to Midco2 on October 8, 2021 and in turn to the Issuer principally to service cash interest due on the 2023 PIK Notes and to pay a dividend to Topco of £10.0 million which was paid on October 8, 2021.

(3) Total notes outstanding under the note issuance facility under the CABS Securitization as of June 30, 2021 was £724.6 million. This excludes £67.8 million of notes repaid under the CABS Securitization note issuance facility after June 30, 2021 which includes the impact of £217.8 million reduction in the CABS Securitization on the establishment of the TABS 5 Securitization on September 22, 2021.

(4) Total notes outstanding under the note issuance facility under the DABS 2 Securitization as of June 30, 2021 was £125.0 million. See "*Description of Certain Financing Arrangements—Securitizations.*"

(5) Total notes outstanding under the note issuance facility under the HABS Securitization as of June 30, 2021 was £104.4 million. See "*Description of Certain Financing Arrangements—Securitizations.*" This amount does not give effect to £36.8 million of notes drawn under the HABS Securitization note issuance facility after June 30, 2021.

(6) Total notes outstanding under the note issuance facility under the LABS Securitization as of June 30, 2021 was £163.0 million. See "*Description of Certain Financing Arrangements—Securitizations.*" This amount does not give effect to £70.0 million of notes drawn under the LABS Securitization note issuance facility after June 30, 2021.

(7) The aggregate amount of Rated TABS 1 Notes outstanding as of June 30, 2021 was £93.3 million, which is stated after the allocation of £3.1 million cash receipts attributable to the TABS 1 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations.*" This amount does not give effect to the optional redemption of the TABS 1 Securitization.

(8) The aggregate amount in full following June 30, 2021 of Rated TABS 2 Notes outstanding as of June 30, 2021 was £139.4 million, which is stated after the allocation of £5.2 million cash receipts attributable to the TABS 2 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations.*"

(9) The aggregate amount of Rated TABS 3 Notes outstanding as of June 30, 2021 was £223.2 million, which is stated after the allocation of £11.1 million cash receipts attributable to the TABS 3 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations.*"

(10) The aggregate amount of Rated TABS 4 Notes outstanding as of June 30, 2021 was £295.5 million, which is stated after the allocation of £7.9 million cash receipts attributable to the TABS 4 Securitization noteholders that is included within restricted cash. See "*Description of Certain Financing Arrangements—Securitizations.*"

(11) The aggregate amount of Rated CRE 1 Debt outstanding (excluding the X notes held by the Company) as of June 30, 2021 was £191.6 million, which is stated after the allocation of £4.2 million cash receipts attributable to the CRE 1 Securitization noteholders that is included within restricted cash and is net of the £0.5 million offer issuance discount. See "*Description of Certain Financing Arrangements—Securitizations.*"

(12) The aggregate amount of Rated CRE 2 Debt outstanding (excluding the X notes held by the Company) as of June 30, 2021 was £241.6 million, with no contractual payment due in July, 2021, due to the facility being new. See "*Description of Certain Financing Arrangements—Securitizations.*"

(13) The total commitments available under the Revolving Credit Facility are £71.9 million, of which £nil million was drawn as of June 30, 2021. As of the date of this offering memorandum, the Revolving Credit Facility is undrawn. Prior to the Issue Date, we expect to draw under the Revolving Credit Facility. See "*Summary—Trading Update.*"

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

(15) Represents the £500.0 million 2027 Notes issued in January 2021.

(16) Represents the £368.2 million aggregate principal amount of the Issuer's $8^7/_8$%/$10^3/_8$% 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. The 2023 PIK Notes will be redeemed as part of the Offering. See "*Use of Proceeds.*"

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

(18) The balance of borrowings reflected on our consolidated statement of financial position of Together Financial Services as of June 30, 2021 was £3,304.0 million, which includes the carrying value of Company Subordinated Shareholder Funding of £29.3 million, £29.9 million of obligations under finance leases, and is net of £17.9 million unamortized debt issuance costs. For the Issuer, the balance of borrowings reflected in their statement of financial position was £3,649.9 million which includes Issuer Subordinated Shareholder Funding of £7.5 million, obligations under finance leases of £29.9 million, and is net of unamortized debt issuance costs of £18.4 million.

(19) Represents the carrying value of the Company Subordinated Shareholder Funding incurred in connection with the Exit Transactions. The principal aggregate amount of the Company Subordinated Shareholder Funding is £68.1 million. See "*Related Party Transactions—Subordinated Shareholder Funding*."

(20) Represents the carrying value of the Issuer Subordinated Shareholder Funding incurred in connection with the Exit Transactions. The principal aggregate amount of the Issuer Subordinated Shareholder Funding is £7.5 million. See "*Related Party Transactions—Subordinated Shareholder Funding*."

(21) Total equity does not reflect any movement in Total equity as a result of retained reserves generated and dividends declared since June 30, 2021. On September 29, 2021 Together Financial Services declared a dividend of £27.6m to Midco2 which was paid on October 7, 2021. In turn Midco2 paid a dividend to the Issuer and in turn the Issuer declared and paid a dividend of £10.0m to Topco on October 8, 2021.

(22) Total Shareholders' Funds of Together Financial Services represents total equity together with Company Subordinated Shareholder Funding of £29.3 million, which is included in borrowings in our consolidated statement of financial position as of June 30, 2021. Total Shareholders' Funds of the Issuer represents total equity, together with the carrying value of the Issuer Subordinated Shareholder Funding of £7.5 million.

SELECTED HISTORICAL FINANCIAL INFORMATION

The selected financial data presented below as of and for the years ended June 30, 2019, 2020 and 2021 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, 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, 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 financial data presented as of and for the years ended June 30, 2020 and 2021 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 years ended June 30, 2020 and 2021 is not directly comparable to the financial information for prior periods.

	For the year ended June 30,		
	2019	**2020**	**2021**
Statement of comprehensive income			
***Continuing operations*:**			
Interest receivable and similar income	343.1	388.4	370.9
Interest payable and similar charges	(116.8)	(137.1)	(123.5)
Net interest income	**226.3**	**251.3**	**247.4**
Fees and commission income	4.4	4.5	4.2
Fees and commission expense	(2.3)	(2.9)	(1.8)
Other income	0.1	1.4	2.8
Operating Income	**228.5**	**254.3**	**252.6**
Administrative expenses (excluding depreciation and amortization)	(78.4)	(86.2)	(80.8)
Depreciation and amortization	(4.4)	(6.6)	(5.4)
Operating profit	**145.7**	**161.5**	**166.4**
Impairment losses	(15.4)	(66.9)	(16.1)
Profit before taxation	**130.3**	**94.6**	**150.3**
Income tax	(18.6)	(10.5)	(19.2)
Profit after taxation	**111.7**	**84.1**	**131.1**

	As of June 30,		
	2019	**2020**	**2021**
Statement of financial position			
***Assets*:**			
Cash and cash equivalents	120.2	252.5	228.6
Loans and advances to customers	3,694.5	4,162.2	4,011.9
Derivative assets held for risk management	0.1	—	0.6
Inventories	0.6	0.6	0.6
Other assets	4.8	6.3	5.6
Investments	0.1	0.1	0.1
Property, plant and equipment	5.4	13.9	31.6
Intangible assets	8.8	8.1	7.0
Current tax asset	—	3.2	—
Deferred tax asset	7.5	7.6	11.0
Total assets	**3,842.0**	**4,454.5**	**4,297.0**

	As of June 30,		
	2019	2020	2021
Liabilities			
Borrowings	3,015.7	3,550.1	3,304.0
Derivative liabilities held for risk management	—	2.9	1.2
Other liabilities	50.6	51.2	57.1
Provisions for liabilities and charges	4.2	22.3	25.1
Current tax liabilities	8.7	—	1.9
Total liabilities	**3,079.2**	**3,626.5**	**3,389.3**
Equity:			
Share capital	9.8	9.8	9.8
Share premium account	17.5	17.5	17.5
Merger reserve	(9.6)	(9.6)	(9.6)
Capital redemption reserve	1.3	1.1	1.1
Company Subordinated Shareholder Funding reserve	41.0	39.7	38.7
Share-based payment reserve	1.6	1.6	1.6
Cashflow-hedging reserve	—	(2.7)	(1.1)
Cost of hedging reserve	(0.2)	(0.1)	(0.4)
Retained earnings	701.4	770.7	850.1
Total equity	**762.8**	**828.0**	**907.7**
Total equity and liabilities	**3,842.0**	**4,454.5**	**4,296.9**

	For the year ended June 30,		
	2019	2020	2021
Statement of cash flows			
Net cash (outflow)/inflow from operating activities	(520.9)	(235.6)	417.1
Net cash outflow from investing activities	(4.1)	(3.7)	(2.4)
Net cash (outflow)/inflow from financing activities	570.9	371.6	(438.6)
Net (decrease) /increase in cash and cash equivalents	**45.9**	**132.3**	**(23.9)**

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, 2019, 2020 and 2021 based on the consolidated financial statements of Together Financial Services and its consolidated subsidiaries, in each case prepared in accordance with IFRS, 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 47-year history. We pride ourselves on bringing common sense to lending by helping individuals, families, investors, small and medium-sized enterprises ("SMEs") and other businesses achieve their ambitions in a world that has changed when traditional lending has not.

Our loans include secured first and second lien loans, of which, as of June 30, 2021, 63.6% are secured by residential properties, with the balance of 36.4% secured by commercial and semi-commercial properties, all within the United Kingdom. We differentiate ourselves through our flexible lending criteria and underwriting each application on its individual merits, which is supported by an effective service proposition and by responding quickly to our customers' needs, thereby minimizing competition from mainstream lenders (including high street banks), challenger banks and other non-bank lenders. 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. 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 year ended June 30, 2021, we had Underlying profit before taxation of £149.7 million and generated Underlying EBITDA of £272.6 million. In the year ended June 30, 2021, we advanced £1,170.8 million of new loans, of which £816.9 million was advanced in the last six months of the year ended June 30, 2021 as we prudently resumed new lending following a temporary pause in accepting new applications as a result of Covid-19. As of June 30, 2021, we had Shareholders' Funds of £937.0 million and total loan assets of £4,011.9 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*."

As of June 30, 2021, 26.2% of our loan portfolio was classified as retail purpose and 73.8% was classified as commercial purpose, calculated by value, with 36.5% of the commercial purpose loan portfolio relating to buy-to-let+ loans ("BTL+"). We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA"). Retail purpose loans include loans for purchasing a new home, making home improvements, debt consolidation 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 (including "chain breaks," which are loans used by customers looking to purchase a new home ahead of completing the sale of their existing home). 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 loans advanced to a borrower to lease a property ("BTL+ but excluding CBTL), to raise capital against a property including for general business use or to renovate a property, to bridge a transaction against a property (but excluding regulated bridging loans), or to finance the development of land or property primarily into residential units with repayments typically being made out of the sale or refinancing of the units. Commercial purpose loans are currently unregulated. Our classification of a mortgage as either retail or commercial purpose is not defined by the collateral securing it. As of June 30, 2021, 100% of our retail purpose loans, 100% of our BTL+ loans and 22.4% of our remaining commercial purpose loans (including a proportion of 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 (being either a physical valuation or where appropriate in certain instances using an automated 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 policies, 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 are conducted annually, pursuant to the terms of certain of our financing arrangements.

Our key underwriting metrics remained fairly consistent as of and for the year ended June 30, 2021, in spite of reduced volumes during that period, as compared with previous years, with the LTVs of our loan portfolio (on a weighted average indexed basis) as of June 30, 2021 at 52.1% (compared with 54.9% as of June 30, 2020 and 54.3% as of June 30, 2019) and the origination LTV on a weighted average basis of new loans underwritten by us for the year ended June 30, 2021 at 59.8% (compared with 57.7% for the year ended June 30, 2020 and 58.0% for the year ended June 30, 2019). As of June 30, 2021, 97.1% of our total loan portfolio and 95.0% of the Borrower Group loan portfolio, calculated by value, consisted of loans with LTVs (on a weighted average indexed basis) equal to or less than 80.0%. This fundamental, long-standing principle of our group has historically provided us with significant protection in times of falling property prices and economic downturns, thereby mitigating our levels of provisions and losses. For the years ended June 30, 2019, 2020 and 2021, impairment charges amounted to £15.4 million, £66.9 million (largely reflecting the impact of Covid-19) and £16.1 million, respectively, representing 0.46%, 1.70% and 0.39%, 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 relatively conservative LTV (on a weighted averaged indexed basis) of our loan portfolio. The ratio of our net senior secured borrowings (including our Securitizations) to total loan assets was 75.6% as of June 30, 2021. 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 39.4% as of June 30, 2021.

Retail Purpose Lending

As of June 30, 2021, retail purpose loans comprised 26.2% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 46.8% and a weighted average nominal rate of 6.6%, 100% 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. 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 lien 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 June 30, 2021, CBTL mortgages represented £67.7 million, being 6.4% of our retail purpose loans or 1.7% 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 represents £34.0 million, being 3.2% of our retail purpose loans or 0.8% of our total loan portfolio as of June 30, 2021. First lien and second lien loans (including CBTL and regulated bridging loans as applicable) represented 58.8% and 41.2% of our retail purpose loans, respectively, calculated by value as of June 30, 2021. Our retail purpose loans are distributed primarily through an established network of mortgage intermediaries, as well as being sold directly to customers. In the year ended June 30, 2021, we distributed 76.4% 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 June 30, 2021, commercial purpose loans comprised 73.8% of our loan portfolio, calculated by value, with a weighted average indexed LTV of 54.0% and a weighted average nominal rate of 8.2%, 36.5% of which are BTL+ loans, 26.8% of which are commercial term loans, 31.3% of which are unregulated bridging loans and 5.5% of which are development loans, calculated by value of the Commercial loan portfolio. BTL+ loans are secured 100% on residential property, which includes our BTL+ lending activity (excluding CBTL but including loans underwritten prior to March 2016 that would 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 secured 100% on commercial and semi-commercial property. Our unregulated bridging loans are secured by property, of which 43.2% is residential and 56.8% is commercial and semi-commercial property. Of our development loans, 8.7% were originated prior to December 31, 2009 (including any further advances advanced post 2010), 17.7% were originated between January 1, 2010 and December 31, 2018 (including any further advances made after 2018) and 73.6% originated after January 1, 2019. For the year ended June 30, 2021, we extended £67.4 million in further advances on loans originated prior to June 30, 2020 and underwrote £50.1 million in new development loans comprised of £19.2 million of initial advances and £30.9 million of further advances.

Our Commercial purpose loans primarily consist of first and second lien loans, which represented 66.1% and 33.9% of our BTL+ loans, respectively, 95.7% and 4.3% of our commercial term loans, respectively, 88.3% and 11.7% of our unregulated bridging loans, respectively, and 74.8% and 25.2% of our development loans, respectively, calculated by value as of June 30, 2021. 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 origination 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 originate commercial purpose loans.

In the year ended June 30, 2021, we distributed 61.1% of our BTL+ loans, and 52.9% of our commercial term loans through our established network of mortgage intermediaries, respectively, with the remainder being distributed through direct channels. In the year ended June 30, 2021, we distributed 62.7% 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 37.3% of our unregulated bridging loans through our established network of mortgage intermediaries. 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.

Loan Portfolio Characteristics

The table below provides certain characteristics of our retail purpose and commercial purpose lending as of June 30, 2021 and for the year ended June 30, 2021, as applicable.

	Retail Purpose 26.2%	**Commercial Purpose(1) 73.8%**			
		BTL+ 26.9%	**Commercial Term 19.8%**	**Unregulated Bridging 23.1%**	**Development 4.0%**
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

	Retail Purpose 26.2%	Commercial Purpose[1] 73.8%			
		BTL+ 26.9%	Commercial Term 19.8%	Unregulated Bridging 23.1%	Development 4.0%
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	• £1,052.1 million[3]	• £1,081.3 million	• £793.1 million	• £926.4 million	• £161.8 million
Number of Loans	• 17,144	• 10,088	• 3,840	• 3,083	• 175
Average Inception Loan Size[2]	• £67.3 thousand	• £112.5 thousand	• £220.6 thousand	• £317.8 thousand	• £540.8 thousand
Weighted Average Indexed LTV	• 46.8%	• 55.4%	• 49.3%	• 55.6%	• 59.2%
Weighted Average Nominal Rate	• 6.6%	• 7.0%	• 7.7%	• 9.9%	• 9.9%
% of which are Fixed Rate	• 46.2%	• 5.1%	• 1.0%	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 3.2%	• —	• —	• 100.0%	• 97.9%
Comprising first lien and second lien split as follows:					
First Lien Loan Portfolio					
Loan Portfolio Value	• £619.0 million	• £714.3 million	• £759.0 million	• £817.6 million	• £121.1 million
Number of Loans	• 6,619	• 5,162	• 3,573	• 2,703	• 116
Average Inception Loan Size[2]	• £100.0 thousand	• £144.7 thousand	• £226.4 thousand	• £321.2 thousand	• £700.0 thousand
Weighted Average Indexed LTV	• 44.4%	• 55.5%	• 49.5%	• 55.1%	• 56.9%
Weighted Average Nominal Rate	• 5.9%	• 6.6%	• 7.6%	• 9.8%	• 9.8%
% of which are Fixed Rate	• 58.4%	• 4.8%	• 0.8%	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 5.5%	• —	• —	• 100.0%	• 98.2%
Second Lien Loan Portfolio					
Loan Portfolio Value	• £433.1 million	• £367.0 million	• £34.2 million	• £108.8 million	• £40.7 million
Number of Loans	• 10,525	• 4,926	• 267	• 380	• 59
Average Inception Loan Size[2]	• £46.8 thousand	• £78.8 thousand	• £141.9 thousand	• £294.1 thousand	• £227.9 thousand
Weighted Average Indexed LTV	• 50.1%	• 55.2%	• 44.3%	• 59.6%	• 66.1%
Weighted Average Nominal Rate	• 7.5%	• 7.7%	• 8.2%	• 10.7%	• 10.2%
% of which are Fixed Rate	• 28.8%	• 5.7%	• 4.1%	• —	• 0.1%
% with Term ≤ 24 months Loan Portfolio Value	• —	• —	• —	• 100.0%	• 97.0%
Total Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £130.6 million)	• £119.0 million[4]	• £225.8 million	• £178.5 million	• £497.7 million	• £19.2 million
Number of Loans	• 988	• 1,328	• 598	• 2,120	• 37

	Retail Purpose 26.2%	Commercial Purpose(1) 73.8%			
		BTL+ 26.9%	Commercial Term 19.8%	Unregulated Bridging 23.1%	Development 4.0%
Average Inception Loan Size(2)	• £120.4 thousand	• £170.0 thousand	• £298.5 thousand	• £234.8 thousand	• £519.2 thousand
Weighted Average Origination LTV	• 52.1%	• 62.9%	• 58.5%	• 61.2%	• 43.4%
Weighted Average Nominal Rate	• 6.3%	• 6.0%	• 6.9%	• 9.6%	• 10.0%
% of which are Fixed Rate	• 74.8%	• 0.6%	• —	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 8.9%	• —	• —	• 100.0%	• 99.0%

Comprising first lien and second lien split as follows:

First Lien Loans underwritten in last 12 months

Loan Portfolio Value (excluding further advances of £96.2 million)	• £95.7 million	• £191.0 million	• £175.6 million	• £460.0 million	• £17.0 million
Number of Loans	• 724	• 1,064	• 594	• 2,024	• 24
Average Inception Loan Size(2)	• £132.2 thousand	• £179.5 thousand	• £295.6 thousand	• £227.3 thousand	• £706.6 thousand
Weighted Average Origination LTV	• 51.2%	• 63.7%	• 58.6%	• 61.6%	• 40.0%
Weighted Average Nominal Rate	• 6.3%	• 5.8%	• 6.9%	• 9.6%	• 9.8%
% of which are Fixed Rate	• 73.9%	• 0.7%	• —	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 11.1%	• —	• —	• 100.0%	• 99.3%

Second Lien Loans underwritten in last 12 months

Loan Portfolio Value (excluding further advances of £34.4 million)	• £23.2 million	• £34.8 million	• £2.9 million	• £37.7 million	• £2.3 million
Number of Loans	• 264	• 264	• 4	• 96	• 13
Average Inception Loan Size(2)	• £88.0 thousand	• £131.9 thousand	• £729.1 thousand	• £393.1 thousand	• £173.2 thousand
Weighted Average Origination LTV	• 56.0%	• 58.8%	• 50.8%	• 56.2%	• 69.0%
Weighted Average Nominal Rate	• 6.3%	• 6.9%	• 5.7%	• 10.1%	• 11.4%
% of which are Fixed Rate	• 78.4%	• 0.3%	• —	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• —	• —	• —	• 100.0%	• 96.7%

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 £177.9 thousand.

(2) The aggregate average inception loan size of retail and commercial purpose is £122.7 thousand.

(3) The retail loan portfolio value of £1,052.1 million as of June 30, 2021 includes £67.7 million of CBTL loans and £34.0 million regulated bridging loans. Such loans are segmented into first and second lien loans, as appropriate.

(4) Retail purpose loans underwritten in the year ended June 30, 2021 of £119.0 million includes £8.7 million of CBTL loans and £10.6 million of regulated bridging loans. Such loans are segmented into first and second lien 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, the Private Securitizations and capital markets indebtedness represented by Senior Secured Notes and the Public Securitizations.

As of June 30, 2021, our Shareholders' Funds were £937.0 million, including Issuer Subordinated Shareholder Funding with a carrying value of £29.3 million. As of June 30, 2021, we had £2,059.0 million of total aggregate facilities (of which £1,117.0 million was drawn) under the Private Securitizations and we had £1,198.4 million of Rated Debt outstanding under the Public Securitizations, £935.0 million of Senior Secured Notes outstanding and a Revolving Credit Facility of £71.9 million, which as of the date of this offering memorandum remains undrawn. Prior to the Issue Date, we expect to draw under the Revolving Credit Facility. See "*Summary—Trading Update*."

On September 29, 2017, we entered into the 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. The TABS 1 Securitization was subsequently redeemed on September 13, 2021. On November 8, 2018, we entered into the 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. On March 15, 2021, we entered into the CRE 1 Securitization pursuant to which we sold commercial mortgages with aggregate principal balance amounts of £204.3 million through the issuance of £203.3 million Rated CRE 1 Notes (including £9.0 million Class X notes, which are held by the Company) to qualified institutional investors. On June 11, 2021, we entered into the CRE 2 Securitization pursuant to which we sold commercial mortgages with aggregate principal balance amounts of £267.8 million through the issuance of £255.4 million Rated CRE 2 Debt (including £13.7 million Class X notes, which are held by the Company) to qualified institutional investors. On September 22, 2021, we entered into the TABS 5 Securitization pursuant to which we sold residential mortgages with aggregate principal balance amounts of £318.0 million through the issuance of £313.2 million Rated TABS 5 Notes (including £11.1 million Class X notes, which are held by the Company) to qualified institutional investors. In addition, in respect of some of the Public 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 Public Securitizations represent an interest that is subordinate to that of the relevant Rated TABS Notes, Rated CRE 1 Notes and Rated CRE 2 Debt respectively. Where Class R notes have been issued they are so issued to provide initial liquidity to the relevant Public Securitizations. The assets purchased by the Public Securitization SPVs from the Originators had been re-purchased by the Originators from Charles Street ABS (in connection with the TABS 1 Securitization, TABS 2 Securitization, TABS 3 Securitization, TABS 4 Securitization and TABS 5 Securitization), from Highfield ABS (in connection with the CRE 1 Securitization and the CRE 2 Securitization) and from the Borrower Group (in connection with the TABS 5 Securitization, the CRE 1 Securitization and the CRE 2 Securitization). Unlike our Private Securitizations which are revolving facilities (excluding the BABS Securitization which consists of a static pool of non-revolving loans), the Public Securitizations do not purchase additional mortgages from the Originators on an ongoing basis.

Pursuant to the Private Revolving 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 Private Revolving Securitizations, certain of our qualifying mortgage loans to Charles Street ABS, Delta ABS 2 (previously, under the now-refinanced DABS 1 Securitization, to Delta ABS 1), Highfield ABS and Lakeside ABS, respectively, each a bankruptcy-remote special purpose vehicle established for purposes of the Private Revolving 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 relevant Originators.

In connection with our newly established BABS Securitization, some of the Originators sold certain mortgage loans in varying levels of arrears to Brooks ABS which is a bankruptcy-remote special purpose vehicle established for purposes of the BABS Securitization which is a Private Term Securitization. Brooks ABS finances the purchase of such mortgage loans from borrowings funded through the issuance of notes to the note purchaser with the balance of any funding requirements provided through the issuance of subordinated notes to the relevant 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 Private Securitization (except for the BABS Securitization which consists of a static pool of non-revolving loans). In order to maximize the borrowing level, as well as to prevent a default from occurring in each of the Private 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 Private Securitization, as applicable, to fund the ineligible loans. To date, we have chosen to substitute ineligible loans with eligible loans. In the year ended June 30, 2021, £84.1 million of defaulted loans were repurchased from the Private Securitizations compared to £101.9 million in the year ended June 30, 2020. We estimate principal losses recognized on defaulted loans repurchased from the CABS Securitization were, on average, less than £0.2 million per year between January 1, 2013 and June 30, 2021. 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 June 30, 2021. Principal losses recognized on defaulted loans repurchased from the HABS Securitization have been £nil since its inception in April 2018 until June 30, 2021. 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 June 30, 2021.

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 or quarterly basis (as applicable), except during a default or full amortization period, as applicable. Surplus income paid back to the Originators in the year ended June 30, 2021 amounted to £155.2 million.

The table below provides certain characteristics of our Public Securitizations as of June 30, 2021, 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**	**Together CRE 1**	**Together CRE 2**	**Total Term Securitizations**
As of Issuance date							
Principal balance	• £275.0 million	• £286.9 million	• £332.0 million	• £366.0 million	• £204.3 million	• £267.8 million	• £1,732.1 million
Rated Notes / Debt	• £261.3 million	• £272.6 million	• £315.4 million	• £360.5 million (including £12.8 million Class X notes)	• £203.3 million (including £9.0 million Class X notes held by the Company)	• £255.4 million (including £13.7 million Class X notes held by the Company)	• £1,668.4 million (including £35.5 million Class X notes under the TABS 4 Securitization, TABS CRE 1 Securitization and TABS CRE 2 Securitization)
Class Z notes	• £13.8 million	• £14.3 million	• £16.6 million	• £18.3 million	• £10.0 million	• £12.5 million	• £85.6 million
Class R notes	• £5.2 million	• £7.2 million	• £8.2 million	• £11.0 million			• £31.6 million
As of June 30, 2021							
Principal balance	• £108.3 million	• £153.8 million	• £239.8 million	• £313.9 million	• £192.7 million	• £267.8 million	• £1,276.3 million
Rated Notes / Debt	• £93.3 million	• £139.4 million	• £223.2 million	• £295.5 million	• £191.6 million (including £4.8 million Class X notes)	• £255.4 million (including £13.7 million Class X notes which are held by the Company)[(1)]	• £1,198.4 million (including £18.5 million Class X notes under the CRE 1 and CRE 2 Securitizations, respectively)[(2)]
Class Z notes	• £15.0 million	• £14.3 million	• £16.6 million	• £18.3 million	• £10.0 million	• £12.5 million	• £86.8 million
Cash Reserve owed to originators	• £3.8 million	• £6.8 million	• £7.9 million	• £11.0 million	• £4.0 million	• £5.0 million	• £38.5 million

	Together ABS 1	Together ABS 2	Together ABS 3	Together ABS 4	Together CRE 1	Together CRE 2	Total Term Securitizations
Surplus income paid back to the Originators, for the year ended June 30, 2021	• £7.8 million	• £9.8 million	• £11.1 million	• £0.8 million	• £0.1 million	• £nil million	• £29.6 million

(1) There have been no changes to the principal balance, CRE 2 Debt and other notes outstanding under the CRE 2 Securitization compared to its issuance date on or about June 11, 2021.

(2) Stated after the allocation of £31.4 million of principal receipts, received during the month of June 2021, for which such receipts are only formally applied to reduce the Rated Debt in the subsequent month. £3.1 million in relation to Together ABS 1, £5.2 million in relation to Together ABS 2, £11.1 million in relation to Together ABS 3, £7.9 million in relation to Together ABS 4, and £4.2 million in relation to Together CRE 1, respectively. Surplus income does not include revenue receipts used for redemptions related to the Class X notes under the CRE 1 Securitization and CRE 2 Securitization, which amounted to £0.1 million and £nil million, respectively.

In May 2020, the relevant originators and each of the note purchasers under the Private Securitizations entered into waivers and amendments, which were subsequently extended, of certain documents under each of the Private Securitizations in order to support the provision of Mortgage-Payment Deferrals, in line with initial guidance from the FCA.

The TABS 1 Securitization was redeemed on September 13, 2021. See "*Summary—Recent Developments—New Sources of Funding*." Upon entry into the TABS 5 Securitization on September 22, 2021 and the purchase by Together ABS 5 of assets previously held in Charles Street ABS, the principal balance of loans in Charles Street ABS was reduced by £242.0 million, with the total notes outstanding under the CABS Securitization reduced by £217.8 million and subordinated subscription notes reduced by £24.2 million.

The table below provides certain characteristics of our Private Securitizations as of June 30, 2021, unless stated otherwise. For additional information in respect of the Securitizations, see "*Description of Certain Financing Arrangements—Private Securitizations*."

	Charles Street ABS	Delta ABS 2	Highfield ABS	Lakeside ABS	Total Private Revolving Securitizations
Total commitments as of June 30, 2021 . . .	• £1,254.5 million	• £200.0 million	• £104.4 million (due to entering the amortization period and was previously £525.0 million)	• £500.0 million	• £2,059.0 million
Total notes outstanding as of June 30, 2021	• £724.6 million	• £25.0 million	• £104.4 million	• £163.0 million	• £1,117.0 million
Principal balance as of June 30, 2021	• £796.7 million	• £41.9 million	• £124.9 million	• £190.7 million	• £1,254.2 million
Cash balance as of June 30, 2021	• £27.4 million	• £12.5 million	• £9.6 million	• £16.1 million	• £65.6 million
Net creditor / (debtor) balance as of June 30, 2021	• £1.0 million	• £(0.2) million	• £2.0 million	• £0.6 million	• £3.3 million
Total subordinated subscription notes outstanding as of June 30, 2021	• £8.4 million	• £29.6 million	• £28.1 million	• £43.2 million	• £199.4 million
Surplus income paid back to the Originators for the year ended June 30, 2021	• £53.0 million	• £17.3 million	• £27.6 million	• £27.7 million	• £125.6 million

Upon entry into the BABS Securitization in July 2, 2021, £96.2 million principal balance of mortgage loans that were in arrears either on, or had been prior to, the issue date of the BABS Securitization was sold to Brooks ABS resulting in additional funding to the group of £71.2 million.

On September 1, 2021, the HABS Securitization was amended and, as a result, the total commitment size increased from £104.4 million (following the HABS Securitization entering a phase of amortization) back to its original size of £525.0 million while the maturity of the facility was also extended to September 2025.

Supplemental Cash Flow Information for the group and Borrower Group

The group is highly cash generative with £1,570.1 million, £1,562.5 million and £1,687.2 million of Cash Receipts in the years ended June 30, 2019, 2020 and 2021, respectively, comprising of £309.0 million, £315.0 million and £314.7 million of interest and fees, respectively, and £1,261.1 million, £1,247.5 million and £1,372.5 million of principal receipts, respectively. Cash Receipts expressed as a percentage of total average loan assets were 47.2%, 39.8% and 41.3% in the years ended June 30, 2019, 2020 and 2021.

The Borrower Group generated £779.5 million, £735.2 million and £851.9 million of Cash Receipts in the years ended June 30, 2019, 2020 and 2021, respectively, comprising of £90.3 million, £65.4 million and £78.5 million of interest and fees, respectively, £540.4 million, £504.5 million and £618.2 million of principal receipts, respectively, and £148.8 million, £165.3 million and £155.2 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 68.8% 64.2%, and 65.3% in the years ended June 30, 2019, 2020 and 2021, respectively.

The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £116.9 million, £116.5 million and £104.9 million in the years ended June 30, 2019, 2020 and 2021, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £1,453.2 million, £1,446.0 million and £1,582.3 million, respectively.

The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £111.8 million, £116.5 million and £104.9 million in the years ended June 30, 2019, 2020 and 2021, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £667.7 million, £618.7 million and £747.0 million, respectively.

The group paid interest costs of £105.1 million, £125.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing) and £110.5 million (including £5.4 million of exceptional costs relating to the 2024 Notes Refinancing), respectively, and debt issuance costs of £9.1 million, £8.5 million and £11.0 million in the years ended June 30, 2019, 2020 and 2021, respectively.

The Borrower Group paid interest costs of £45.7 million, £50.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing) and £47.8 million (including £5.4 million of exceptional costs relating to the 2024 Notes Refinancing), respectively, and debt issuance costs of £9.1 million, £8.5 million and £11.0 million in the years ended June 30, 2019, 2020 and 2021, respectively.

In addition, the group (and the Borrower Group) paid dividends of £29.9 million, £15.6 million and £52.7 million in the years ended June 30, 2019, 2020 and 2021 to its parent company, Midco2, which in turn paid approximately the same amount to the Issuer, principally to allow the Issuer to pay interest on the 2023 PIK Notes as cash interest as well as an £20.0 million in respect of shareholder distributions paid above the Issuer in 2021. In April 2020, responding prudently to the uncertainty during the early stages of Covid-19, the group elected to pay interest on the 2023 PIK Notes as PIK Interest and no dividend was paid to Midco2. Regarding the interest payment subsequently to April 2020, the group reverted to making cash interest payments on the 2023 PIK Notes.

Total cash as of June 30, 2021 was £228.6 million, comprising of £79.9 million unrestricted cash and £148.7 million restricted cash (which is cash held by the Securitization Vehicles), compared to £252.5 million, comprising of £112.9 million unrestricted cash and £139.6 million restricted cash as of June 30, 2020 and compared to £120.2 million, comprising of £22.6 million unrestricted cash and £97.6 million restricted cash as of June 30, 2019.

Total Accessible Liquidity as of June 30, 2021 was £453.4 million, compared to £144.7 million for June 30, 2020, and compared to £46.1 million for June 30, 2019. Total Accessible Liquidity does not give *pro forma* effect to the Offering or the effects of the optional redemption of the TABS 1 Securitization, the entries into the TABS 5 and BABS Securitizations and most recent amendments to the HABS Securitization.

See "*Overview—Our Sources of Funding*" and "*Summary—Supplemental Cash Flow Information for the group and Borrower Group.*"

Loan Analysis

Our total loan assets as of June 30, 2019, 2020 and 2021, totaled £3,694.5 million, £4,162.2 million and £4,011.9 million, respectively, net of allowances for impairment, which represents an increase of 12.7% from June 30, 2019 to June 30, 2020, a decrease of 3.6% from June 30, 2020 to June 30, 2021. The increases were primarily driven by continued growth in new business originations supported by the expansion of our Private Securitizations, further issuances of Public Securitizations and increases in the issuance of senior secured notes, with the decrease in the period of June 30, 2020 to June 30, 2021 being as a result of the onset of Covid-19, which prompted us to temporarily pause accepting new loan applications for a period of time on March 23, 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, development loans, non-performing arrears loans and repossessions and LPA Sales loans), as of June 30, 2021.

	As of June 30, 2021				
	All Loans	Performing Loans	Development Loans	Repossessions and LPA Sales	Non-Performing Arrears Loans
	(£ in millions, except where otherwise indicated)				
Loan portfolio(1)	4,014.8	3,653.9	161.8	64.0	135.1
Number of loans	34,330	31,664	175	276	2,215
Average loan size (expressed in thousands)	116,947	115,394	924,783	231,994	60,974
Weighted average indexed LTV (%)(2)	52.1%	51.9%	59.2%	49.9%	51.3%
Total allowances for impairments(3)	94.3	36.1	30.0	16.5	11.6
Exposure to negative equity	28.3	8.6	10.5	7.6	1.6
Repayment type					
Capital repayment loans	1,280.4	1,231.1	—	2.2	47.1
Bridging loans(4)	1,123.8	875.3	161.8	34.1	52.6
Interest only retail purpose	370.2	353.3	—	—	16.9
Interest only commercial purpose	1,240.4	1,194.1	—	27.8	18.4
Security					
Residential	2,553.3	2,368.0	20.9	40.9	123.6
Commercial	1,461.4	1,285.9	140.9	23.2	11.5
Purpose					
Retail	1,052,1	974.6	—	0.3	77.2
Commercial	2,962.7	2,679.3	161.8	63.7	57.9
Lien					
First	3,031.0	2,768.3	121.1	59.0	82.5
Second	983.8	885.5	40.7	5.0	52.5
Interest rate type					
Fixed	549.1	510.6	—	0.4	38.0
Variable	3,465.7	3,143.3	161.8	63.6	97.0
Origination by calendar year					
2021	717.3	691.6	24.2	1.5	—
2020	568.5	530.6	26.0	6.4	5.4
2019	1,163.6	1,053.4	68.9	15.5	25.7
2018	652.7	587.1	22.4	18.7	24.4
2017	340.2	309.5	5.8	9.6	15.3
2014 to 2016	353.3	313.9	0.3	7.9	31.3
2009 to 2013	67.4	58.6	0.3	2.4	6.0
Pre-2009	151.8	109.1	13.9	1.9	26.9

(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 £94.3 million excludes allowances for impairment in respect of shortfalls and assets in non-core subsidiaries. The breakdown of £94.3 million includes £4.0 million of stage 1, £28.6 million of stage 2 and £61.6 million of stage 3 allowances for impairment. See note 11 to our consolidated financial statements for the year ended June 30, 2021 for further details.

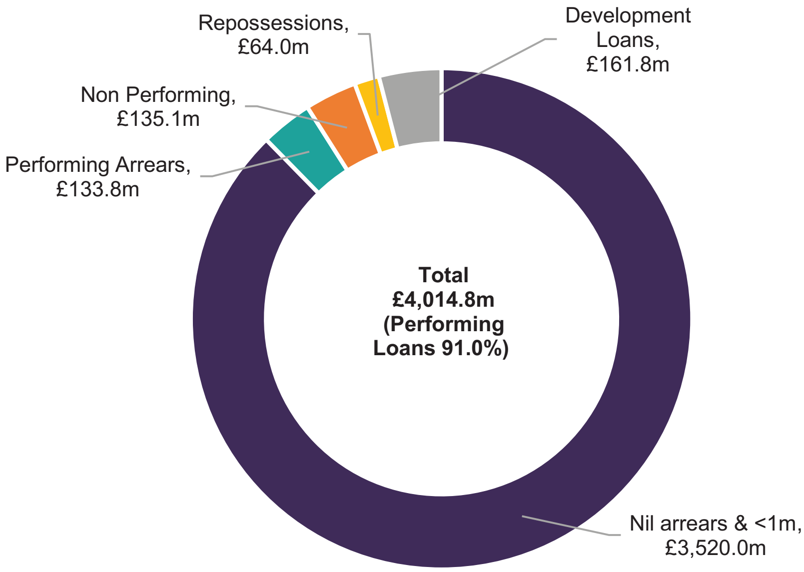
(4) Bridging loans includes £34.0 million of regulated bridging loans included in retail purpose lending. The remainder are included within unregulated bridging loans and development loans.

The table below sets forth our loan portfolio by loan size, number of loans and value, as of June 30, 2021.

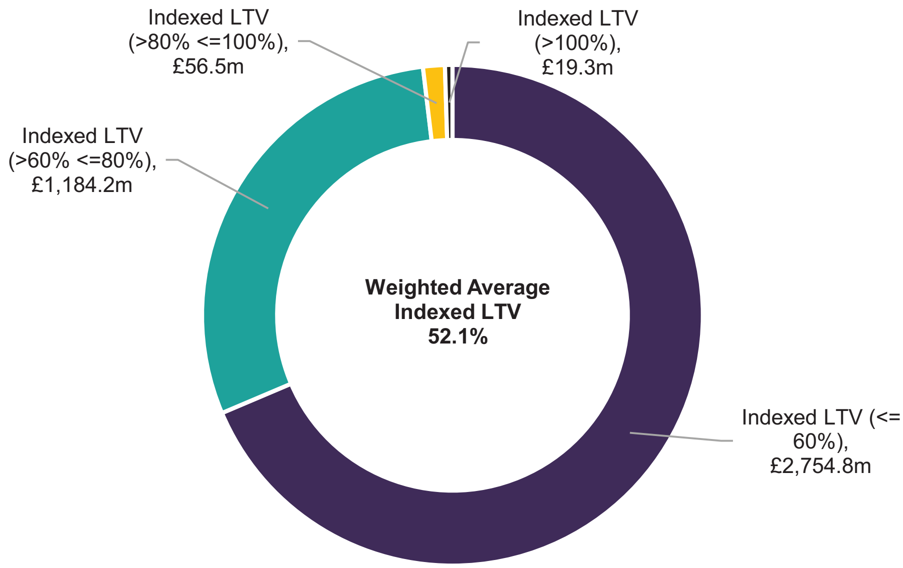
Loan size	Number of loans	Value £m
Above £5 million	21	145.6
£2.5 million to £5 million	98	331.3
£1 million to £2.5 million	306	464.2
£0.5 million to £1 million	624	418.0
£0.25 million to £0.5 million	1,953	663.2
£0.1 million to £0.25 million	6,31	958.3
£50 thousand to £100 thousand	9,019	638.6
Below £50 thousand	15,999	395.6
Total	**34,330**	**4,014.8**

The charts below show our loan portfolio by value by asset status and indexed LTV band as of June 30, 2021.

Asset Status



Indexed LTV Bands



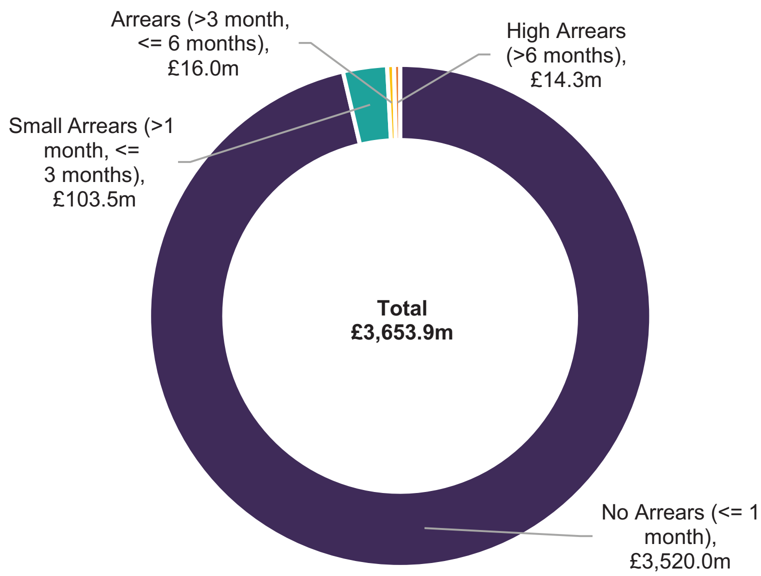
Performing Loans

Performing loans (not including development loans, which are reported as a separate category) as of June 30, 2021 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 £3,520.0 million, or 87.7% 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 £133.8 million, or 3.3% of our total loan portfolio.

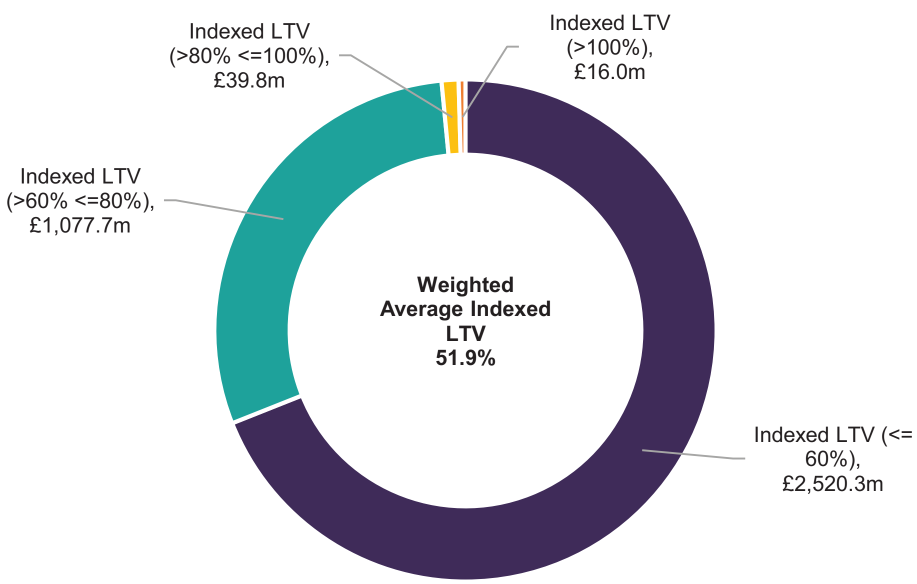
As of June 30, 2021, performing loans totaled £3,653.9 million, or 91.0% of our total portfolio. Total performing loans as a percentage of our loan portfolio increased by 1.2% as of June 30, 2021, compared to June 30, 2020. As of June 30, 2020, performing loans totaled £3,739.0 million, or 89.8% of our 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.

The charts below show our performing loans by value by arrears category and indexed LTV band after allowances for impairment as of June 30, 2021.

Arrears Categories



Indexed LTV Bands



As of June 30, 2020, our performing loans of £3,653.9 million were net of allowances for impairment of £36.1 million, which included £26.8 million for stage 1 and stage 2 impairments (see "*—Critical Accounting Policies—IFRS 9—including impairment of financial assets*"). Our performing loans, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £8.6 million.

Development Loans

As of June 30, 2021, we had a total of £161.8 million in development loans of which £14.1 million, representing 8.7% of our development loan portfolio, were originated prior to December 31, 2009, 17.7% were originated between January 1, 2010 and December 31, 2018 (including any further advances advanced post 2018) and 73.6% originated after January 1, 2019.

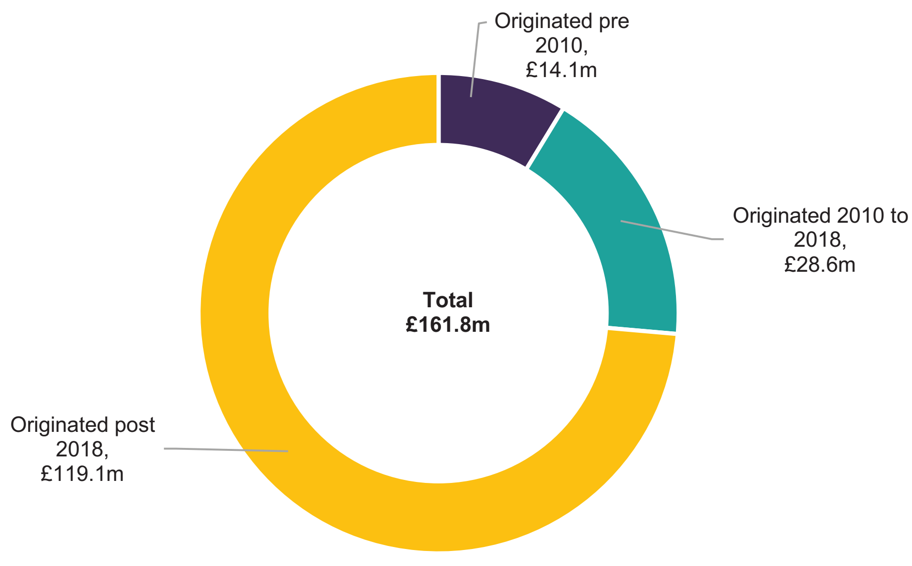
With respect to our historical development loans, primarily those originated prior to December 31, 2009 and, due to the negative equity position of some of these loans, we have either taken possession of the underlying development or are working with the borrowers to achieve an orderly completion and 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 June 30, 2021, the balance of development loans originated prior to December 31, 2009 has reduced from £90.3 million to £14.1 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 year ended June 30, 2021, we extended £67.4 million in further advances on development loans originated prior to June 30, 2020 and have underwritten £50.1 million in new development loans comprised of £19.2 million of initial advances and £30.9 million of further advances (in relation to loans originated initially on or after July 1, 2020).

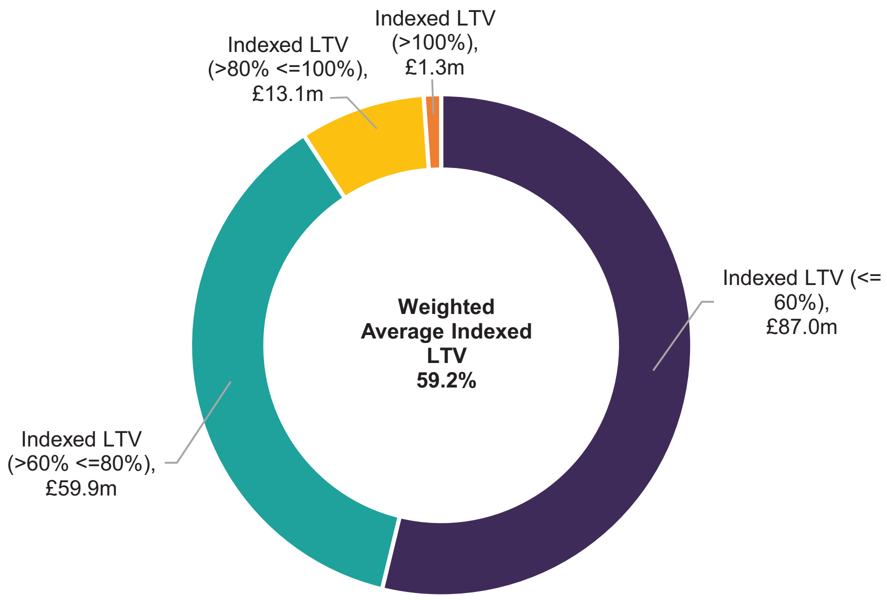
As of June 30, 2021, our development loans of £161.8 million were net of allowances for impairment of £30.0 million. Our development loans, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £10.5 million. As of June 30, 2021, applying IFRS 9 reporting categories, £50.9 million were classified as Stage 1 loans, £60.7 million as Stage 2 loans and £50.2 million as Stage 3 loans. As of June 30, 2021, development loans comprised 4.0% 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 June 30, 2021.

Origination Date



Indexed LTV Bands



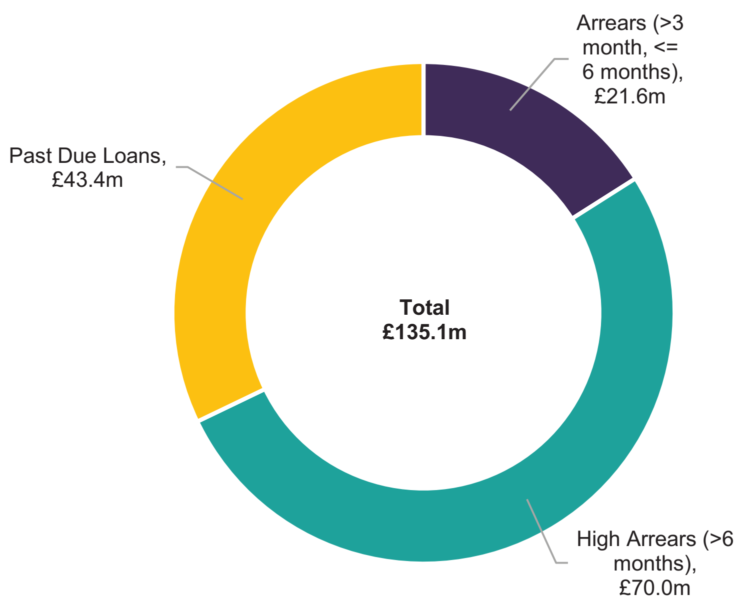
Non-Performing Arrears Loans

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 June 30, 2021). Non-performing arrears loans do not include development loans, which are reported as a separate category.

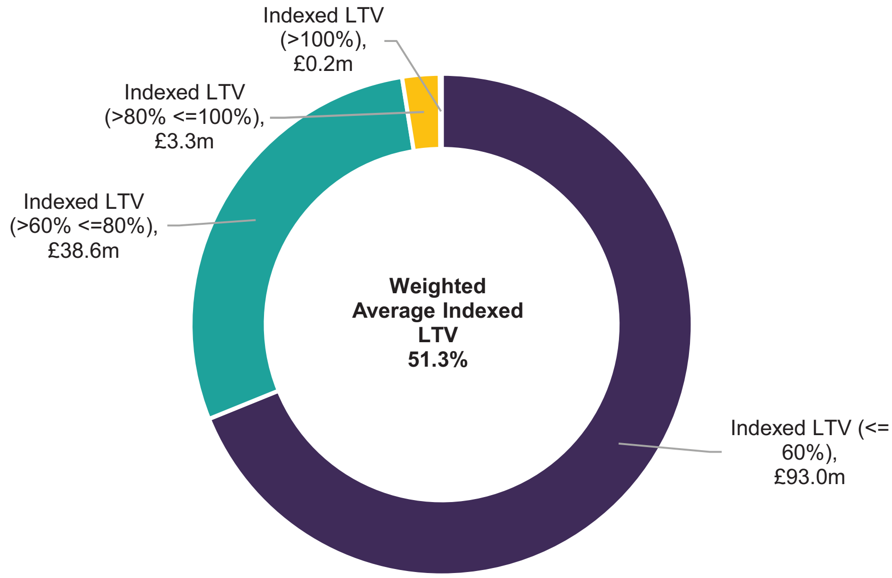
As of June 30, 2021, non-performing arrears loans totaled £135.1 million, or 3.4% of our loan portfolio. Total non-performing arrears loans as a percentage of our loan portfolio decreased by 0.6% as of June 30, 2021 compared to June 30, 2020. As of June 30, 2020, non-performing arrears loans totaled £164.4 million, or 4.0% 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.

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 June 30, 2021.

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.

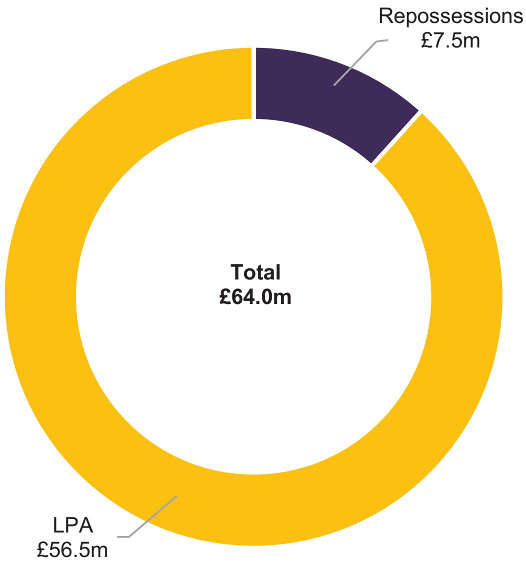
As of June 30, 2021, our non-performing arrears loans of £135.1 million were net of allowances for impairment of £11.6 million. Our non-performing loans, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £1.6 million 21.2% of our non-performing arrears loans as of June 30, 2021 were underwritten prior to 2010.

Repossessions and LPA Receivership

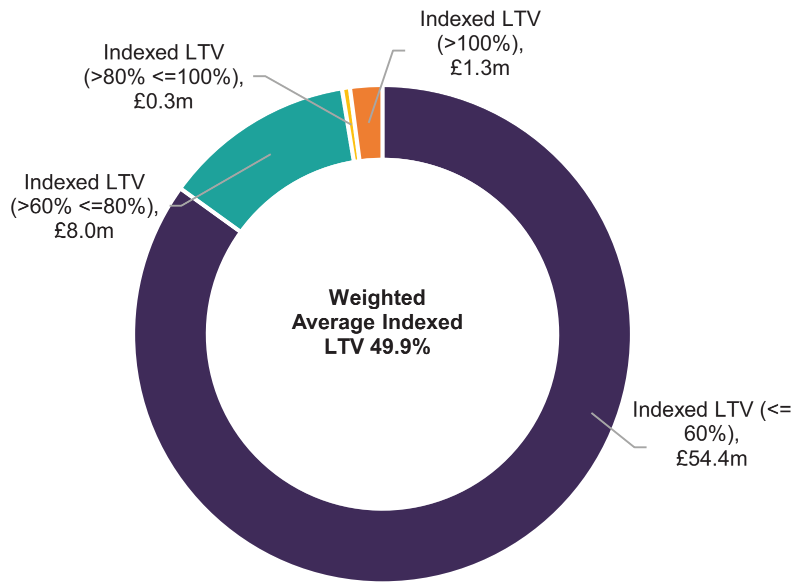
Repossessed properties are properties in respect of which a court order has been actioned by a charge holder to the security or in respect of which the borrower has surrendered ownership of the property. LPA receivership is typically used to exercise security over property used for commercial purpose loans and enable us to sell the property ("LPA Sales"). As of June 30, 2021, we had a total of £64.0 million or 1.6% of our loan portfolio, in loans (excluding any 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. Total repossessions and LPA receivership loans as a percentage of our loan portfolio increased by 0.3% as of June 30, 2021 compared to June 30, 2020. As of June 30, 2020, repossessions and LPA receivership loans totaled £54.7 million or 1.3% of our loan portfolio. We view repossession as a last resort to recovery and even in the case of repossession proceedings, we continue to work with the borrower to achieve the best possible outcome for both parties.

The charts below show by value our repossessions and LPA Sales by stage of recovery and indexed LTV band after allowances for impairment as of June 30, 2021.

Stages of Recovery



Indexed LTV Bands



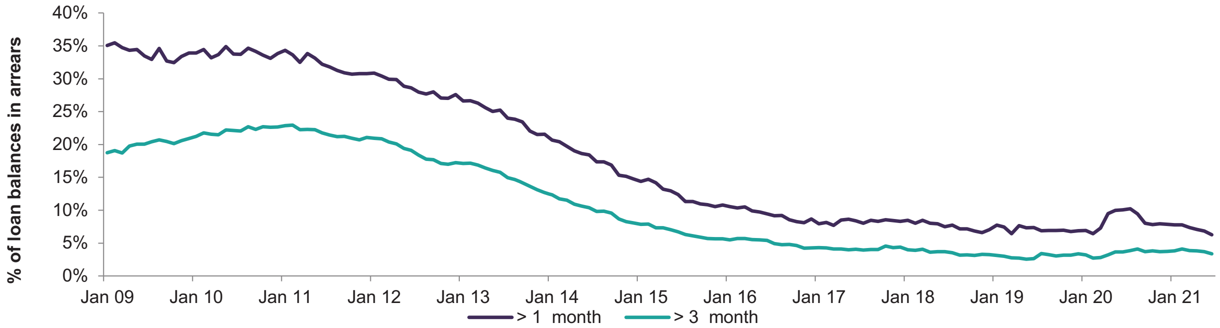
In the above charts, "LPA Sales" refers to loans for which the property securing the loan is under LPA receivership with a sale status, in respect of which the property is being actively marketed for sale and "Repossessions" refers to loans for which we have repossessed the property securing the loan,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

As of June 30, 2021, our loans subject to a repossession order or LPA Sale of £64.0 million were net of allowances for impairment of £16.5 million. Our loans subject to a repossession order or LPA Sale, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £7.6 million.

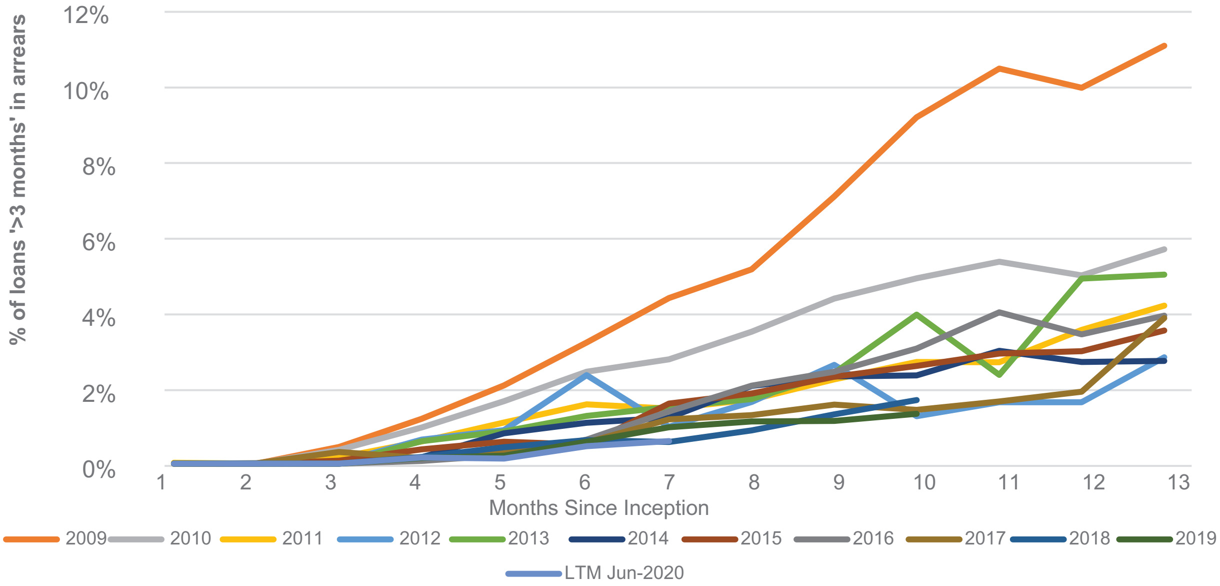
Arrears Trends

With the exception of the application of certain forbearance measures, we do not reschedule our loans by capitalizing arrears. In this offering memorandum, arrears data are based on the original contractual position, using actual cash received to identify performing and non-performing arrears loans, and do not take into account either payment plans or agreed changes to payment dates, 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 June 30, 2021, loans in arrears increased slightly, primarily due to the immediate economic consequences of Covid-19, which have since abated and arrears levels return to pre-pandemic levels. 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 June 2021. Of the loans that constituted the 3.4% of arrears greater than three months as of June 30, 2021, the number that are still in a Mortgage-Payment Deferral equated to less than 0.1%.



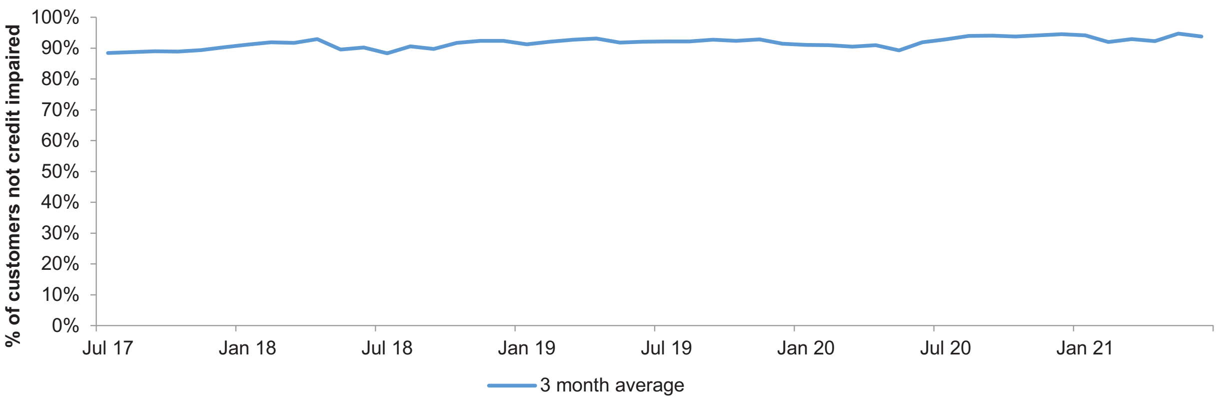
The graph below shows annual vintage delinquency rates split by calendar year of origination from 2009 through to 2020 that have arrears greater than three months.



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 0.6% for loans funded in the year ended June 30, 2020.

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 July 2017.



For loans originated since July 1, 2018, approximately 92.2% of customers are not credit impaired pursuant to the FCA definition of credit impairment (as set out below). For loans originated since July 1, 2018 for retail purpose loans, BTL+ loans, commercial term loans and unregulated bridging loans, approximately 88.8%, 92.0%, 90.8% and 94.4%, respectively, of customers are not credit impaired pursuant to the FCA definition of credit impairment (as set out below).

For loans originated since July 1, 2020, approximately 93.7% of customers are not credit impaired pursuant to the FCA definition of credit impairment (as set out below). For loans originated since July 1, 2020, for retail purpose loans, BTL+ loans, commercial term loans and unregulated bridging loans, approximately 89.3%, 92.7%, 92.9% and 94.7%, 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 52.1% as of June 30, 2021. Of our loan portfolio, the percentage of loans with an indexed LTV of greater than 80% was 1.9% and 0.5% had an indexed LTV greater than 100% (after netting any allowances for impairment) as of June 30, 2021. As of June 30, 2021, the loan portfolio, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £28.3 million, which compared to allowances for impairment of £94.3 million.

As of June 30, 2021, our consolidated financial statements include £104.4 million of allowances for impairment which includes £94.3 million in respect of the loan portfolio, £9.9 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 June 30, 2021, a 10%, 20% and 30% decline to indexed valuations on a loan by loan analysis would result in additional negative equity exposure of £7.4 million, £21.1 million and £66.2 million, respectively.

Borrower Group Loan Analysis

The total loan assets of the Borrower Group as of June 30, 2019, 2020 and 2021, totaled £1,189.3 million, £1,102.0 million and £1,507.3 million, respectively, net of allowances for impairment, which represents a decrease of 7.3% from June 30, 2019 to June 30, 2020, due to a reduction in loan assets 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 36.8% from June 30, 2020 to June 30, 2021, primarily driven by the issuance of additional senior secured notes (with which securitization assets were repurchased) and a return of origination volumes funded through the Borrower Group cash and continued net income.

The table below provides a summary of the Borrower Group's loan portfolio as of June 30, 2021 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 June 30, 2021. As of June 30, 2021, 78.0% of the Borrower Group loan portfolio are classified as performing loans. The Borrower Group's loan portfolio contains, in addition to performing loans, all of our development loans, the majority of our non-performing arrears loans and almost all of our repossession and LPA Sales loans, which were typically ineligible loans for the Private Revolving Securitizations and were not eligible to be sold to the Public Securitization SPVs in connection with the Public Securitizations. In July 2021, we transferred £96.2 million of mortgage loans in the Borrower Group that were in arrears either on, or had been prior to, the issue date of the BABS Securitization.

	As of June 30, 2021				
	All Loans	Performing Loans	Development Loans	Repossessions and LPA Sales	Non-Performing Arrears Loans
	(£ in millions, except where otherwise indicated)				
Loan portfolio[1]	1,485.8	1,159.4	161.8	58.3	106.1
Number of loans	8.870	6,623	175	240	1,832
Average loan size (expressed in thousands)	167,503	175,062	924,783	243,083	57,937
Weighted average indexed LTV (%)	55.9%	56.2%	59.2%	47.8%	51.7%
Total allowances for impairments	81.8	26.2	30.0	14.6	10.9
Exposure to negative equity	28.1	8.5	10.5	7.6	1.6
Repayment type					
Capital repayment loans	303.3	266.2	—	3.5	33.7
Bridging loans	769.8	525.5	161.8	30.5	51.9
Interest only retail purpose	58.0	50.8	—	—	7.2
Interest only commercial purpose	354.6	316.9	—	24.3	13.4
Security					
Residential	769.0	614.8	20.9	37.5	95.8
Commercial	716.7	544.6	140.9	20.8	10.3
Purpose					
Retail	226.0	170.2	—	0.5	55.2
Commercial	1,259.8	989.2	161.8	57.8	50.9
Lien					
First	1,189.4	948.9	121.1	52.3	67.1
Second	296.4	210.6	0.7	6.0	39.1
Interest Charge type					
Fixed	151.3	120.6	—	0.4	30.2
Variable	1,334.5	1,038.9	161.8	57.9	75.9
Origination by calendar year					
2021	532.6	506.9	24.2	1.5	—
2020	206.4	171.1	26.0	4.6	4.6
2019	225.4	125.3	68.9	11.4	19.7
2018	188.9	131.3	22.4	18.0	17.2
2017	92.6	67.1	5.8	9.0	10.6
2014 to 2016	103.9	73.2	0.3	7.6	22.8
2009 to 2013	30.1	22.0	0.3	2.4	5.4
Pre-2009	105.8	62.5	13.9	3.6	25.8

(1) The loan analysis of the Borrower Group excludes £23.2 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 June 30, 2021, 15.2% of our Borrower Group loan portfolio was classified as retail purpose and 84.8% of our Borrower Group loan portfolio was classified as commercial purpose, calculated by value. As of June 30, 2021, 51.8% of our Borrower Group loan portfolio was secured by residential property. The table below sets forth additional information in respect of the Borrower Group's loan portfolio.

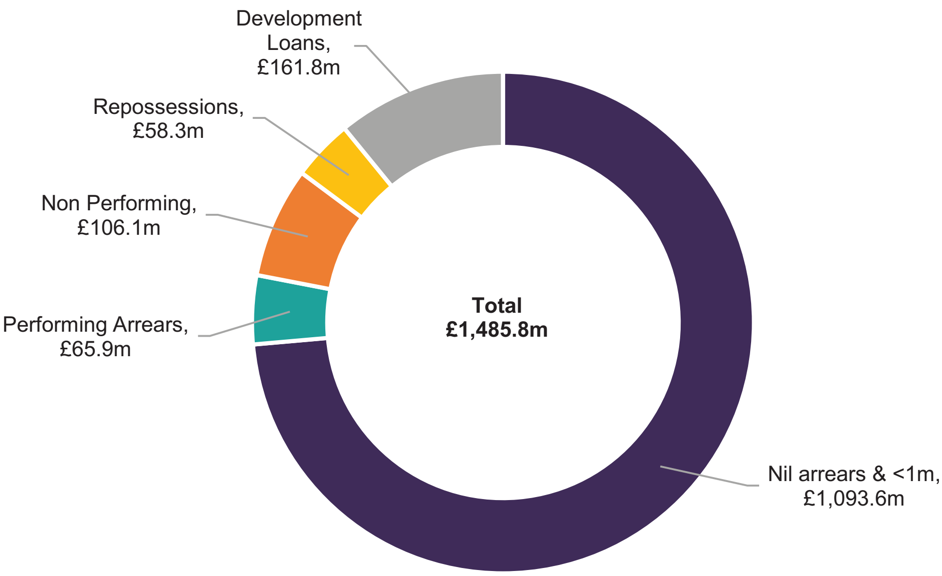
	Retail Purpose 15.2%	Commercial Purpose[(1) (2)] 84.8%			
		BTL+ 20.5%	Commercial Term 14.5%	Unregulated Bridging 38.8%	Development 10.9%
Total Loan Portfolio Analysis					
Loan Portfolio Value	• £226.0 million	• £305.3 million	• £216.0 million	• £576.6 million	• £161.8 million
Number of Loans	• 4,050	• 2,297	• 746	• 1,602	• 175
Average Inception Loan Size[(3)]	• £59.4 thousand	• £138.1 thousand	• £319.1 thousand	• £381.1 thousand	• £540.8 thousand
Weighted Average Indexed LTV	• 49.2%	• 59.4%	• 52.7%	• 56.9%	• 59.2%
Weighted Average Nominal Rate	• 6.9%	• 6.9%	• 7.4%	• 9.9%	• 9.9%
% of which are Fixed Rate	• 63.1%	• 2.4%	• 0.6%	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 13.9%	• —	• —	• 100.0%	• 97.9%

	Retail Purpose 15.2%	Commercial Purpose[(1) (2)] 84.8%			
		BTL+ 20.5%	Commercial Term 14.5%	Unregulated Bridging 38.8%	Development 10.9%
Comprising first lien and second lien split as follows:					
First Lien Loan Portfolio					
Loan Portfolio Value	£150.5 million	£221.9 million	£205.0 million	£490.9 million	£121.1 million
Number of Loans	1,264	1,193	668	1,349	116
Average Inception Loan Size[(3)]	£125.2 thousand	£194.8 thousand	£336.6 thousand	£389.3 thousand	£700.0 thousand
Weighted Average Indexed LTV	49.5%	61.4%	53.3%	56.2%	56.9%
Weighted Average Nominal Rate	6.3%	6.4%	7.4%	9.8%	9.8%
% of which are Fixed Rate	77.0%	2.4%	0.1%	—	—
% with initial term ≤ 24 months Loan Portfolio Value	20.8%	—	—	100.0%	98.2%
Second Lien Loan Portfolio					
Loan Portfolio Value	£75.5 million	£83.3 million	£11.1 million	£85.8 million	£40.7 million
Number of Loans	2,786	1,104	78	253	59
Average Inception Loan Size[(3)]	£29.5 thousand	£76.9 thousand	£169.6 thousand	£337.0 thousand	£227.9 thousand
Weighted Average Indexed LTV	48.5%	54.1%	42.8%	61.1%	66.1%
Weighted Average Nominal Rate	8.1%	8.3%	8.3%	10.5%	10.2%
% of which are Fixed Rate	35.5%	2.4%	9.9%	—	0.1%
% with initial term ≤ 24 months Loan Portfolio Value	0.1%	—	—	100.0%	97.0%

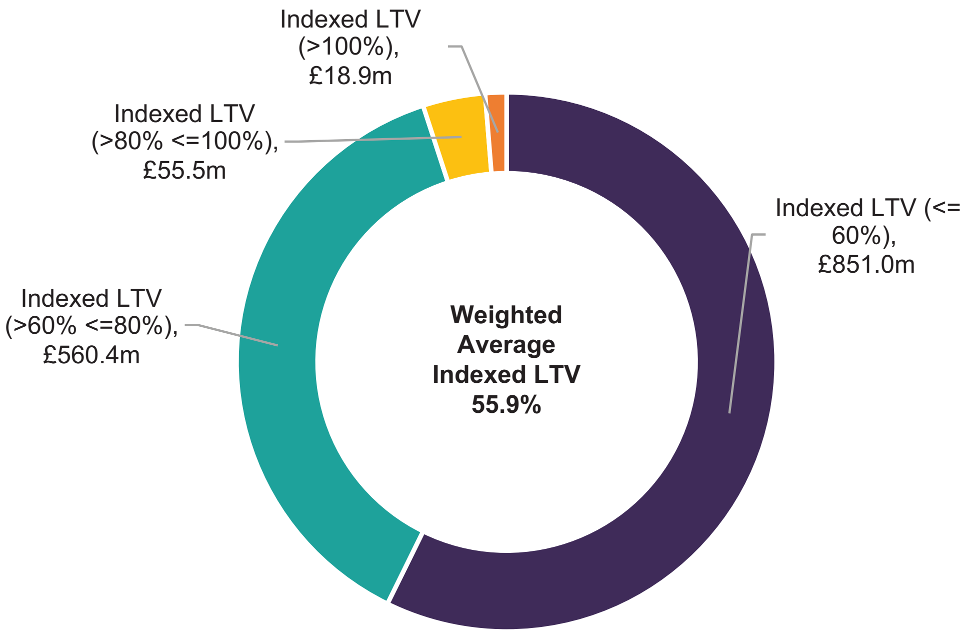
(1) The aggregate average inception loan size of commercial loans is £261.5 thousand.
(2) As of June 30, 2021, commercial purpose loans comprised 84.8% of the Borrower Group's loan portfolio, with a weighted average indexed LTV of 57.1% and a weighted average nominal rate of 8.7%.
(3) The aggregate average inception loan size of retail and commercial purpose loans is £169.2 thousand.

The charts below show the Borrower Group's loan portfolio, by asset status and indexed LTV band as of June 30, 2021.

Asset Status



Indexed LTV Bands



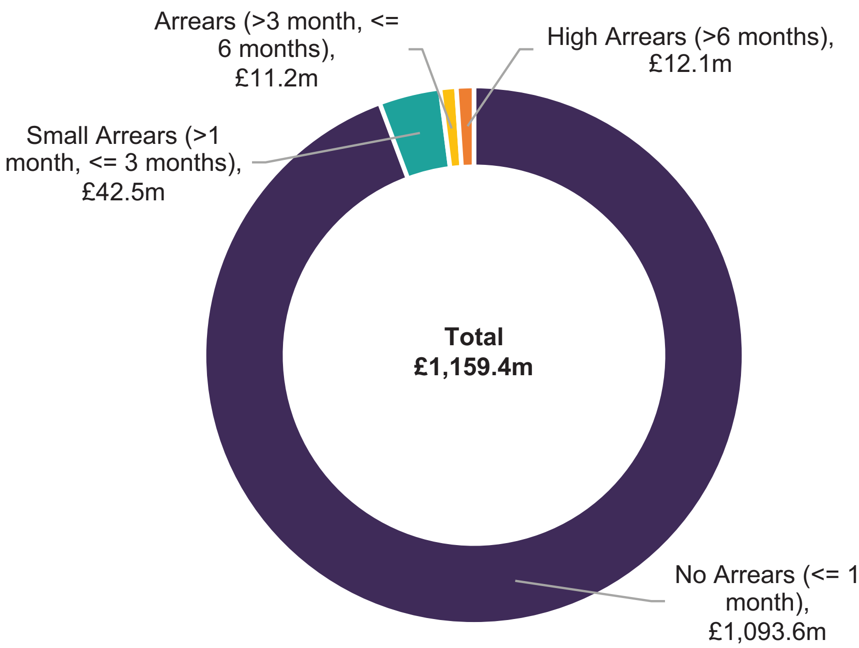
Performing Loans

Performing loans (not including development loans, which are reported as a separate category) as of June 30, 2021 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 £1,093.6 million, or 73.6% 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 £65.9 million, or 4.4% of the Borrower Group's loan portfolio.

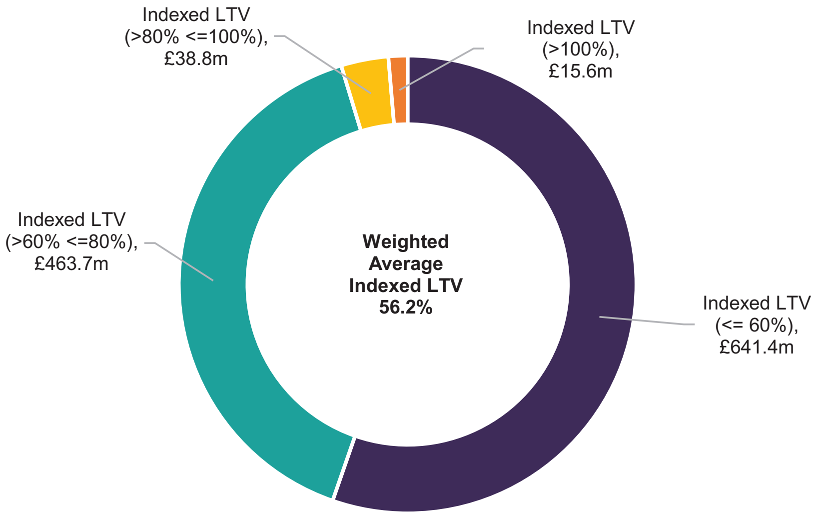
As of June 30, 2021, performing loans totaled £1,159.4 million or 78.0% of the Borrower Group's loan portfolio. Total performing loans as a percentage of our Borrower Group loan portfolio increased by 13.8% as of June 30, 2021 compared to June 30, 2020. As of June 30, 2020, performing loans totaled £690.3 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.

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 June 30, 2021.

Arrears Categories



Indexed LTV Bands

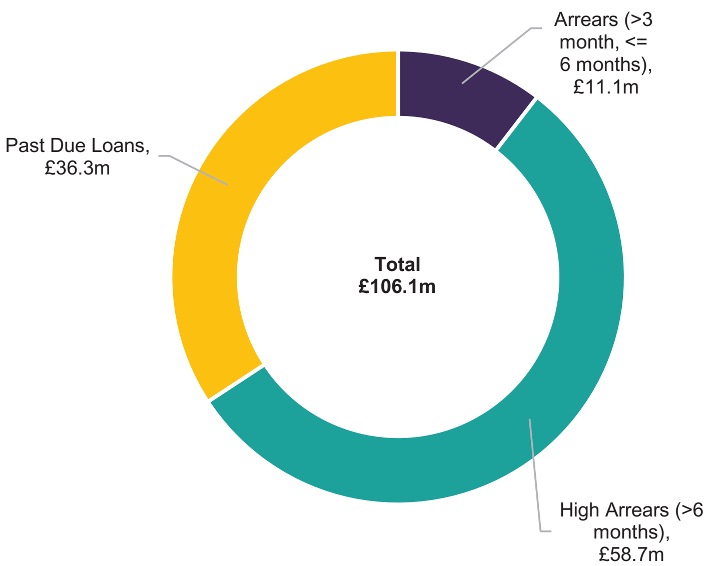


Non-Performing Arrears Loans

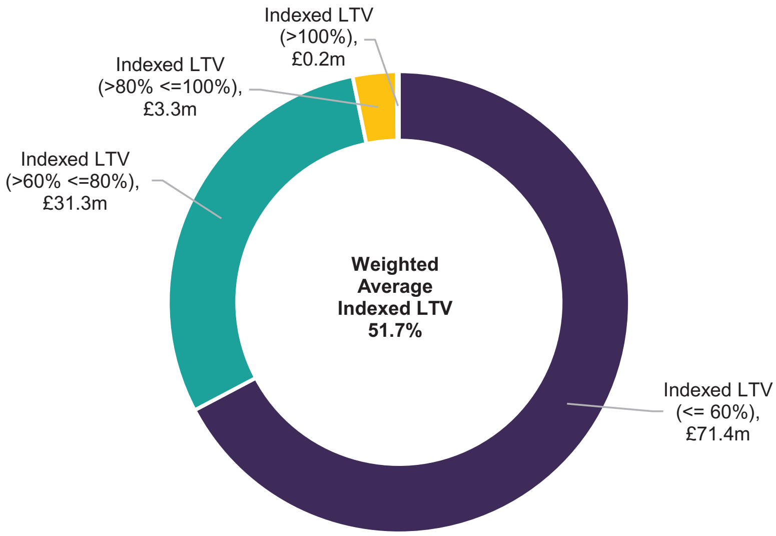
As of June 30, 2021, non-performing loans totaled £106.1 million or 7.1% of the Borrower Group loan portfolio. Total non-performing loans as a percentage of our loan portfolio decreased by 4.3% as of June 30, 2021 compared to June 30, 2020. As of June 30, 2020, non-performing loans totaled £123.2 million 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.

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 June 30, 2021.

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 June 30, 2021, repossessions and LPA Sales portfolio and development loans represented 3.9% and 10.9%, 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 55.9% as of June 30, 2021. Of our Borrower Group loan portfolio, the percentage of loans with an indexed LTV of greater than 80% was 5.0%, and 1.3% had an indexed LTV greater than 100% (after netting any allowances for impairment) as of June 30, 2021.

As of June 30, 2021, the Borrower Group's loan portfolio, prior to the netting of allowances for impairment, had an aggregate exposure to negative equity of £28.1 million, which compared to allowances for impairment in an amount of £81.8 million.

In stress testing the Borrower Group's loan portfolio as of June 30, 2021, a 10%, 20% and 30% decline to indexed valuations on a loan by loan analysis, would result in additional negative equity exposure of £7.3 million, £20.7 million and £58.8 million, respectively.

Supplemental Cash Flow Information for the group and Borrower Group

The group is highly cash generative with £1,570.1 million, £1,562.5 million and £1,687.2 million of Cash Receipts in the years ended June 30, 2019, 2020 and 2021, respectively, comprising of £309.0 million, £315.0 million and £314.7 million of interest and fees, respectively, and £1,261.1 million, £1,247.5 million and £1,372.5 million of principal receipts, respectively. Cash Receipts expressed as a percentage of total average loan assets were 47.2%, 39.8% and 41.3% in the years ended June 30, 2019, 2020 and 2021.

The Borrower Group generated £779.5 million, £735.2 million and £851.9 million of Cash Receipts in the years ended June 30, 2019, 2020 and 2021, respectively, comprising of £90.3 million, £65.4 million and £78.5 million of interest and fees, respectively, £540.4 million, £504.5 million and £618.2 million of principal receipts, respectively, and £148.8 million, £165.3 million and £155.2 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 68.8% 64.2%, and 65.3% in the years ended June 30, 2019, 2020 and 2021, respectively.

The group had cash outflows relating to overheads and expenses, tax and capital expenditure of £116.9 million, £116.5 million and £104.9 million in the years ended June 30, 2019, 2020 and 2021, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £1,453.2 million, £1,446.0 million and £1,582.3 million, respectively.

The Borrower Group had cash outflows relating to overheads and expenses, tax and capital expenditure of £111.8 million, £116.5 million and £104.9 million in the years ended June 30, 2019, 2020 and 2021, respectively, resulting in cash available for debt service, debt repayment or originating new advances of £667.7 million, £618.7 million and £747.0 million, respectively.

The group paid interest costs of £105.1 million, £125.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing) and £110.5 millions (including £5.4 million of exceptional costs relating to the 2024 Notes Refinancing), respectively, and debt issuance costs of £9.1 million, £8.5 million and £11.0 million in the years ended June 30, 2019, 2020 and 2021, respectively.

The Borrower Group paid interest costs of £45.7 million, £50.5 million (including £5.9 million of exceptional costs relating to the 2021 Notes Refinancing) and £47.8 million (including £5.4 million of exceptional costs relating to the 2024 Notes Refinancing), respectively, and debt issuance costs of £9.1 million, £8.5 million and £11.0 million in the years ended June 30, 2019, 2020 and 2021, respectively.

In addition, the group (and the Borrower Group) paid dividends to its parent company, Midco2, (which in turn paid these to the Issuer), principally to allow the Issuer to pay interest on the 2023 PIK Notes as cash interest of £29.9 million and £15.6 million in the years ended June 30, 2019, 2020 and in the year ended June 30, 2021 paid £52.7 million of dividends of which £32.7 million was to pay interest on the 2023 PIK Notes and £20.0 million as shareholder distributions paid through the Issuer. In April 2020, the group elected to pay interest on the 2023 PIK Notes as PIK Interest and no dividend was paid. Regarding the interest payment subsequently to April 2020, the group reverted to making cash interest payments on the 2023 PIK Notes.

Total cash as of June 30, 2021 was £228.6 million, comprising of £79.9 million unrestricted cash and £148.7 million restricted cash (which is cash held by the Securitization Vehicles), compared to £252.5 million, comprising of £112.9 million unrestricted cash and £139.6 million restricted cash, as of June 30, 2020 and compared to £120.2 million, comprising of £22.6 million unrestricted cash and £97.6 million restricted cash, as of June 30, 2019.

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

	Supplemental consolidated cash flow information			
	Group			Borrower Group
	For the year ended June 30,			For the year ended June 30,
	2019	2020	2021	2021
	(£ in millions)			
Interest and Fees	309.0	315.0	314.7	78.5
Principal(1)	1,261.1	1,247.5	1,372.5	618.2
Securitization surplus income	—	—	—	155.2
Cash Receipts	**1,570.1**	**1,562.5**	**1,687.2**	**851.9**
Overheads and expenses(2)	(96.1)	(89.0)	(83.7)	(83.7)
Tax	(15.9)	(22.2)	(17.4)	(17.4)
Capital expenditure	(4.9)	(5.3)	(3.9)	(3.9)
Cash available for debt service(3)	**1,453.2**	**1,446.0**	**1,582.3**	**747.0**
Cash interest payable(4)	(105.1)	(125.5)	(110.5)	(47.8)
Debt issuance costs(5)	(9.1)	(8.5)	(11.0)	(11.0)
PIK Note dividends (6)	(29.9)	(15.6)	(32.7)	(32.7)
Cash available after debt service(7)	**1.309.1**	**1,296.5**	**1,428.1**	**655.5**
Debt increase(8)	719.3	523.3	(262.1)	140.0
Available funds	**2,028.4**	**1,819.8**	**1,166.1**	**795.5**
Distributions to shareholders(9)	—	—	(20.0)	(20.0)
New advances(1)	**(1,982.3)**	**(1,687.5)**	**(1,169.9)**	**(808.1)**
(Decrease)/Increase in cash(10)	**45.9**	**132.3**	**(23.9)**	**(32.7)**

(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, 2021, included £1.7 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 includes £5.9 million of exceptional cash outflow in relation to the 2021 Notes Refinancing for the group and Borrower Group. Cash interest payable for the year ended June 30, 2021 includes £5.4 million of exceptional cash outflow in relation to the 2024 Notes Refinancing for the group and Borrower Group.
(5) 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 year ended June 30, 2021 relate to the entry into the TABS 4 Securitization in July 2020, the renewal of the Revolving Credit Facility in September 2020, the issuance of the 2027 Notes in January 2021, the entry into the CRE 1 Securitization in March 2021 and the entry into the CRE 2 Securitization in June 2021.
(6) PIK Note dividends relate to payments totaling £32.7m made to Midco2 and in turn the Issuer to service cash interest on 2023 PIK Notes. Such dividends are consolidated within our consolidated financial statements within cash flow from financing activities. In April 2020, the Issuer elected to pay interest on the 2023 PIK Notes as PIK Interest, resulting in an increase in the aggregate principal amount of the 2023 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, 2026 Notes and 2027 Notes, the Original Subordinated Shareholder Loan Notes, the Company Subordinated Shareholder Funding and the Revolving Credit Facility in the respective period.
(9) Distributions to shareholders relates to £20.0 million in dividends paid in the year ended June 30, 2021, paid by the Company and through to above the Issuer.
(10) 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 year ended June 30, 2021, movement in cash and cash equivalents of £23.9 million comprised of £33.0 million decrease in unrestricted cash and £9.1 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,		
	2019	2020	2021
Average total loan assets	3,326.3	3,928.3	4,087.0
Interest receivable and similar income	343.1	388.4	370.9
Interest yield(1)	10.3%	9.9%	9.1%

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

Underlying Net Interest Margin

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

	Year ended June 30,		
	2019	2020	2021
Average total loan assets	3,326.3	3,928.3	4,087.0
Net interest(1)(3)(4)	226.3	258.0	253.3
Underlying net interest margin(2)(3)(4)	6.8%	6.6%	6.2%

(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, interest payable and similar charges has been adjusted for exceptional items relating to the 2021 Notes Refinancing for the purposes of calculating underlying net interest margin.
(4) For the year ended June 30, 2021, interest payable and similar charges has been adjusted for exceptional items relating to the 2024 Notes Refinancing for the purposes of calculating underlying net interest margin.

Pre-payment Schedule

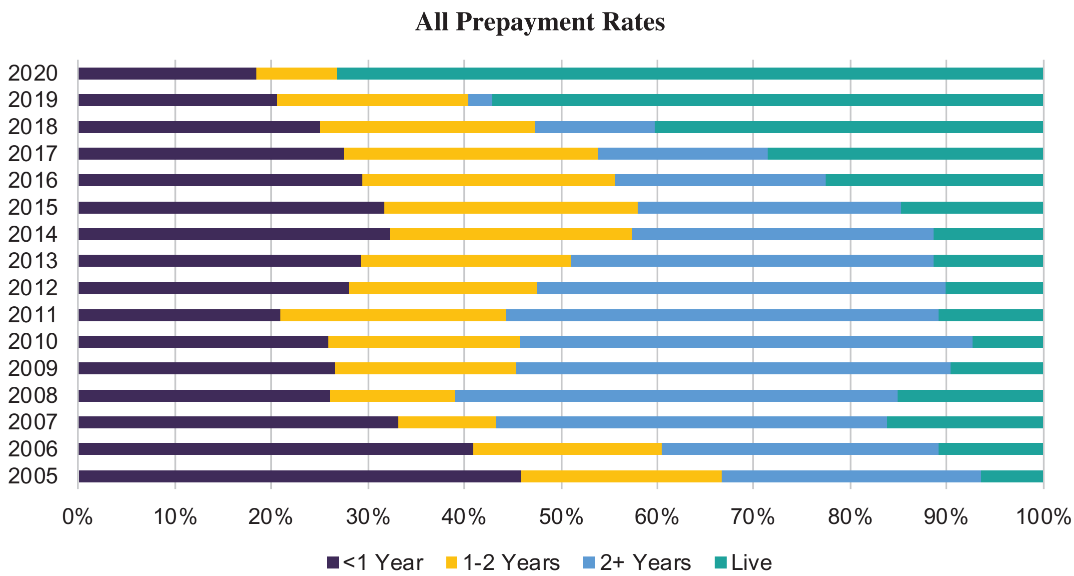
The rate at which our customers redeem their mortgages is a key driver of cash flow generation. Customers often redeem their loans prior to their contractual term either due to changes in their personal circumstances, such as moving to a new house, or the availability of alternative financial products 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 26% of the total loan portfolio was pre-paid within twelve months. This decrease in redemption rates mirrors general trends in the UK mortgage market and was caused by a number of factors, including: the reduction in liquidity in the UK financial system, the reduction in house prices between 2008 and 2010 and its impact on reducing borrowers property equity, and the application of stricter and more challenging underwriting criteria applied throughout the UK mortgage industry.

Prepayment Rates



Significant Factors Affecting Results of Operations

Loan Assets Performance

The performance of our total loan assets depends on our ability to collect each expected loan installment, including interest and principal payments, on a timely basis. This, in turn, depends in part on the strength of our underwriting process to assess the affordability of the loan installments and to assess the sustainability of such payments based upon known factors at the time of origination, an assessment of the repayment strategy and, where relevant, the marketability and value of the underlying security. Our underwriting criteria, processes, controls and systems have been developed and refined based upon many years of experience. For each loan application, a detailed individualized assessment is made of the customer including, among other checks, an assessment of the financial position of the customer to ensure that the loan is both affordable and sustainable and an assessment of the repayment strategy. In addition, an assessment of the underlying security and its value is undertaken. In addition, the performance of our total loan assets is impacted by our continued investment in our collections infrastructure, which impacts our ability to collect expected loan installments. For a further explanation of our underwriting process, see "*Business—Our Operations—Retail Purpose Lending—Underwriting Process*" 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 0.6% for loans funded in the year ended June 30, 2020. 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, we have also granted Mortgage-Payment Deferrals for customers who have been impacted by Covid-19 in line with FCA guidance and expectation. 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.

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 conservative 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 2021, 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 £2.1 million on £10.0 billion of loan originations as of June 30, 2021. In stress testing our loan portfolio and the Borrower Group's loan portfolio as of June 30, 2021, a 20% decline to indexed valuations on a loan by loan analysis would result in additional negative equity exposure of £21.1 million and £20.7 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, which were resolved with the recent entry into the Trade and Cooperation Agreement, and more recently by the economic consequences resulting from 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 of Covid-19. From March 2020, the Bank of England provided an enhanced level of credit supply to the economy, including the provision of liquidity to banks to support lending. Albeit, this support was not available to the same extent to non-bank lenders, which includes the group. As of the date of this offering memorandum, such and similar support measures are being phased out. 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*."

As number of vaccines have been approved for use in the United Kingdom and the roll-out has progressed in the United Kingdom, most of the public health restrictions imposed in response to the Covid-19 pandemic have been lifted. Nevertheless, Covid-19 resulted in ongoing significant disruption of the world economy and there is uncertainty in the economic outlook, in particular as a result of potential variants of Covid-19. The continued spread of the virus globally could lead to a protracted world-wide economic downturn, the effects of which could last for some period after the pandemic is controlled and/or abated. 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. 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 Private Securitizations, 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 the Covid-19 pandemic where we saw a small increase before subsequently subsiding. 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 6.3% as of June 30, 2021, 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 June 30, 2021, 59.4% 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 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 ability to increase the interest rate on our loans if our own funding costs increase, our level of arrears and ultimately cash flows may be adversely affected if we increase the interest rate applicable to our customers' mortgage loan in relation to any potential increases in our funding costs. See "*—Calculation and application of interest and fees in our industry is complex in nature and subject to regulation and in certain segments of our industry has been subject to regulatory reviews in recent years.*" 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. See "*—Quantitative and Qualitative Disclosures about Market Risk—Interest Rate Risk*" and "*Description of Certain Financing Arrangements—Securitizations—Private 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.*"

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 the Covid-19 pandemic, which 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 adversely affect our business,*" "*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 June 30, 2021, 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 449.0, representing a 8.8% annual increase compared to the prior year comparator of 412.7 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 13.4% (the highest rate recorded since November 2004) and 13.2%, respectively, in the year ended June 30, 2021. 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 whom we lend. During the global financial crisis of 2007/08, the number of competitors in our market segments decreased considerably, thereby allowing us to better protect our margins. Since the global financial crises, competition has returned leading to margin compression albeit this has been partially 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 were no longer 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. We believe our established position in the market, product differentiation, 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 Private Securitizations and the Revolving Credit Facility, the majority of our lenders are financial institutions, including a number with whom we have long-standing relationships, along with additional institutional investors/asset managers. In the past five years, we have increased the amounts committed under our Private Securitizations from £1,255.0 million as of June 30, 2016 to £2,059.0 million (of which £1,117.9 million was drawn) as of June 30, 2021 (excluding the latest amendments to the HABS Securitization and the establishment of the BABS Securitization, both of which occurred after June 30, 2021). As of June 30, 2021, *pro forma* for the latest amendments to the HABS Securitization, establishment of the BABS Securitization, repayment of the TABS 1 Securitization and establishment of the TABS 5 Securitization our weighted average maturity was 3.6 years and facility headroom was £1,652.2 million. We have also successfully issued five public residential mortgage backed securitizations in the form of the TABS 1 Securitization in September 2017 (which we exercised the optional redemption on September 13, 2021), the TABS 2 Securitization in November 2018, the TABS 3 Securitization in October 2019, the TABS 4 Securitization in July 2020 and the TABS 5 Securitization in September 2021, issuing £261.3 million, £272.6 million, £315.4 million, £360.5 million and £313.2 million of Rated Debt (in the case of the TABS 4 Securitization, including £12.8 million Class X notes, in the case of the TABS 5 Securitization, including £11.1 million Class X notes that are held by the Company). We have also successfully issued two public commercial mortgage back securitizations in the form of the CRE 1 Securitization in March 2021 and the CRE 2 Securitization in June 2021, issuing £203.3 million and £255.4 million of Rated Debt (including £9.0 million and £13.7 million Class X notes, respectively, held by the Company). 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 £935 million. See "*Summary—Overview—Our Sources of Funding*" and "*Summary—Our Strengths—Strong and diversified sources of funding with depth of maturity*." 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 secured 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 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.

IFRS 9—including impairment of financial assets

Overview

IFRS 9: Financial Instruments replaced IAS 39 Financial Instruments: Recognition and Measurement and 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 represented 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.

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 the onset of 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 June 30, 2021, our impairment loss allowance was £104.4 million of which £4.0 million related to stage 1 accounts, £28.7 million related to stage 2 accounts and £71.7 million related to stage 3 accounts (which includes £0.4 million of purchased or originated credit impaired loans). Of the stage 3 accounts £9.9 million relates to shortfall accounts where such accounts have been fully impaired and are excluded from our loan portfolio analysis.

For certain of our subsidiaries which engage in regulated lending, these criteria are aligned to the regulatory definition of credit impaired.

For financial instruments on which credit risk has not increased significantly since initial recognition, we measure 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 we do 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 derecognized. A loan to a borrower granted such concessions due to forbearance is evaluated to determine whether it is considered to be credit impaired or to have experienced a significant increase in credit risk. If this is the case a loss allowance will be recognized equivalent to the full lifetime ECL. If there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. The loss allowance on the new asset will generally be based on a 12-month ECL.

Interest income is recognized 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 recognized 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. For accounts which are in a shortfall position, this is judged to occur when an account is fully provided against, and no payments have been received for six consecutive months. 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.

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 that 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 as of 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 of the Company.

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, 2021 the Revolving Credit Facility, the 2024 Notes, the 2026 Notes, the 2027 Notes and the Securitizations).

Interest payable and similar charges also include amortization of the debt issuance costs in relation to the Revolving Credit Facility, the 2024 Notes, the 2026 Notes, the 2027 Notes and the Securitizations, as applicable and the amortization of the fair value discount with respect to the unwinding of the Company 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 and the sublet of part of the office space as well as the recognition of income on amounts previously received from customers which had been deferred. Other income also included income received in the years ended June 30, 2020 and 2021, from the UK Government in respect of employees who were furloughed under the Coronavirus Job Retention Scheme and in relation to the year ended June 30, 2020 only, 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 year ended June 30, 2021), 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 for the years ended June 30, 2020 and 2021, is also provisions for liabilities and charges in respect of forbearance, customer communication remediation, other customer related provisions and legal claims.

Impairment Losses

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.*"

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 temporary differences between the accounting and the tax values of assets and liabilities, including 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 of Together Financial Services

Year Ended June 30, 2020 Compared with the Year Ended June 30, 2021

	Year Ended June 30,		
	2020	**2021**	**Percentage change**
	(£ in millions)		**(%)**
Interest receivable and similar income	388.4	370.9	(4.5)
Interest payable and similar charges	(137.1)	(123.5)	(9.9)
Net interest income	251.3	247.4	(1.6)
Fee and commission income	4.5	4.2	(5.6)
Fee and commission expense	(2.9)	(1.8)	(37.8)
Other income	1.4	2.8	104.0
Operating income	254.3	252.6	(0.6)
Administrative expenses (excluding depreciation and amortization)	(86.2)	(80.8)	(6.2)
Depreciation and amortization	(6.6)	(5.4)	(18.8)
Operating profit	161.5	166.4	3.0
Impairment losses	(66.9)	(16.1)	(75.9)
Profit before taxation	94.6	150.3	58.9
Income tax	(10.5)	(19.2)	82.5
Profit after taxation	84.1	131.1	55.9
EBITDA	238.4	279.1	17.1
EBITDA margin (%)	60.7	74.4	22.6
Underlying EBITDA	255.6	272.6	6.7
Underlying EBITDA margin (%)	65.1	72.7	11.7

Interest Receivable and Similar Income

Interest receivable and similar income in the year ended June 30, 2021 was £370.9 million compared to £388.4 million in the year ended June 30, 2020, a decrease of £17.5 million or 4.5% primarily reflecting the fall in the loan book during the initial half of the year, as a result of Covid-19, before the loan book regrew to £4,011.9 million, ending 3.8% down on the prior year of £4,162.2 million).

Interest Payable and Similar Charges

Interest payable and similar charges in the year ended June 30, 2021 was £123.5 million compared to £137.1 million in the year ended June 30, 2020, a decrease of £13.6 million or 9.9%. After adjusting for exceptional costs of £6.7 million associated with the 2021 Notes Refinancing in the year ended June 30, 2020, and £5.9 million associated with the 2024 Notes Refinancing in the year ended June 30, 2021, interest payable and similar charges in the year ended June 30, 2021, was £117.6 million compared to £130.4 million in the year ended June 30, 2020, a decrease of £12.8 million or 9.8%, due in part to a reduction in borrowing levels consistent with a smaller loan book and a reduction in our weighted average interest rate payable on our debt facilities supported by recent financing activity and lower market interest rates.

Net Interest Income

Net interest income in the year ended June 30, 2021 was £247.4 million compared to £251.3 million in the year ended June 30, 2020, a decrease of £3.9 million or 1.6%, 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 and £5.9 million associated with the 2024 Notes Refinancing in the year ended June 30, 2021, net interest income in the year ended June 30, 2021 was £253.3 million compared to £258.0 million in the year ended June 30, 2020, a decrease of £4.7 million or 1.8%.

Fee and Commission Income

Fee and commission income was £4.2 million in the year ended June 30, 2021 compared to £4.5 million in the year ended June 30, 2020, a decrease of £0.2 million or 5.6%.

Fee and Commission Expense

Fee and commission expense in the year ended June 30, 2021 was £1.8 million compared to £2.9 million in the year ended June 30, 2020, a decrease of £1.1 million or 37.8%.

Other Income

Other income in the year ended June 30, 2021 was £2.8 million compared to £1.4 million in the year ended June 30, 2020, 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, and £1.1 million of fair value gains 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, 2021 was £252.6 million compared to £254.3 million in the year ended June 30, 2020, a decrease of £1.6 million or 0.6%. 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 and £5.9 million associated with the 2024 Notes Refinancing in the year ended June 30, 2021, was £258.5 million, compared to £260.9 million, a decrease of £2.5 million or 0.9%.

Administrative Expenses

Administrative expenses in the year ended June 30, 2021 were £80.8 million compared to £86.2 million in the year ended June 30, 2020, a decrease of £5.3 million or 6.2%, reflecting 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, compared to a release of £8.2 million in respect of provisions for forbearance and customer communication remediation in the year ended June 30, 2021 and a £1.7 million charge in respect of redundancy costs following the colleague consultation process. Excluding these exceptional costs, administrative expenses in the year ended June 30, 2021 was £87.3 million compared to £69.0 million in the year ended June 30, 2020, an increase of £18.4 million or 26.6% principally due to a £7.9 million release associated with amounts accrued for executive bonuses and long-term incentive schemes in the year ended June 30, 2020 combined with a corresponding £4.9 million charge in the year ended June 30, 2021.

Depreciation and Amortization

Depreciation and amortization in the year ended June 30, 2021 was £5.4 million compared to £6.6 million in the year ended June 30, 2020, a decrease of £1.3 million or 18.8%.

Operating Profit

Operating profit in the year ended June 30, 2021 was £166.4 million compared to £161.5 million in the year ended June 30, 2020, an increase of £4.8 million or 3.0%. 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 in the year ended June 30, 2020, and exceptional items associated with a release of provisions in respect of forbearance and customer communication remediation of £8.2 million, redundancy costs following the colleague consultation process of £1.7 million and 2024 Notes Refinancing costs of £5.9 million, in the year ended June 30, 2021, operating profit in the year ended June 30, 2021 was £165.8 million compared to £185.4 million in the year ended June 30, 2020, a decrease of £19.7 million or 10.6%, for the reasons described above.

Impairment Losses

Impairment losses in the year ended June 30, 2021 were £16.1 million, compared to £66.9 million in the year ended June 30, 2020, a decrease of £50.8 million or 75.9%, as the majority of the impairment charges related to Covid-19 were incurred in the year ended June 30, 2020 and the expectation of a more stable macroeconomic environment relative to the prior year led to a reduction in ECL provisions in the year ended June 30, 2021, partly reducing impairment losses.

Profit Before Taxation

Profit before taxation in the year ended June 30, 2021 was £150.3 million compared to £94.6 million in the year ended June 30, 2020, an increase of £55.7 million or 58.9%. 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 in the year ended June 30, 2020, and exceptional items associated with a release of provisions in respect of forbearance and customer communication remediation of £8.2 million, redundancy costs following the colleague consultation process of £1.7 million and 2024 Notes Refinancing of £5.9 million, in the year ended June 30, 2021, underlying profit before tax in the year ended June 30, 2021 was £149.7 million compared to £118.5 million in the year ended June 30, 2020, an increase of £31.2 million or 26.3%, for the reasons described above.

Income Tax

Income tax charge in the year ended June 30, 2021 was £19.2 million compared to £10.5 million in the year ended June 30, 2020, an increase of £8.7 million or 82.5%. The effective tax rate, while increasing from 11.1% in the year ended June 30, 2020 to 12.8% in the year ended June 30, 2021, is slightly lower than expected due to the benefit of deferred tax credits arising from (i) the restatement of net deferred tax assets for a future expected tax rate change in 2023, which led to a £1.7 million increase in the value of the deferred tax assets at group level and (ii) prior year adjustments amounting to £1.3 million. The effective rates for the years ended June 30, 2020 and 2021 benefit from the availability of Group relief principally in connection with the Issuer's payment of interest on the 2023 PIK Notes.

Profit after Taxation

Profit after taxation in the year ended June 30, 2021 was £131.1 million compared to £84.1 million in the year ended June 30, 2020, an increase of £47.0 million or 55.9%, for the reasons described above.

EBITDA

EBITDA in the year ended June 30, 2021 was £279.1 million compared to £238.4 million in the year ended June 30, 2020, an increase of £40.7 million or 17.1%, for the reasons described above. EBITDA margin in the year ended June 30, 2021 was 74.4% compared to 60.7% in the year ended June 30, 2020. Adjusting for the exceptional items associated with respect of forbearance and customer communication remediation of £17.2 million in the year ended June 30, 2020, and the exceptional items associated with a release of provisions in respect of forbearance and customer communication remediation of £8.2 million and redundancy costs following the colleague consultation process of £1.7 million in the year ended June 30, 2021, Underlying EBITDA in the year ended June 30, 2021 was £272.6 million compared to £255.6 million in the year ended June 30, 2020, an increase of £17.0 million or 6.7%, and Underlying EBITDA margin in the year ended June 30, 2021 was 72.7%, compared to 65.1% in the year ended June 30, 2020, 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	254.3	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 £254.3 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 has also 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.

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 liquidity management is Total Accessible Liquidity. We monitor Total Accessible Liquidity on a daily 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 June 30, 2021, our Total Accessible Liquidity was £453.4 million. Total Accessible Liquidity does not give *pro forma* effect to the Offering or the effects of the optional redemption of the TABS 1 Securitization, the entries into the TABS 5 and BABS Securitizations and most recent amendments to the HABS Securitization.

Total cash as of June 30, 2021 was £228.6 million, comprising of £79.9 million unrestricted cash and £148.7 million restricted cash. As of June 30, 2021 such restricted cash included £39.7 million of cash accessible by the group subject to meeting the relevant Securitization borrower base requirements.

Our business model relies on funding primarily through securitizations 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 and the notes issued in connection with the Private Securitizations and Public Securitizations. In addition, certain debt servicing obligations exist of the Issuer in respect of interest payment on the Notes. See "*Description of Certain Financing Arrangements*."

Although we believe that our current levels of accessible liquidity, expected cash 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—The substantial leverage of the Issuer and its subsidiaries and their debt service obligations could limit their flexibility, adversely affect our business and prevent the Issuer from fulfilling its obligations under the Notes.*" and "*Risk Factors—Risks Relating to the Notes—The Issuer will require a significant amount of cash to service the Notes and its other debt. The ability of the Issuer and its subsidiaries to generate cash depends on many factors beyond their control, and the Issuer and its subsidiaries may not be able to generate sufficient cash to service their debt*."

Cash Flows

The table below sets forth information regarding our cash flows for the periods indicated.

	For the year ended June 30,		
	2019	**2020**	**2021**
Net cash inflow / (outflow) from operating activities	520.9	235.6	417.1
Net cash outflow from investing activities	4.1	3.7	2.4
Net cash inflow / (outflow) from financing activities	570.9	371.6	438.6
Net (decrease)/ increase in cash and cash equivalents	**45.9**	**132.3**	**23.9**

Year ended June 30, 2021

Our net cash inflow from operating activities was £417.1 million in the year ended June 30, 2021. Our cash outflows from operations were £434.5 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 £17.4 million, consisting primarily of corporation tax charges.

Our net cash outflow from investing activities was £2.4 million for the year ended June 30, 2021, incurred largely in connection with expenditure relating to computer software, fixtures, fittings and equipment.

Our net cash outflow from financing activities was £438.6 million for the year ended June 30, 2021, consisting of £500.0 million proceeds from the issuance of the 2027 Senior Secured Notes, £360.5 million proceeds from the issuance of the Rated TABS 4 Notes, £241.6 million proceeds from the issuance of the Rated CRE 2 Debt, £194.3 million proceeds from the issuance of the Rated CRE 1 Notes, net of a £490.8 million decrease in the drawn balance of the CABS Securitization, £350.0 million repayment of the 2024 Senior Secured Notes, £310.6 million decrease in the drawn balance of the HABS Securitization, £180.2 million repayment of Rated TABS 1 Notes, Rated TABS 2 Notes, Rated TABS 3 Notes, Rated TABS 4 Notes, Rated CRE 1 Notes, and Rated CRE 2 Debt, £162.0 million decrease in the drawn balance of the LABS Securitization, interest payable of £120.9 million (of which £5.4 million was exceptional interest payable in connection with the 2024 Notes

Refinancing), £55.0 million decrease in the drawn balance of the DABS 2 Securitization, a £52.7 million payment of a dividend to Midco2 and in turn the Issuer in order to service cash interest on the 2023 PIK Notes and pay an aggregate amount of £20.0 million in dividends to shareholders, £10.0 million repayment of the Revolving Credit Facility, a decrease in finance leases of £2.2 million and a purchase and cancellation of derivatives of £0.6 million.

Our decrease in cash in the year ended June 30, 2021 was £23.9 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 Issuer in order to service cash interest on the 2023 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 Issuer principally to service cash interest on the 2021 PIK Notes and the 2023 PIK Notes.

Our increase in cash in the year ended June 30, 2019 was £45.9 million for the reasons stated above.

Capital Resources

Our principal sources of funds are cash from operating activities and amounts available through the Securitizations, capital markets transactions and the Revolving Credit Facility.

The Private Securitizations consist of five securitizations for certain of our mortgage loans. In connection with the Private Securitizations, Brooks ABS, Charles Street ABS, Delta ABS 2, Highfield ABS and Lakeside ABS, the bankruptcy-remote special purpose vehicles established for purposes of each of the Private Securitizations. Under the Private Revolving Securitizations, each of Charles Street ABS, Delta ABS 2, Highfield ABS and Lakeside ABS purchase certain mortgage loans from certain of our operating subsidiaries from time to time and, finance these purchases from borrowings funded through the further issuance of notes under the relevant note issuance facility. Under the Private Term Securitization, Brooks ABS purchased certain mortgage loans from certain of our operating subsidiaries on the issue date of the facility. The amounts outstanding under the BABS Securitization, CABS Securitization, DABS 2 Securitization, HABS Securitization and the LABS Securitization must be repaid in January 2026, September 2023, March 2023, September 2025 (following the latest amendments of the facility on September 1, 2021) and October 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 Private Securitizations to the Borrower Group.

The notes outstanding under the CABS Securitization, the DABS 2 Securitization, the HABS Securitization and the LABS Securitization as of June 30, 2021 amounted to £724.6 million, £125.0 million, £104.4 million and £163.0 million, respectively. Total commitments available under the CABS Securitization, the DABS 2 Securitization, the HABS Securitization and the LABS Securitization note issuance facilities agreements are £1,254.5 million, £200.0 million, £525.0 million (increased from £104.4 million during an amortization phase of the facility as of June 30, 2021 back to its original size of £525.0 million following the latest amendments to the facility on September 1, 2021) and £500.0 million, respectively. The BABS Securitization was completed on July 2, 2021 with a note subscription of £71.2 million.

As consideration for the mortgage loans, Brooks ABS, Charles Street ABS, Delta ABS 2, Highfield ABS and Lakeside ABS, as applicable, pays the Borrower Group the full principal amount of the loans at the time of the sale and, on a monthly basis thereafter, deferred consideration equal to the net interest received after deducting costs of funding and expenses.

Capital Expenditures

In the year ended June 30, 2021, 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 2019, 2020 and 2021. 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.

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 Private 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—Private Securitizations*)."

As of June 30, 2021, we had £549.1 million of fixed rate mortgages (of which £34.0 million had an initial duration of less than twelve months) and £3,465.7 million of variable rate mortgages. As of June 30, 2021, we had £2,327.7 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, the TABS 4 Securitization and the TABS 5 Securitization (which was entered into on September 22, 2021) to reduce exposure between fixed rate loans within the CABS, TABS 4 and TABS 5 Securitizations, respectively, and the variable rates on the notes issued pursuant to the CABS Securitization, TABS 4 Securitizations and TABS 5 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 year ended June 30, 2021, the group issued the Rated TABS 4 Notes, Rated CRE 1 Notes and the Rated CRE 2 Debt, which use SONIA as a reference rate which has historically tracked the Bank of England base (interest) rate more closely than LIBOR. In addition, the Rated TABS 5 Notes issued on September 22, 2021 use SONIA as a reference rate. The group also refinanced the 2024 Notes with the proceeds of issuance of the 2027 Notes, securing fixed rate funding to 2027. As a result of the ongoing transition from LIBOR to alternative rates, we have already amended some of our existing facilities and are in the process of amending our remaining outstanding facilities to align them to SONIA.

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 June 30, 2021 by £5.8 million per annum (excluding the benefit of £1.1 million in relation to the interest rate caps in the TABS 2 Securitization and TABS 3 Securitization and interest rate swaps in the CABS Securitization, the TABS 3 Securitization, the TABS 4 Securitization and the TABS 5 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 (as appropriate) and property loan-to-value ratios, and throughout the life of the loan, through monitoring of arrears levels, proactive collections strategies, and by applying macroeconomic sensitivity analysis.

Liquidity and Funding Risk

Liquidity risk is the risk that we are unable to access sufficient liquid financial resources to meet the group's current and future financial obligations as they fall due. 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.

Certain of our 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 such 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.

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 levels of funding. 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. This is monitored on a regular basis by the group's asset and liability committee.

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 June 30, 2021, our funding availability consisted of the CABS Securitization, DABS 2 Securitization, HABS Securitization and the LABS Securitization, which expire in September 2023, March 2023, September 2025 (following the latest amendments to the facility on September 1, 2021) and October 2023, respectively, and the Revolving Credit Facility, which expires in June 2023. We subsequently entered into the BABS Securitization on July 2, 2021, which matures in January 2026.

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.

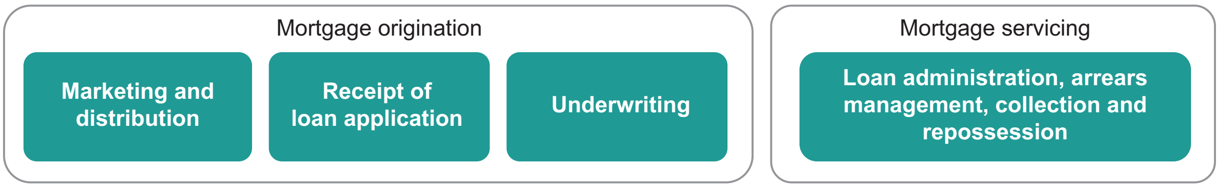
Accounting Treatment of the Securitizations

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 being deemed to control these special purpose vehicles under IFRS 10 (Consolidated Financial Statements). Mortgage loans sold to the 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 Authorized firms (which employ 34,105 approved people) authorized to advise on regulated mortgage contracts in the United Kingdom. The intermediary market contributed 76% of residential mortgage originations in the twelve months June 2021 according to the UK Finance: RL 8 New Residential lending sold direct and via intermediaries. 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 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 in-house from our head offices.

The UK Economy

In recent years, the UK's economic performance has been mixed, influenced by the uncertainty surrounding the United Kingdom's ultimate withdrawal from the European Union and, more recently, Covid-19. 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. The Bank of England held the base rate at 0.10% in the latest September 2021 Monetary Policy Committee meeting.

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. Subsequently, The UK has negotiated deals with other countries, completing the Australia Deal in June 2021 and most recently discussing a trade deal with the United States in September 2021. "*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 -2.8%, -19.5%, 16.9% and 1.3% for the first, second, third and fourth quarters of 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. Quarter on quarter growth has since rebounded 5.5% in the second quarter of 2021 following the lifting of the last UK lockdown restrictions and resulting in an annual increase in GDP of 23.5% compared to June 30, 2021.

According to ONS data released in September 2021, 6% of the workforce remained on furlough leave (supported by the Job Retention Scheme), significantly reduced from 30% in June 2020. On September 24, 2020, the Chancellor Rishi Sunak announced a Winter Economy Plan which included a further package of measures that aimed to protect jobs and help businesses. The package included a new Job Support Scheme that was postponed as the UK Government extended the Job Retention Scheme until March 31, 2021. 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. In the March 2021 Budget, the UK Government extended the Job Retention Scheme again, through to September 30, 2021. The UK Government announced a £500 million expansion of the Government's "Plan for Jobs", launched during the Covid-19 crisis. Under the extended plan, workers leaving the furlough scheme and unemployed people over the age of 50 would be helped back into work.

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.

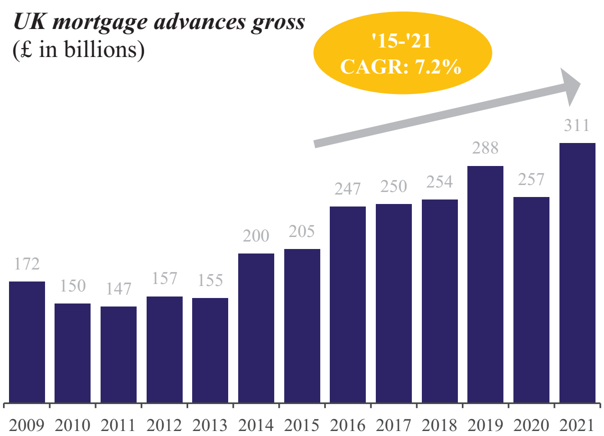
Our business is closely related to the macroeconomic conditions in the United Kingdom. A supportive macroeconomic environment could positively impact household and business incomes, which could increase demand for our loans as well as demand for both residential and commercial property. In contrast, an economic downturn could negatively impact our level of arrears, our cost base and other factors that could affect our profitability. 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."*

The UK Mortgage Market

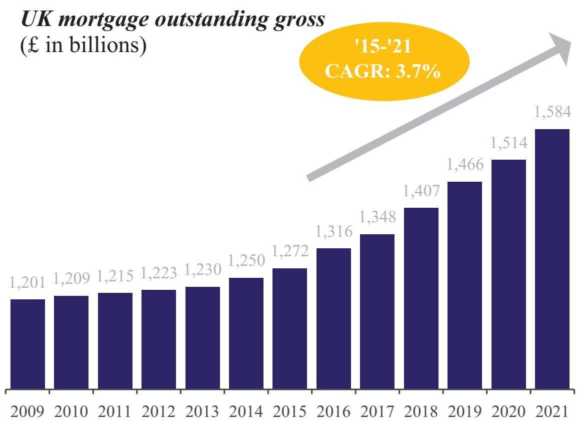
Prior to the global financial crisis of 2007/08, favorable economic conditions, including lower unemployment, easy availability of credit and increasing average earnings helped bolster the mortgage market in the United Kingdom. In the immediate aftermath of the global financial crisis of 2007/08, weak 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 June 30, 2021, outstanding residential loans in the United Kingdom amounted to approximately £1.58 trillion, up 4.6% from £1.51 trillion in June 30, 2020. Volumes have recovered from 2020 lows where 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. According to Bank of England and FCA data, gross mortgage advances for the year ended June 30, 2021 were £311.4 billion, up 21.3% from £256.7 billion for the year ended June 30, 2020, and 51.6% higher than the comparative period six years ago of £205.4 billion, representing an annual compound growth rate of 7.2%. In the three months ended June 30, 2021, quarterly gross mortgage advances increased by 7% from the prior quarter to £89.0 billion. 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 June 30.



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

As of June 30, 2021, 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 448.5, representing a 8.7% annual increase compared to the prior year comparator of 412.7 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 13.4% (the highest rate recorded since November 2004) and 13.2%, respectively, in the year ended June 30, 2021 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, (which was in place until June 2021 and subsequently reduced to £250,000 until September 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 135,973 (the number of regulated and non-regulated accounts with more than 2.5% of outstanding balance in arrears) as of December 2020 compared with 140,723 as of December 2015 and 269,005 as of December 2009, according to Bank of England data. As of June 2021, the comparable number of accounts in arrears stood at 132,998, remaining low despite the impact of Covid-19, as government measures including the introduction of Mortgage Payment Deferrals which largely helped borrowers from falling into arrears during such period. According to UK Finance, payment deferrals were taken by 2.9 million mortgage borrowers across the UK. Repossessions have also been decreasing over time, falling to 1,530 properties repossessed in the year ended June 30, 2021, compared with 6,060 properties in the year ended June 30, 2020, and 48,900 in the twelve months ended December 2009, according to UK Finance data. The volume of recent repossessions has been significantly curtailed partly as a result the FCA introducing a repossession moratorium in November 2020, in response to Covid-19, which ran until March 31, 2021. According to UK Finance they do not expect the lifting of the moratorium is likely to lead to a significant immediate increase in possessions but expect a slow increase as the backlog of cases unwinds and as lenders continue to seek support customers with vulnerabilities.

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 76% in the year ended June 30, 2021, according to UK Finance data).

In our specialist segments of the market, the proportion of business originated through mortgage intermediaries has historically been a higher share of originations compared to the non-specialist segments of the market, 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 76% of loans through our established network of mortgage intermediaries in the year ended June 30, 2021, compared to 45% of our commercial purpose loans, where we have a strong direct to market proposition.

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 47 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 can 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, and which potentially will be further exacerbated by the fallout from the Covid-19 and the resultant change in personal circumstances for significant parts of the UK population, 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, the retail second lien market, consumer buy-to-let ("CBTL") and regulated bridging loan markets. Similarly, the commercial purpose segment can be classified into four categories which broadly align with our own internal product categories of buy-to-let ("BTL BTL+"), commercial term lending secured by commercial properties, unregulated bridging, and development finance. The consumer buy-to-let and regulated bridging loan markets represent sub-segments of the wider commercial buy-to-let 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 year ended June 30, 2021, 11% 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 70 of our retail first lien mortgages sourced through mortgage intermediaries in the year ended June 30, 2021.

According to Bank of England and FCA data, advances in the residential mortgage market excluding buy-to-let grew from £173 billion in the twelve months ended June 30, 2015 to £223 billion in the twelve months ended June 30, 2020, representing a 5.2% compound annual growth rate over the corresponding period. In the last twelve months ended June 30, 2021, advances rose to £275 billion, representing a 23.4% increase, reflecting the strong recovery from the initial phases of Covid-19,the temporary closure of the housing market during the UK lockdown which began March 26, 2020 and the level of house purchase activity witnessed, buoyed in part by the stamp duty relief and changing occupier preferences.

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 lending for debt consolidation purposes along with variations in property types. 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.

Reflecting our decision to temporarily pause new applications during the for the year ended June 30, 2021, 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 year ended June 30, 2021 was, according to Finance and Leasing Association ("FLA") data, approximately £41,853 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 £666 million in the twelve months ended June 30, 2015 to approximately £1.0 billion in the year ended June 30, 2020, representing a 9.13% compound annual growth rate over the corresponding period. In the last year ended June 30, 2021, advances fell materially to £833 million, representing a 19.2% decline, reflecting the influence of Covid-19 and temporary closure of the housing market during the UK lockdown which began March 26, 2020. The FLA reported advances for the month of June 2021 were up 236% on the prior year period at £91 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. See "*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. 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 levels of home improvements (as high house prices prevent many people from upsizing), 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.

Reflecting our decision to temporarily pause new applications during the year ended June 30, 2021, based upon our own loan origination data, we estimate we had approximately 2.7% 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 £31.2 billion in the twelve months ended June 30, 2015 to £41.1 billion in the year ended June 30, 2020, representing a 5.7% compound annual growth rate over the corresponding period. In the last year ended June 30, 2021, advances increased by 5.6% to £43.4 billion.

The wider BTL market growth in recent years has 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 implemented 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. 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 noted that specialist lenders continued to thrive for loans which often require some level of manual underwriting and that larger and mid-sized firms were less able to compete in these segments (UK Finance, August 2020).

Partly reflecting our decision to temporarily pause new applications during the for the year ended June 30, 2021, based upon our own loan origination data, we estimate we had less than 0.5% market share in the total BTL market.

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 Bayes Business School (formerly Cass), advances in the commercial property lending market in the UK were £33.7 billion in the twelve months ended December 31, 2020, compared to £43.8 billion in the twelve months ended December 31, 2019 representing a 23.2% decline, reflecting falls in commercial property investment volumes over the same period largely reflecting the impact of Covid-19 and lenders choosing to increase their selectivity in lending during this period. Despite the recent reduction and the reasons for this, 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 2020, "other non-bank" lenders possessed a market share of 15% (representing £5.0 billion of new lending). While this has fallen slightly from 18% represented in the twelve months ended December 2019, the general trend for such share has been increasing over recent years reflecting 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.

Some uncertainty continues surrounding the UK's trading relationship with the European Union, particularly around the provision of services, and the longer term implications of trends arising from changes in behavior through Covid-19, 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 the United Kingdom could have a material adverse effect on our business, results of operations and financial condition*" and "*The United Kingdom's exit from the European Union may adversely impact our business, results of operations and financial condition.*"

Partly reflecting our decision to temporarily pause new applications during the for the twelve months ended December 31, 2019, based upon our own loan origination data, we had less than 0.7% 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—2021), 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 in 2016 to £7.7 billion (including £2.3 billion of development finance) in 2021 representing a 7.8% compound annual growth rate (6.2% for development finance). However, 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 June 2021 by 3.7% 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 semi-annual basis, however, the six months ended June 30, 2021 showed a 15% increase in quarterly gross lending on the six months ended December 31, 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 year ended June 30, 2021, based upon our own loan origination data, which also includes our regulated bridge origination, we estimate we had approximately 14.5% 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 47-year history. We pride ourselves on bringing common sense to lending by helping individuals, families, investors, small and medium-sized enterprises ("SMEs") and other businesses achieve their ambitions in a world that has changed when traditional lending has not.

Our loans include secured first and second lien loans, of which, as of June 30, 2021, 63.6% are secured by residential properties, with the balance of 36.4% secured by commercial and semi-commercial properties, all within the United Kingdom. We differentiate ourselves through our flexible lending criteria and underwriting each application on its individual merits, which is supported by an effective service proposition and by responding quickly to our customers' needs, thereby minimizing competition from mainstream lenders (including high street banks), challenger banks and other non-bank lenders. 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. 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 year ended June 30, 2021, we had Underlying profit before taxation of £149.7 million and generated Underlying EBITDA of £272.6 million. In the year ended June 30, 2021, we advanced £1,170.8 million of new loans, of which £816.9 million was advanced in the last six months of the year ended June 30, 2021 as we prudently resumed new lending following a temporary pause in accepting new applications as a result of Covid-19. As of June 30, 2021, we had Shareholders' Funds of £937.0 million and total loan assets of £4,011.9 million. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Loan Analysis*."

As of June 30, 2021, 26.2% of our loan portfolio was classified as retail purpose and 73.8% was classified as commercial purpose, calculated by value, with 36.5% of the commercial purpose loan portfolio relating to buy-to-let+ loans ("BTL+"). We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA"). Retail purpose loans include loans for purchasing a new home, making home improvements, debt consolidation 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 (including "chain breaks," which are loans used by customers looking to purchase a new home ahead of completing the sale of their existing home). 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 loans advanced to a borrower to lease a property ("BTL+ but excluding CBTL), to raise capital against a property including for general business use or to renovate a property, to bridge a transaction against a property (but excluding regulated bridging loans), or to finance the development of land or property primarily into residential units with repayments typically being made out of the sale or refinancing of the units. Commercial purpose loans are currently unregulated. Our classification of a mortgage as either retail or commercial purpose is not defined by the collateral securing it. As of June 30, 2021, 100% of our retail purpose loans, 100% of our BTL+ loans and 22.4% of our remaining commercial purpose loans (including a proportion of 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 (being either a physical valuation or where appropriate in certain instances using an automated 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 policies, 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 are conducted annually, pursuant to the terms of certain of our financing arrangements.

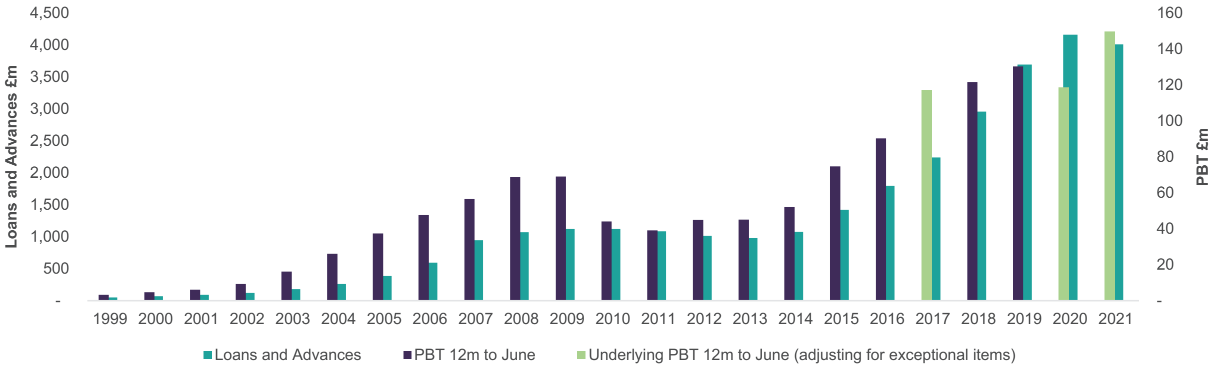
Our key underwriting metrics remained fairly consistent as of and for the year ended June 30, 2021, in spite of reduced volumes during that period, as compared with previous years, with the LTVs of our loan portfolio (on a weighted average indexed basis) as of June 30, 2021 at 52.1% (compared with 54.9% as of June 30, 2020 and 54.3% as of June 30, 2019) and the origination LTV on a weighted average basis of new loans underwritten by us for the year ended June 30, 2021 at 59.8% (compared with 57.7% for the year ended June 30, 2020 and 58.0% for the year ended June 30, 2019). As of June 30, 2021, 97.1% of our total loan portfolio and 95.0% of the Borrower Group loan portfolio, calculated by value, consisted of loans with LTVs (on a weighted average indexed basis) equal to or less than 80.0%. This fundamental, long-standing principle of our group has historically provided us with significant protection in times of falling property prices and economic downturns, thereby mitigating our levels of provisions and losses. For the years ended June 30, 2019, 2020 and 2021, impairment charges amounted to £15.4 million, £66.9 million (largely reflecting the impact of Covid-19) and £16.1 million, respectively, representing 0.46%, 1.70% and 0.39%, 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 relatively conservative LTV (on a weighted averaged indexed basis) of our loan portfolio. The ratio of our net senior secured borrowings (including our Securitizations) to total loan assets was 75.6% as of June 30, 2021. 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 39.4% as of June 30, 2021.

Our Strengths

Established track record of continuous profitability through multiple business cycles. We have been profitable since our establishment over 47 years ago, including throughout the global financial crisis of 2007/2008 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 the Covid-19 pandemic, emerging from the pandemic with strong profitability and cash flows.

The chart below shows the growth of our loan book and our profit before taxation (and, with respect to the years ended June 30, 2020 and 2021, Underlying profit before taxation) in the period from the year ended June 30, 1999 to the year ended June 30, 2021. 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, 2021 is presented in accordance with IFRS.



For the years ended June 30, 2019, 2020 and 2021, our EBITDA was £251.5 million, £238.4 million and £279.1 million, respectively. Our Underlying EBITDA for the years ended June 30, 2020 and 2021 was £255.6 million and £272.6 million, respectively.

In the years ended June 30, 2019, 2020 and 2021, we had profit before taxation of £130.3 million, £118.5 million (on an underlying basis) and £149.7 million (on an underlying basis), respectively. Historically, we have primarily reinvested our profits in our business, with the main exception being dividends principally used to service cash interest on the PIK Notes, and more recently in the year ended June 30, 2021, further dividends of £20.0 million to our shareholder in accordance with our dividend policy. This reinvestment of profits has generally supported growth in our balance sheet historically and resulted in Shareholders' Funds as of June 30, 2021 of £937.0 million. In the years ended June 30, 2019, 2020 and 2021, we advanced £1,982.9 million, £1,688.3 million and £1,170.8 million of new loans, respectively.

Proven business model focused on building long-term value by helping underserved customers in growing market segments. As a financially inclusive lender with a tradition in serving customers who are underserved, we support a broad customer base including employed, self-employed and retired owner occupiers, SMEs, landlords, property investors, entrepreneurs, developers and high net worth individuals who require a lender that understands and responds quickly to their needs. We offer our customers a range of flexible lending products for both retail and commercial purposes, secured on both residential and commercial property, at conservative LTVs. Our products include residential and BTL+ mortgages, commercial term loans, bridging and development finance delivered via an established distribution network of mortgage intermediaries, repeat customers and direct marketing.

Mainstream lenders often automate the underwriting process, which can lead to rejection of a large number of creditworthy customers who do not comply fully with their often inflexible lending criteria or who cannot provide adequate service levels or within the timescales required. Our customers are often unable to secure funding from mainstream lenders due to the complexity of their 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 prevalent, and we believe the lending criteria of mainstream lenders have struggled to keep up with the pace of change in society. In addition, we believe more customers may fall outside the one-size-fits-all automated models of other lenders as the UK economy emerges from Covid-19, and we estimate that demand for support from specialist lenders may rise substantially as a result.

We consider each application on its own merits taking into account each 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 valuation comparisons, legal reviews, assessment of the relevant repayment strategy, affordability assessments including verification of income and application of default minimums, expenditure levels and stress buffers. In contrast to mainstream lenders, we apply, where appropriate, manual assessments and use our extensive lending experience acquired over many years to carefully assess each customer and the security on their individual merits, as opposed to making our decision purely using a general credit score approach which allows us to gain a greater understanding of the nature and level of the credit risk.

Mortgage intermediaries turn to us because of our diverse product offering, our experience and strong reputation, built over 47 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 lending at conservative LTVs, we are able to achieve long-term appropriate risk-adjusted returns on our total loan assets. The weighted average nominal rate of new loans underwritten by us for the year ended June 30, 2021 was 8.0%. Our net interest margin and underlying net interest margin for the year ended June 30, 2021 were 6.1% and 6.2%, respectively.

As one of the UK's largest and most experienced specialist lenders, we believe we are well placed to help increasing numbers of customers realize their ambitions and to play our part in supporting society and the UK economy. The UK mortgage and housing markets have recovered since the initial onset of Covid-19, due to, among other reasons, changing consumer preferences as well as government support (for example, the stamp tax duty holiday). According to HM Land Registry, average house prices have increased by 4.5% as of June 2021 compared to May 2021, which translates into an annualized price increase of 13.2%. The average property in the UK was valued at £265,688 as of June 2021. According to the FCA, the outstanding value of all residential mortgage loans was £1,584.1 billion as of June 30, 2021, which is 4.6% higher than the previous year. The value of gross mortgage advances in the quarter ended June 30, 2021 was £89.0 billion, which represents an increase of over 200% compared to the second quarter of 2020.

Strong, established distribution network, supported by long-standing relationships with mortgage intermediaries and direct routes to market. We have a highly diverse approach to our distribution channels, supported by the relationships with mortgage intermediaries that have been built over our 47-year history, professional sector relationships and direct routes to market. While the bulk of our business was historically centered around our intermediary channels, over recent years, we have focused on growing our 'direct to market' proposition and the growth of our direct offering has extended across the various channels. 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. In recent years and throughout the recent pandemic, we have maintained strong relationships with our key business partners and have widened our reach into affinity relationships and the auction market. In the year ended June 30, 2021, 76.4% 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 8.8% of our mortgage intermediaries-sourced retail purpose business and the top ten mortgage intermediaries representing approximately 47.7% of our mortgage intermediaries-sourced retail purpose business for the year ended June 30, 2021, which is higher than in previous years as we chose to be more selective in our distribution plans.

Following our decision to temporarily pause accepting new loan applications in March 2020 due to Covid-19, we sought to maintain and protect our relationships with our key partners by regularly communicating our return to lending plans. We commenced our return to lending in the second half of 2020 by initially focusing on our key partners, before widening this reach out further over the remainder of the year. Mortgage clubs and networks remain a component to the future growth of the business in our view and, while this channel is still temporarily paused, we have been providing these partners with alternative routes to transact with us by requesting mortgage clubs and networks to submit an application directly to our sales team or via one of our preferred packagers. Although we are evolving our distribution network to include emerging channels (including online mortgage brokers, aggregators and digital distribution), we remain committed to growing and strengthening our existing long-standing relationships with customers and mortgage intermediaries.

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 June 30, 2021, diversified across retail purpose loans (owner occupier mortgages, CBTL and regulated bridge loans) and commercial purpose loans (BTL+, commercial term loans, unregulated bridging loans and development loans), as well as across customer types, property types, maturity lengths, geographical spread and differing underserved markets. We have refined our underwriting process based on over 47 years of experience, including through various economic and property cycles, remaining profitable throughout. As of June 30, 2021, 63.6% of our loans were secured on residential properties and the balance were secured on commercial and semi-commercial properties.

A long-standing, fundamental principle of our group has been lending at conservative LTVs, which mitigates our risk of loss in the event of repossession. It also 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 and supports us in offering appropriate forbearance arrangements with customers with the aim of minimizing any potential losses. Moreover, our policy of lending at conservative 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 52.1% and the weighted average indexed LTV of the Borrower Group's loan portfolio was 55.9%, in each case as of June 30, 2021. As of June 30, 2021, 98.1% of our loan portfolio and 95.0% our Borrower Group's loan portfolio had a weighted average indexed LTV of 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, 2019, 2020 and 2021 was 58.0%, 57.7% and 59.8%, respectively, with 3.3%, 3.2% and 2.9% of new loans underwritten having an LTV in excess of 80.0%, respectively. 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.

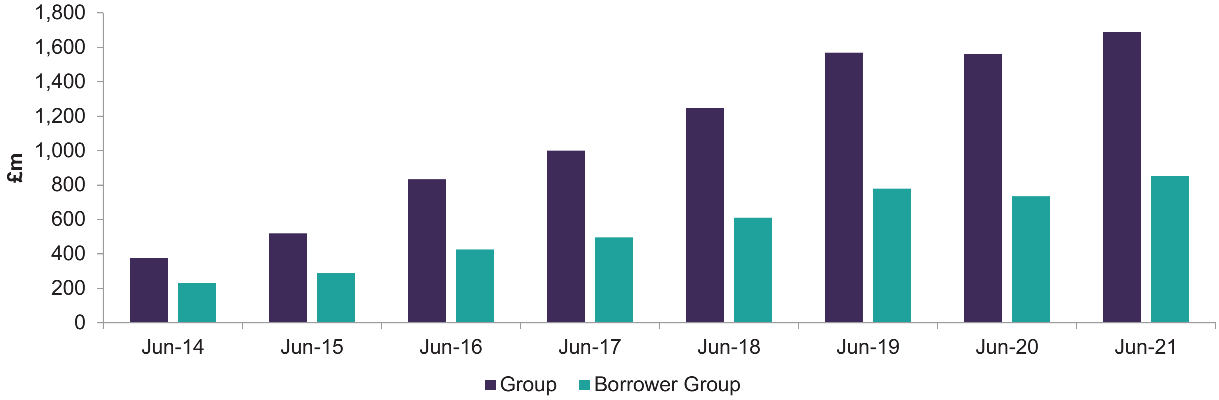
In stress testing our loan portfolio, as of June 30, 2021, when comparing our loan balances, prior to the netting of allowances for impairment, to the respective indexed valuations of the properties, an assumed 10%, 20% and 30% decline to indexed valuations on a loan by loan basis would result in an additional negative equity exposure of £7.4 million, £21.1 million and £66.2 million, respectively. In stress testing the Borrower Group's loan portfolio, as of June 30, 2021, 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 £7.3 million, £20.7 million and £58.8 million, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—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 Private Securitizations, the Public Securitizations, the Revolving Credit Facility, the 2026 Notes, the 2027 Notes and the Company Subordinated Shareholder Funding. In the case of the Private Securitizations and the Revolving Credit Facility, our lenders consist of financial institutions and institutional investors, including a number with whom we have long-standing relationships. In the past five years, we have increased the amounts committed under our Private Securitizations from £1,255.0 million as of June 30, 2016 to £2,059.0 million (of which £1,117.9 million was drawn) as of June 30, 2021. On July 2, 2021, we entered into a further series of agreements in connection with the establishment of the BABS Securitization, which funded £96.2 million of mortgage loans that were in arrears either on, or had been prior to, the issue date of the BABS Securitization and matures on January 2, 2026. We have also successfully issued five 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, the TABS 4 Securitization in July 2020 and the TABS 5 Securitization in September 2021, issuing £261.3 million, £272.6 million, £315.4 million, £360.5 million and £313.2 million of Rated Debt (in the case of the TABS 4 Securitization, including £12.8 million Class X notes and in the case of the TABS 5 Securitization, including £11.1 million Class X notes that are held by the Company), respectively. Furthermore, we were the first UK issuer to originate a small balance commercial real estate securitization in the form of the CRE 1 Securitization in March 2021, followed in June 2021, as a result of strong investor demand, by the CRE 2 Securitization. The CRE 1 Securitization issued £203.3 million of Rated Debt, of which £9.0 million related to Class X notes held by the Company. The CRE 2 Securitization issued £255.4 million of Rated Debt, of which £13.7 million related to Class X notes held by the Company. In addition, since June 30, 2016, we have grown our Revolving Credit Facility from a committed capacity of £29.0 million to a committed capacity of £71.9 million and increased the aggregate principal amount outstanding under our Senior Secured Notes from £300 million to £935.0 million. On September 1, 2021, as a result of amendments to the HABS Securitization, the facility size increased from £104.4 million during an amortization phase of the facility as of June 30, 2021 back to its original size of £525.0 million and the maturity of the facility was extended to September 2025.

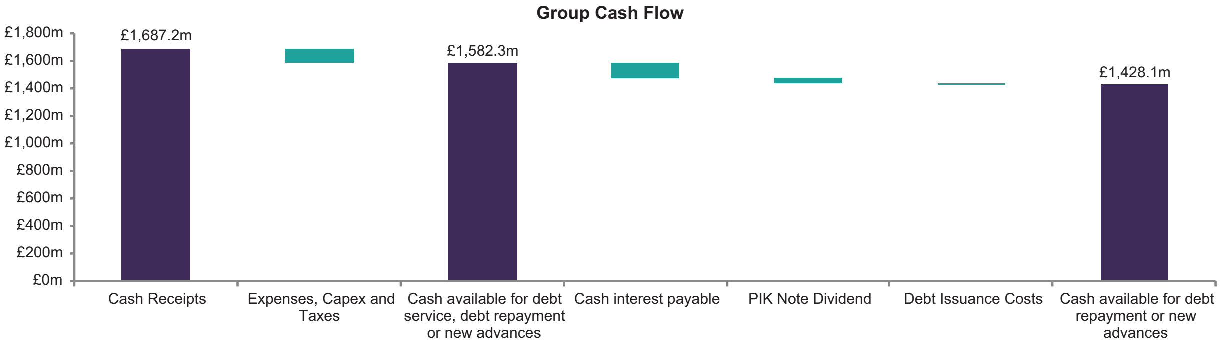
We have a track record of successfully extending maturities, increasing the size and generally enhancing the terms of our financing arrangements in line with our growth and maturity and, where necessary, taking action and working in conjunction with our lenders/investors to amend facilities in response to external factors. Our maximum exposure to any single lending counterparty under the Private Securitizations and the Revolving Credit Facility as a percentage of such drawn balances as of June 30, 2021 was 18.1%. We adopt a policy of regularly extending the 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 any short economically challenging period. Our weighted average maturities profile of our drawn facilities was 3.3 years as of June 30, 2021 (3.6 years after giving effect to the redemption of the TABS 1 Securitization on September 13, 2021 and the establishment of the TABS 5 Securitization on September 22, 2021 as well as the establishment of the BABS Securitization on July 2, 2021 and the amendments to the HABS Securitization on September 1, 2021 as if these events had taken place on June 30, 2021).

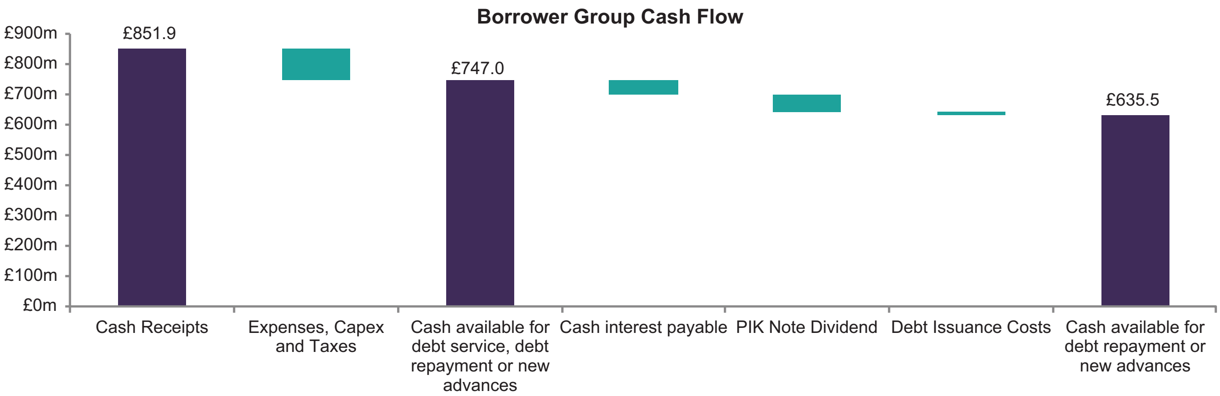
Highly cash generative. The group benefits from significant cash generation and had £1,687.2 million of Cash Receipts for the year ended June 30, 2021, comprising £314.7 million of interest and fees and £1,372.5 million of principal receipts. As of June 30, 2021, our total loan assets were £4,011.9 million. Cash Receipts expressed as a percentage of total average loan assets were 47.2%, 39.8% and 41.3% in the years ended June 30, 2019, 2020 and 2021, respectively. The Borrower Group generated £851.9 million of Cash Receipts in the year ended June 30, 2021 comprised of £78.5 million in interest and fees, £618.2 million in principal receipts and £155.2 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 68.8%, 64.2% and 65.3% in the years ended June 30, 2019, 2020 and 2021, 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 year ended June 30, 2021, resulting in cash available for debt service, debt repayment or originating new advances of £1,582.3 million for the group and £747.0 million for the Borrower Group. Through our strong cash generation, 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 with 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 "*Summary—Supplemental Cash Flow Information for the group and Borrower Group*."

The graph below sets forth Cash Receipts by the group and the Borrower Group for the years ended June 30, 2014 to 2021.



The graphs below set forth the paid interest costs and debt issuance costs for the group and the Borrower Group for the year ended June 30, 2021.





For the year ended June 30, 2021, cash available for debt repayments and originating new advances was £1,439.1 million (representing cash available for debt service, debt repayment or originating new advances of £1,582.3 million less cash interest payable of £110.5 million (including £5.4 million of exceptional items paid in connection with the 2024 Notes Refinancing) and payment of dividend amounts related to the servicing of cash interest on the 2023 PIK Notes of £32.7 million (excluding £20.0 million of dividends in respect of shareholder distributions), but before debt issuance costs of £11.0 million). For a reconciliation of cash available for debt service, debt repayment or originating new advances to the nearest IFRS measure, see "*Summary—Supplemental Cash Flow Information for the group and Borrower Group*." For the year ended June 30, 2021, cash flows available for debt repayments and originating new advances were 5.3 times Underlying EBITDA. Cash available for debt repayments and originating new advances are equivalent to 85.3% of total Cash Receipts of £1,687.2 million. For the year ended June 30, 2021, loan advances required to maintain the size of the loan book equivalent to the size of the loan book as of June 30, 2020 are estimated to be approximately £1,335.1 million with associated debt issuance costs of £11.0 million.

Proactive and effective internal arrears and collections management. We proactively manage our level of arrears by engaging with our customers to understand the reason for any arrears and employing collection strategies based on the particular circumstances of each customer, and a variety of appropriate forbearance measures where we seek to act fairly and appropriately. We work with our customers who are experiencing a reduced ability to service their secured loans and support them through 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 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 believe we have appropriately supported customers throughout the Covid-19 government support scheme period and, as customers have been transitioning out of their Mortgage-Payment Deferral periods, we have worked 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.

Due to our proactive management of arrears, in addition to our strong underwriting and the conservative LTV profile of our loan assets, we had virtually no principal losses prior to 2008 and our provisions for bad and doubtful debts expensed to our profit and loss account in respect of potential loan principal losses in each of the years between 2008 and 2013 amounted to only 1% of our average total loan assets, pursuant to UK GAAP, and for the years ended June 30, 2019, 2020 and 2021, the impairment losses pursuant to IFRS 9 amounted to 0.46%, 1.70% (which was partially impacted by adverse forward-looking macroeconomic assumptions applied as a result of Covid-19 in the UK), and 0.39%, of our total average total loan assets, for the years ended June 30, 2020 and 2021, respectively. As a result of our proactive approach with our customers and an improvement in the credit quality of the customers to whom we have advanced loans 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 0.6% for loans funded in the year ended, June 30, 2020. We believe that our close management of accounts in arrears supports many customers making regular payments in line with agreed payment plans. As of June 30, 2021, of our contractual arrears greater than one month's contractual installment, which represented 6.3% of our loan portfolio and 11.8% 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 59.4% and 48.6% 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 with a focus on ESG. Together has a bespoke culture that has been shaped by our 47-year history and experience. Our culture and the values of our colleagues' are deeply embedded within our senior management team and the wider organization. Our purpose is "realizing" people's ambitions by making finance "work" for everyone and 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 to help them realize opportunities. We also seek to provide support to our customers including those who are in financial difficulty, or those that may be vulnerable, through pre-emptive collection strategies and the application of forbearance tools. We also undertake customer surveys, seek customer reviews and undertake root cause analysis of complaints received in order to help us to improve our customers' journeys.

We have a long tradition of supporting our local communities and charities and have integrated sustainability into our management process through our commitment to environmental, social and governance ("ESG"). Our key commitments and initiatives related to ESG are summarized as follows:

- *Environment.* We remain committed to reducing carbon emissions and support the UK's ambition to reduce greenhouse gas ("GHG") emissions to net zero by 2050. In line with this mission, we are committed to achieving net zero carbon operations by 2030 or earlier and to be a net zero carbon business by 2050 or earlier. We also aim to reduce our total energy consumption by 50% by 2030, are committed to switching all energy suppliers to green tariffs or sustainable energy sources by 2025, and our goal is for all cars in the Together fleet to be electric or hybrid models by 2025. Our Grass Roots sustainability program seeks to raise awareness, measure the success of changes made and support further changes to reduce our carbon footprint. Over the past three years, we have undertaken a number of energy efficiency initiatives which have led to a reduction in overall GHG emissions, while we stay committed to looking for the most energy efficient models in the market and introducing cleaner sources of energy when investing in new office equipment.

- *Social.* As a large local employer, we recognize our duty to society and our local community. We recognize the well-established benefits of having a diverse workforce and sustaining an inclusive working environment, and we recently established a new Diversity & Inclusion advisory committee to provide views and advice on issues of diversity and inclusion to the Board and Senior Management. We have also committed to signing the Women in Finance Charter. In addition, during the pandemic we have continued to provide funding into the social housing sector, bring the total of such funding to £24.0 million since the beginning of 2020.
- *Governance.* 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 have also established governance and oversight processes in order to help ensure that our products and services meet our customers' expectations and, in our regulated division that they are in line with regulatory requirements. We also believe that our focus on risk and compliance is essential to our reputation and represents good business. Recognizing the importance of high standards of governance, the Company also voluntarily adopted the Wates Corporate Governance Principles for Large Private Companies in 2020. Our commitment to strong governance and risk and compliance control is also evidenced by our continued investment in people and our colleague 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 recent additional appointments.

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 have served on the Group Board for over 27 years, amassing over 100 years' service at Together in total. 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 board of directors of the group and the Personal 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. In the last twelve months, we have appointed two significantly experienced Chief Operating Officers in respect of the Personal Finance and Commercial Finance divisions, as well as a new Chief Information Officer with significant change experience working with leading firms in the financial services industry known for robust customer service, while in May 2020 we appointed a new Group CEO Designate.

Our Strategy

Continue to deliver secured lending to underserved customers in attractive and growing market segments. Our vision is to be the most valued lending company in the UK – the most valued by our colleagues, our customers and our intermediaries, and also the most valued for the impact we have on our communities, society and the economy. As one of the UK's leading specialist lenders, we help a wide range of underserved customers realize their ambitions. We are able to help customers with more complex incomes streams, the self-employed, those who are in later life or have thin or impaired credit, entrepreneurs, property investors and SMEs who need a lender that understands and responds quickly to their needs. The way people live and work is evolving rapidly and we expect this process to escalate as a result of the Covid-19 pandemic. Customers' expectations are also changing. Retail customers want products that are easy to understand, fairly priced and simple to use. Commercial customers in turn want a trusted relationship with a lender that can make quick decisions to help them realize opportunities.

The UK retail and commercial purposes mortgage markets have grown in recent years, and with an overall upward movement in UK property prices along with record low unemployment, prior to the recent onset of the Covid-19 pandemic. 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 well serviced by these lenders. We believe that mainstream lending criteria have struggled to keep up with the pace of change in society and, as increasing numbers of people may find their situations have changed as a result of Covid-19, our ability to lend when other lenders are not able to do so is more relevant than ever. As activity levels in the loan market have resumed following the onset of the Covid-19 pandemic, we believe there is significant opportunity for the business to grow by making finance work for underserved customers and to deliver increasing value for all our stakeholders.

As the UK economy began to recover from Covid-19 we decided to resume new lending, with monthly originations returning to pre-pandemic levels in June 2021, thereby evidencing the continued attractiveness of our proposition to customers, and we believe this pervasive societal change provides the potential to further grow significantly beyond the post-pandemic economic environment. As part of the reprioritization of our work to address the initial consequences of the Covid-19 pandemic, we remained committed to, and accelerated, our investment program. This has to date included embedding process automation that has reduced operating costs and risk, removing friction and time from our processes and improving the experience both for customers and intermediaries. This ongoing investment in technology is in turn facilitating our strategy to evolve our distribution to include emerging channels (including online mortgage brokers, aggregators and digital distribution) and at the same time growing and strengthening our existing long-standing relationships with our mortgage intermediaries, direct customers and professional introducers so to increase penetration in these segments.

Achieving positive outcomes by putting the customer at the heart of our business and offering. We continuously aim to deliver positive outcomes to our customers. We believe that the key to being able to deliver positive outcomes to our customer is our family-like culture, our focus on long-term value, and providing our colleagues with the support, training and innovation to deliver the best customer journeys and experiences. We are proud of our culture and, while we modernize and transform our business, we will continue to do what we do best, including understanding individual customer circumstances and needs, and making finance work to help them to achieve their ambitions. We offer a simple range of secured lending products and regularly review this offering against the market and feedback from our customers, to ensure that it continues to meet their changing needs. 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.

As new technologies emerge which can help to further improve the customer journey and experience, we aim to invest in the right tools to help evolve and enhance our business, while retaining a focus on the characteristics of our business that have made us successful. We have embarked on a process to modernize and transform our operations to take advantage of technological enablers to help to improve consistency, user input and speed for customers and intermediaries. 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, freeing up our colleagues to concentrate on more complex aspects of an application. We are focusing on using technology in automating certain manual processes with limited "value add" (where appropriate) and obtaining better data more efficiently, ensuring every customer has a consistent journey.

As we shape our business for the future, we will continue to learn from our customers, taking 'Voice of Customer' feedback at key touchpoints throughout the loan lifecycle, carefully monitoring our Net Promoter Scores and responding to and, where appropriate, remedying and learning from any complaints. In the last year we have also appointed a new Chief Information Officer with significant change experience working with leading financial services firms known for strong customer service and will therefore support and drive our investment in new technologies as we implement a transformational change plan within the business.

Maintain high asset quality with prudent underwriting based on secured lending at conservative LTVs. Maintaining the 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 are firmly committed to our principles of providing secured lending at conservative LTVs, with appropriate affordability and repayment assessments, and with a focus on risk adjusted margins. This enables us to achieve sustainable levels of returns.

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. Over the past ten years, we have also 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 0.6% for loans funded in the year ended June 30, 2020.

Our business model is based on creating long-term sustainable value. As we seek to increase new lending, we will continue to focus on offering a differentiated and sustainable proposition in attractive markets, by offering a range of products that meet our customers' needs and ensuring that we maintain our focus on the quality of our lending — supported by our ongoing program of investment in technology aimed at either improving the customer journey directly or freeing up our colleagues to focus on serving the customer. Some of the projects already delivered by this program include implementation of an electronic underwriting file, a customer messaging and data sharing app, an automated income verification tool, an "affordability unlock" tool, a first phase of e-disbursements and the release of a new core product pricing engine. We also 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.

Increase diversity and depth of funding, and reinvest profits to support future ambitions. Together's business model is underpinned by an established, mature and stable funding structure, comprising our Senior Secured Notes, the Revolving Credit Facility, the Private Securitizations, the Public Securitizations and Shareholder Funds. Our funding strategy largely centers upon the development and maintenance 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 of funding or counterparty, mitigates refinancing risks and results in a more cost-effective strategy over the long-term. Having multiple funding facilities also allows us to compare relative funding terms, supporting our negotiation of terms, including pricing and structure efficiency, on both refinancing of existing sources of funding, and originating new sources of funding, both in the private and public markets.

We continually seek to extend both the diversity of, and the depth of maturity within, our sources of funding, 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, depth and diversity to our funding structure and, from time to time, amend the terms of our existing sources of funding as well as actively exploring alternative sources of funding to support our loan book and opportunistically accessing the markets. We have a demonstrable track record of achievements in diversifying and improving the mix and the terms of our sources of funding. For example, we recently reopened the public small balance commercial real estate markets by way of the CRE 1 Securitization, which was the first such issuance since the global financial crisis. We will seek to continue to explore alternative sources of funding to give comfort that our funding structure continues to be robust and to extend and refinance our existing funding channels as appropriate. Subject to market conditions, from time to time, we will also seek to access both the private and public markets to optimize the balance of our sources of funding and also to take advantage of prevailing market conditions to increase liquidity which will further support the sustainable and planned growth in our loan book.

We recognize the importance of the financial institutions and investors that support these structures and place great emphasis on developing and maintaining these strategic relationships.

Maintain a purpose-driven and supportive culture. We have a strong family-like culture and entrepreneurial spirit, and we recognize that our colleagues are at the heart of our success. We aim to create a diverse, inclusive and collaborative environment where our colleagues can grow, develop and realize their ambitions. Our expert underwriters and customer service teams continue to provide traditional lending services while also going the extra mile to make finance work and to deliver great customers outcomes. By continuing to invest in technology and innovation, we aim to make processes simpler and leave colleagues with more time to focus on what we do best – making finance work to help our customers realize their ambitions. At the same time, we strive to maintain an environment where our colleagues feel empowered to play their part and also to give something back to our communities and to society.

We believe in creating opportunities and actively driving a learning culture across the business, including an extensive, interactive learning and development program, beginning from the recruitment stage, to help our colleagues grow and develop. We develop, engage and retain our colleagues through provision of a range of 'open learning' opportunities, mandatory training activity and support to achieve and maintain competence in role. We also provide a partnering model through both our recruitment and learning activity to understand the business needs and design and deliver solutions. These include careers support, succession planning, targeted learning and coaching for long-term personal development.

Well-being has always been an important focus for the business and we have a range of initiatives in place to promote the health and wellbeing of colleagues, including having set up a number of networking groups to promote diversity and inclusion across the business. Feedback from our colleagues helps us to continuously improve and we have established annual and quarterly colleague surveys. We also have a long-established commitment to our communities and charities through our colleague-led 'Let's Make it Count' program.

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 47-year operating history, we have been profitable year on year and primarily reinvesting our 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. Second lien mortgage loans are loans secured by property against which a first lien mortgage loan has already been obtained. First lien owner-occupied residential mortgage loans (i.e. retail purpose) are regulated by the FCA. Prior to April 1, 2014, most second lien owner-occupied residential mortgage loans (i.e. retail purpose) were 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 owner-occupied residential mortgage loans are regulated pursuant to the same rules as first lien retail owner-occupied residential mortgage loans. Non owner-occupied residential mortgage loans (i.e. buy to let, except for consumer buy to let) and commercial purpose mortgage loans are unregulated. See "*Regulation*."

Loan Portfolio Characteristics

The table below provides certain characteristics of our retail purpose and commercial purpose lending as of June 30, 2021 and for the year ended June 30, 2021, as applicable.

	Retail Purpose 26.2%	Commercial Purpose[(1)] 73.8%			
		BTL+ 26.9%	Commercial Term 19.8%	Unregulated Bridging 23.1%	Development 4.0%
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
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	• £1,052.1 million[(3)]	• £1,081.3 million	• £793.1 million	• £926.4 million	• £161.8 million
Number of Loans	• 17,144	• 10,088	• 3,840	• 3,083	• 175
Average Inception Loan Size[(2)]	• £67.3 thousand	• £112.5 thousand	• £220.6 thousand	• £317.8 thousand	• £540.8 thousand

	Retail Purpose 26.2%	Commercial Purpose(1) 73.8%			
		BTL+ 26.9%	Commercial Term 19.8%	Unregulated Bridging 23.1%	Development 4.0%
Weighted Average Indexed LTV	• 46.8%	• 55.4%	• 49.3%	• 55.6%	• 59.2%
Weighted Average Nominal Rate	• 6.6%	• 7.0%	• 7.7%	• 9.9%	• 9.9%
% of which are Fixed Rate	• 46.2%	• 5.1%	• 1.0%	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 3.2%	• —	• —	• 100.0%	• 97.9%
Comprising first lien and second lien split as follows:					
First Lien Loan Portfolio					
Loan Portfolio Value	• £619.0 million	• £714.3 million	• £759.0 million	• £817.6 million	• £121.1 million
Number of Loans	• 6,619	• 5,162	• 3,573	• 2,703	• 116
Average Inception Loan Size(2)	• £100.0 thousand	• £144.7 thousand	• £226.4 thousand	• £321.2 thousand	• £700.0 thousand
Weighted Average Indexed LTV	• 44.4%	• 55.5%	• 49.5%	• 55.1%	• 56.9%
Weighted Average Nominal Rate	• 5.9%	• 6.6%	• 7.6%	• 9.8%	• 9.8%
% of which are Fixed Rate	• 58.4%	• 4.8%	• 0.8%	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 5.5%	• —	• —	• 100.0%	• 98.2%
Second Lien Loan Portfolio					
Loan Portfolio Value	• £433.1 million	• £367.0 million	• £34.2 million	• £108.8 million	• £40.7 million
Number of Loans	• 10,525	• 4,926	• 267	• 380	• 59
Average Inception Loan Size(2)	• £46.8 thousand	• £78.8 thousand	• £141.9 thousand	• £294.1 thousand	• £227.9 thousand
Weighted Average Indexed LTV	• 50.1%	• 55.2%	• 44.3%	• 59.6%	• 66.1%
Weighted Average Nominal Rate	• 7.5%	• 7.7%	• 8.2%	• 10.7%	• 10.2%
% of which are Fixed Rate	• 28.8%	• 5.7%	• 4.1%	• —	• 0.1%
% with Term ≤ 24 months Loan Portfolio Value	• —	• —	• —	• 100.0%	• 97.0%
Total Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £130.6 million)	• £119.0 million(4)	• £225.8 million	• £178.5 million	• £497.7 million	• £19.2 million
Number of Loans	• 988	• 1,328	• 598	• 2,120	• 37
Average Inception Loan Size(2)	• £120.4 thousand	• £170.0 thousand	• £298.5 thousand	• £234.8 thousand	• £519.2 thousand
Weighted Average Origination LTV	• 52.1%	• 62.9%	• 58.5%	• 61.2%	• 43.4%
Weighted Average Nominal Rate	• 6.3%	• 6.0%	• 6.9%	• 9.6%	• 10.0%
% of which are Fixed Rate	• 74.8%	• 0.6%	• —	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 8.9%	• —	• —	• 100.0%	• 99.0%

	Retail Purpose 26.2%	Commercial Purpose[1] 73.8%			
		BTL+ 26.9%	Commercial Term 19.8%	Unregulated Bridging 23.1%	Development 4.0%
Comprising first lien and second lien split as follows:					
First Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £96.2 million)	• £95.7 million	• £191.0 million	• £175.6 million	• £460.0 million	• £17.0 million
Number of Loans	• 724	• 1,064	• 594	• 2,024	• 24
Average Inception Loan Size[2]	• £132.2 thousand	• £179.5 thousand	• £295.6 thousand	• £227.3 thousand	• £706.6 thousand
Weighted Average Origination LTV	• 51.2%	• 63.7%	• 58.6%	• 61.6%	• 40.0%
Weighted Average Nominal Rate	• 6.3%	• 5.8%	• 6.9%	• 9.6%	• 9.8%
% of which are Fixed Rate	• 73.9%	• 0.7%	• —	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• 11.1%	• —	• —	• 100.0%	• 99.3%
Second Lien Loans underwritten in last 12 months					
Loan Portfolio Value (excluding further advances of £34.4 million)	• £23.2 million	• £34.8 million	• £2.9 million	• £37.7 million	• £2.3 million
Number of Loans	• 264	• 264	• 4	• 96	• 13
Average Inception Loan Size[2]	• £88.0 thousand	• £131.9 thousand	• £729.1 thousand	• £393.1 thousand	• £173.2 thousand
Weighted Average Origination LTV	• 56.0%	• 58.8%	• 50.8%	• 56.2%	• 69.0%
Weighted Average Nominal Rate	• 6.3%	• 6.9%	• 5.7%	• 10.1%	• 11.4%
% of which are Fixed Rate	• 78.4%	• 0.3%	• —	• —	• —
% with initial term ≤ 24 months Loan Portfolio Value	• —	• —	• —	• 100.0%	• 96.7%

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 £177.9 thousand.

(2) The aggregate average inception loan size of retail and commercial purpose is £122.7 thousand.

(3) Retail purpose loans underwritten in the year ended June 30, 2021 of £119.0 million includes £8.7 million of CBTL loans and £10.6 million of regulated bridging loans. Such loans are segmented into first and second lien as appropriate.

(4) The retail loan portfolio value of £1,052.1 million as of June 30, 2021 includes £67.7 million of CBTL loans and £34.0 million regulated bridging loans. Such loans are segmented into first and second lien loans, as appropriate.

Retail Purpose Lending

As of June 30, 2021, 26.2% 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 year ended June 30, 2021, 10.1% of retail purpose loans were underwritten for debt consolidation, 10.5% for debt consolidation and home improvement, 9.0% for home improvement, 13.6% for large personal purchases, 46.5% for property purchases and 10.4% 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 predominantly with specialist distributors, who source business either directly from end consumers or from other mortgage intermediaries or financial advisers. Over recent years, we have also worked with mortgage networks and clubs. Such networks and clubs account for only a small amount of our new originations, but represent an additional source of distribution growth possibilities.

In the year ended June 30, 2021, 76.4% 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 8.8% of our mortgage intermediaries-sourced retail purpose business and the top ten mortgage intermediaries representing approximately 47.7% of our mortgage intermediaries-sourced retail purpose business for the year ended June 30, 2021. 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 decision in principle ("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 year ended June 30, 2021, we sold 23.6% 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 and via our distribution development team.

Recent Distribution Strategy

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. Following the decision to temporarily pause accepting new loan applications in March 2020 due to Covid-19 in the UK, we have successfully maintained and sought to protect our relationships with our key partners via continued and regular communication on our return to lending plans. We commenced our return to lending in the second half of 2020, focusing initially on our key partners. Mortgage clubs and networks remain a component to the future growth of the business and, while this journey is still temporarily paused, we have been providing this channel with alternative routes to transact with us, via our preferred packagers and referrals into our direct sales team.

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. In addition, we are increasingly reviewing our retention strategies and our retention products.

Security

Most residential property securing our retail purpose loans is traditional housing stock, principally located in England, Scotland and Wales. As of June 30, 2021, geographically, 8.4%, 16.4% and 75.2% 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 16.5% was originated in the North West region of the United Kingdom, 17.1% in London and 66.4% throughout the remainder of the United Kingdom as of June 30, 2021. 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 1-40 years. The weighted average initial terms for retail purpose loans as of June 30, 2021 were 223 months. The weighted average elapsed term of live retail purpose loans as of June 30, 2021 was 40 months. Retail purpose loans that were redeemed in the year ended June 30, 2021 had an average elapsed term of 36 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 June 30, 2021 was 46 months.

The table below sets forth certain information about the retail purpose loans as of June 30, 2021. 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 June 30, 2021
Weighted Average Indexed LTV	46.8%
Average Inception Loan Size	£67.3 thousand
Weighted Average Inception Loan Term	223 months
Outstanding Balance	£1,052.1 million
Percentage first lien	58.8%

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 underwriting process can typically 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 engaged in a partnership with a third-party provider of a secured app to improve communication with the customer through the application process. We have also implemented the second 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 phase due to be completed in late 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 CDD 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 CDD 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 June 30, 2021, 73.8% of our loan portfolio, calculated by value, consists of commercial purpose loans, which are secured on residential, commercial and semi-commercial properties. We offer BTL, commercial term loans and unregulated bridging loans and development loans to SMEs, property investors and high net worth and other individuals. 36.5% of our commercial purpose loans are BTL+ loans, 26.8% of our commercial purpose loans are commercial term loans, 31.3% of our commercial purpose loans are unregulated bridging loans, and 5.5% of our commercial purpose loans are development loans.

BTL+ Loans

As of June 30, 2021, 26.9% of our loan portfolio and 36.5% 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. In the year ended June 30, 2021, 21.8% of the BTL+ loans were underwritten for capital raising and major purchases, 45.3% for first lien purchases (including buy-to-let properties), 19.5% for remortgages including buy-to-let properties and 13.4% for other purposes.

Distribution

In the year ended June 30, 2021, we distributed 61.1% and 38.9% of our BTL+ loans through mortgage intermediaries and direct sales (including repeat customers and our network of professionals), 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 June 30, 2021, of our BTL+ loans, 66.1% are secured by first liens and approximately 33.9% are secured by second liens, calculated by value. As of June 30, 2021, geographically, 13.2%, 24.8% and 62.0% 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 June 30, 2021 was 205 months. The weighted average elapsed term of live BTL+ loans as of June 30, 2021 was 38 months. BTL+ loans that were redeemed in the year ended June 30, 2021 had an average elapsed term of 47 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 June 30, 2021.

	BTL + Loans
	Loan portfolio as of June 30, 2021
Weighted Average Indexed LTV	55.4%
Average Inception Loan Size	£112.5 thousand
Weighted Average Inception Loan Term	205 months
Outstanding Balance	£1,081.3 million
Percentage first lien	66.1%

Commercial Term Loans

As of June 30, 2021, 19.8% of our loan portfolio and 26.8% 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. In the year ended June 30, 2021, 15.5% of the commercial term loans were underwritten for capital raising and major purchases, 48.8% for first lien purchases, 32.7% for remortgages and 3.0% for other purposes.

Distribution

In the year ended June 30, 2021, we distributed 52.9% and 47.1% of our commercial term loans through mortgage intermediaries and direct sales (including repeat customers and our network of professionals), respectively.

Security

As of June 30, 2021, of our commercial term loans, 95.7% are secured by first liens and approximately 4.3% are secured by second liens, calculated by value. As of June 30, 2021, geographically, 21.8%, 10.6% and 67.7% 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 June 30, 2021 was 177 months. The weighted average elapsed term of live commercial term loans as of June 30, 2021 was 30 months. Commercial term loans that were redeemed in the twelve months ended June 30, 2021 had an average elapsed term of 39 months, respectively.

The table below sets forth certain information about the commercial term loans offered by TCFL, HARPL and BFL as of June 30, 2021. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

	Commercial Term Loans
	Loan portfolio as of June 30, 2021
Weighted Average Indexed LTV	49.3%
Average Inception Loan Size	£220.6 thousand
Weighted Average Inception Loan Term	177 months
Outstanding Balance	£793.1 million
Percentage first lien	95.7%

Unregulated Bridging Loans

As of June 30, 2021, 23.1% of our total loan portfolio and 31.3% 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. In the year ended June 30, 2021, 71.4% of the unregulated bridging loans were underwritten for first lien property purchase, 15.5% for raising capital and 13.1% for other purposes.

Distribution

In the year ended June 30, 2021, we distributed approximately 62.7% of our unregulated bridging loans through direct channels which consist of, *inter alios*, our network of professionals, auction houses, repeat customer base and our direct sales teams. In the year ended June 30, 2021, we distributed 37.3% of our unregulated bridging loans through our network of mortgage intermediaries which spans across the United Kingdom.

We have made further significant investments in our commercial purpose direct channel distribution capabilities over recent years, through the expansion of the professional sector and auction channel capabilities, replicating the North West success across all areas of the UK in conjunction with a customer retention strategy to provide incremental value to our expanding customer base.

Network of Professionals

Our network of professionals consists of banking, accounting, legal, wealth management, surveyors and other professional firms that may refer businesses and 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 over our 47-year operating history and keep investing heavily in establishing this vast network of professional firms. Professional advisors will generally only introduce their clients to lenders who they trust to look after their clients interest and who have established themselves as a reputable lender. Once a customer has been introduced to us, such customer may come back for future financing requirements, thereby increasing our repeat customer base. The professionals who make recommendations and introductions on our behalf typically receive no commissions or fees for doing so, as we believe that they benefit from meeting their clients' financing needs by making the introduction.

Auction Houses

We continue to have strong working and joint marketing relationships with auction houses across the United Kingdom, and with a number of auction professional bodies, such as the National Association of Valuers and Auctioneers and Essential Information Group who are widely recognized within the auction industry. At present, there are 279 active UK auctions, of which we hold 85 individual auction relationships. Despite such auction relationship potentially representing an estimated 30% of the auction industry, approximately 80% of lots are sold through 20% of the active auctions. While the growth of the online sale has been dramatically accelerated due to Covid-19, we have seen benefits crystallizing from our previous strategy to grow a digital/exclusivity presence through online auctions. The auction market has been forced to modernize during the pandemic but rooms will remain a part of the larger auctions.

We continue to increase our presence and our strong, established reputation in this marketplace has been key to the success over the last few years. These relationships support our presence in the auction houses across the United Kingdom in order to offer financing directly to individuals and businesses bidding at the auction, predominantly on residential investment properties. Mortgage loans can be approved before (subject to conditions), or after the auction.

Corporate

We also launched our corporate team in 2019, which initially sought to work with high net worth individuals, property investors, entrepreneurs, SMEs distribution 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.

While this team was initially set up to focus on our larger customers, we were able to redeploy the team during 2020 into an asset management function to monitor and engage with our larger potential exposures throughout the heights of the Covid-19 pandemic. This team had the appropriate skillset to manage any payment issues and work to support forbearance and protect the back-book of larger customers. Based on the strong performance of the loan portfolio and as the broader macro risks of Covid-19 have reduced, we are now intending to re-launch this corporate distribution channel during 2021 and 2022 from a new business perspective, working closely with the asset management and risk functions to monitor the credit risk profile.

Mortgage Intermediaries

For the year ended June 30, 2021, 37.3% 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 June 30, 2021, 88.3% of our unregulated bridging loans are secured by first liens and 11.7% are secured by second liens. 43.2% and 56.8% of the properties securing our unregulated bridging loans are residential and commercial, respectively. As of June 30, 2021, geographically, 20.6%, 16.7% and 62.7% 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 June 30, 2021, 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 June 30, 2021 was 21 months. Unregulated bridging loans that were redeemed in the year ended June 30, 2021 had an average elapsed term of 22 months.

The table below sets forth certain information about the unregulated bridging loans held by TCFL, BDFL, HARPL and AFL as of June 30, 2021. See "*Presentation of Financial and Other Information—Terms Relating to Our Loan Analysis*."

	Unregulated bridging loans
	Loan portfolio as of June 30, 2021
Weighted Average Indexed LTV	55.6%
Average Inception Loan Size	£317.8 thousand
Weighted Average Inception Loan Term	14 months
Outstanding Balance	£926.4 million
Percentage first lien	88.3%

Development Loans

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 or refinancing 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.

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 CDD 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 (with the exception of development loan applications, which are handled by the development funding team as described further below). 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.

While the underwriting process on a development loan features many similar aspects to the other types of 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 development funding team review the proposed development, focusing on key areas such as the budget, timescales, the experience, professionalism and perceived integrity of the customer (with much of our development loan activity with repeat customers with whom we have a proven track record) and their proposed contractors, location, exit strategy and plausibility, the status of any planning consent and the financial position of the potential customer. Typically, applications are reviewed against a maximum 75% limit on a loan to cost basis (being the amount of initial advance and further advances approved to be made through the project relative to the projected total costs including the initial purchase amount and costs to develop) and a maximum 65% limit on a loan to gross development value basis (being the amount of initial advance and further advances approved to be made through the project plus any fees and interest agreed to be rolled up, relative to the expected end market value of the asset once completed).

Prior to any initial advance, we require a panel approved RICS qualified valuer to validate and support the proposed valuation (in respect of both the value upon origination and the value upon completion of the development), 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 RICS valuation, an external valuation or an automated valuation. The type of valuation required is determined by the loan value, estimated LTV and when using an AVM, confidence level.

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, house price indices 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 may also conduct a "forced sale" valuation, which assumes 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 residential securities, 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 year ended June 30, 2021, 60.6% of retail purpose loans and 75.6% 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.

Moreover, following the onset of Covid-19, the Royal Institution of Chartered Surveyors ("RICS") released an update (most recently updated on July 21, 2021) stating that valuations may be subject to 'material valuation uncertainty' (as set out in VPS3 and VPGA10 of the RICS Valuation – Global Standards), that although available valuation evidence in many markets globally has improved, in certain markets and circumstances, material valuation uncertainty can remain and that, where this is the case, the valuer should explicitly state this via a declaration of material valuation uncertainty. Where there is a shortage of market evidence for comparison purposes, this can result in less certainty and a higher degree of caution should be attached to such 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 and, as a result, offer competitive products to our customers.

The 'material valuation uncertainty' clause is not in use where, despite Covid-19, the property market relevant to a particular property is properly functioning, i.e. with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Whether market uncertainty exists is a decision for the firm providing the valuation and needs to be supported by sound rationale and recorded.

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 also 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 proactively 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 teams 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 are able to support those who are most vulnerable and in need of specific help and support. If customers are experiencing a reduced ability to service their secured 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, offering reduced payment plans, reducing interest rates, offering payment deferrals and providing assisted sales. 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.

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.

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.

Automated work flows create a set of tasks where accounts have hit a trigger, such as a returned direct debit payment, requiring colleagues to contact the customer. Upon contact with the customer, the colleague 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 specialist team, to try to work with the customer to establish an appropriate way forward.

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 had been extended on multiple occasions but now ceased, 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 reached the end of their Mortgage-Payment Deferral, we had a defined contact strategy in place which sought to ensure that we are able to assess the customer’s ability to resume payment of monthly installments and the treatment selected to deal with the payment deferral amounts due. 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*.”

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, which had resulted in an improvement in the credit quality of the customers to whom we lend while also making 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 0.6% for loans funded in the year ended June 30, 2020. While we witnessed an increase in arrear levels at the onset of Covid-19, such arrears have returned closer to pre-pandemic levels. As of June 30, 2021, of our contractual arrears greater than one month’s contractual installment, which represented 6.3% 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 59.4% 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. Due to the suspension of repossessions, via the moratorium put in place, we saw a reduction in volumes of repossessions and LPA Sales. Since this suspension has been removed, we have started seeing the levels of repossession and LPA Sales return to pre-pandemic levels. In the year ended June 30, 2021, we conducted 17 repossessions, representing less than 0.1% of our total loan assets, calculated by value, and placed 72 properties into LPA receivership, representing 0.2% of our total loan assets, calculated by value.

Net Promoter Score

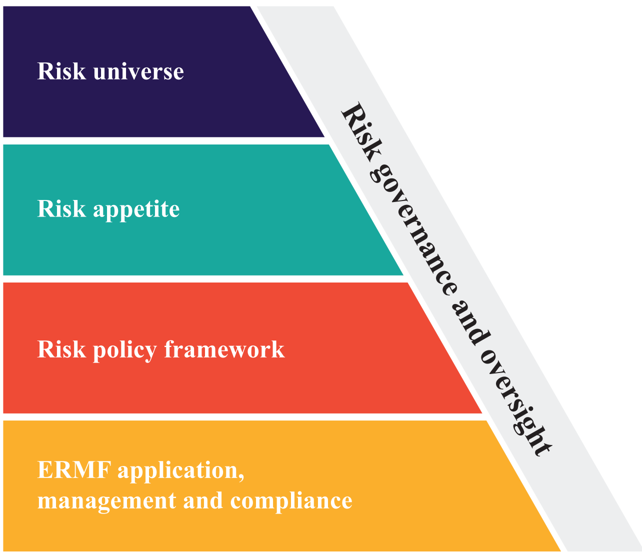
We are committed to delivering excellent services to our customers and seek feedback and monitor performance to apply best practices across our business. We have dedicated customer experience teams who have implemented activities from feedback received, which has led to increases in customer satisfaction scores.

Our in-house research team measures our Net Promoter Score (which consists of the collections, underwriting and service departments) by contacting customers at key touchpoints throughout the loan lifecycle. For the period from July 1, 2020 to June 30, 2021, our net promoter score, which is based on a combination of loan origination and loan serving metrics, was 43 for our Personal Finance division and 35 for our Commercial Finance division.

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. 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.

The group has a coordinated approach to assurance which maps the key risks faced by the group to the assurance activities in place across the three lines of defense, to allow effective oversight and to increase focus on specific issues as required. 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 exception reporting and quality assurance testing 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.

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. In the Personal Finance division, the Personal Finance Board has the flexibility to set their own risk appetites, within the group risk appetite, which may be informed by regulatory requirements.

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.

Embedding risk application, 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:

- a culture which is led by the Board and senior management;
- organizational 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 behavior.

Data Governance Framework

We are currently in the process of implementing a new data governance framework (the "Data Governance Framework"). Accountability and decision rights for data have been established through the allocation of business "Data Owners" and improved processes have been established for management of data quality issues. Final steps in the implementation of the Framework are underway to allow us to better identify and address business risks that arise in processing, managing and storing data. We believe that the appointment of a new dedicated DPO in 2021 with no operational responsibilities, and with a reporting line into the Group Chief Risk Officer will increase the focus placed on compliance oversight and will also allow for knowledge of comparable organizations and control mechanisms to be used to evaluate our current position and improve the current control environment. See "*Risk Factors—Risks Relating to Our Business—We are subject to the Data Protection Act 2018 and the UK General Data Protection Regulation relating to personal data that we collect, process 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 system 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 any 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 the position. 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 work streams which aim 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 plan to remediate this population of customers and provided regular updates to the FCA as progress was made, making 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 our industry is complex in nature and subject to regulation and in certain segments of our industry has been subject to regulatory reviews in recent years.*"

We continually focus on improving our customer processes and responding to changes in customer needs. During the year ended June 30, 2021, the regulated division continued to identify ways to improve customer experience and outcomes, including the development of a framework aimed at ensuring consistency of customer outcomes, which seeks to build upon and enhance existing practices, policies and procedures. In addition, a number of customer rate reductions were implemented during the period, including to long-standing customers in order to offer support to them.

See "*Risk Factors—Risks Relating to Our Business—Calculation and application of interest and fees in our industry is complex in nature and subject to regulation and in certain segments of our industry has been subject to 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 Private 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 certain agreed upon procedures ("AUPs") to validate loan level data and reporting outputs and report on the underlying loan assets within those Securitizations, the results of which are shared with the relevant counterparties.

As part of the most recent review for the twelve months to June 30, 2021, the external, independent reviewer selected a sample of performing and non-performing loans for testing. In each sample, the loans are selected randomly, which provides sufficient coverage of product types and loan features. 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 data accuracy 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 portfolio performance via a recalculation of covenant values, 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. Additionally, the AUPs cover a reconciliation of customer receipts and the transfer of payments from the collection accounts through to the Securitization accounts. The scope and sample methodology is agreed in advance with each of the lenders prior to each review. The last review was performed in July 2021. 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, independent verifier undertakes a review on a random sample of 20 loans sold into the Securitization facility on a quarterly basis. Loans are assessed with reference to the commercial underwriting and processing policies as well as reviewing data integrity and file completeness for key documents. Additionally, cash administration testing is performed to ensure that customer receipts are correctly captured and recorded, and subsequently swept into the SPV in line with the facility documentation. The last review was performed in July 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. As we further develop our lending propositions, we increasingly seeking to leverage technology developed by external parties.

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 have automated 30 processes with this technology, and continue to invest. 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, further supported by software developers employed by us who work alongside the outsourced capability. This model has been successfully used for over the period 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. We are increasing our use of agile techniques and enhancing our on-site capability to further increase the pace of incremental change.

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, 2021) 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. Our strategy is to move towards a cloud based infrastructure and the first workloads are now operational within the cloud.

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. We continue to develop our technology with a 'device as a service' approach to technology used by our colleagues and building further upon the contact center capabilities. 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, 2021, 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, Social and Governance (ESG) Matters

While we operate in the financial services sector, which is generally considered to have relatively limited environmental impact, we recognize the importance of protecting the environment, and act to reduce its impact, by recycling and reducing energy consumption. We support the UK's ambition to reduce greenhouse gas emissions to net zero by 2050 and we are committed to having net zero carbon operations by 2030 or earlier and to being a net carbon zero business by 2050 or earlier with a business target (including lending impact) of net zero by 2050 or earlier. We aim to reduce our total energy consumption by 50% by 2030 and are committed to switching all energy suppliers to green tariffs or sustainable energy sources by 2025. In addition, our target is for all cars in the Together fleet to be either electric or hybrid by 2025.

Under the Companies Regulations 2018, we are required to comply with the streamlined Energy and Carbon report (SECR) reporting framework. For the year ended June 30, 2021, the Energy Hub concluded that we had reduced our overall emission by 14.6 tons of CO2e to 628.3 tons of CO2e. During the Covid-19 pandemic the mechanical ventilation systems have been set to maximum fresh air to reduce the spread of Covid-19 which increased our emission. This was offset by a number of our initiatives such as the use of LED lighting and replacement boilers.

In line with our mission to reduce carbon emissions, our Grass Roots sustainability program seeks to raise awareness, measure the success of changes we have made and support future changes which will further reduce our carbon footprint, focusing on: Waste—we have a "Zero to landfill" status and all waste is either reused, recycled, composted, or burned to produce energy; Energy—New boilers have halved our gas consumption and we also installed more efficient lighting and controls, as well as four electric car charging points; and Colleague Engagement—'keep cups' continue to be used, coffee and sugar sachets have been removed, milk cartons have been changed to milk pergals and the cycle to work scheme is continuously promoted. These actions have reduced property based annual energy consumption and therefore emissions.

Whenever we are investing in new office equipment, we aim to choose the most energy efficient models on the market, at a minimum A rated equipment. We are also at the initial stages of assessing the potential introduction of cleaner sources of energy in to our head office buildings.

In addition, we have a long tradition for supporting our local communities and charities and promoting a culture of diversity and inclusion in the workplace. To support our colleagues during the pandemic, we put in place a number of initiatives to ensure their health and wellbeing and provided a dedicated suite of tools and resources to support colleagues' continued learning, development and wellbeing during their time working from home and returning to the office. During the pandemic, we have supported over 7,900 customers with Covid-19-related payment deferrals and other forbearance, including extending support to our nonregulated customers. Moreover, since supporting our local community continues to be important to the business, we have raised over £130,000 for charity during the financial year ended June 30, 2021 and provided funding of approximately £24 million into the social housing sector, directly or indirectly. We are also a proud signatory of the Women in Finance Charter and have pledged to promote gender diversity and have stated targets to measure our progress in this area, progress against which will be published annually on our website. Lastly, we have established a new Diversity & Inclusion advisory committee to support inclusion in the workplace, championed by Liz Blythe, non-executive director of our Personal Finance Division.

In addition to supporting environment and social sustainability, we have also 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. Recognizing the importance of high standards of governance, the Company also voluntarily adopted the Wates Corporate Governance Principles for Large Private Companies in 2020. We continuously invest in people and our colleague 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.

The group has recently created a steering group, led by our CEO Designate, and appointed an ESG consultancy to support the development of a formal ESG strategy in line with our purpose and vision for the future.

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 have recently completed negotiations on a long-term lease of our Lake View office and entered 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, benefit from a reinstatement limit of indemnity, if required, to ensure they meet their regulatory requirements. In addition, we maintain combined public and employers' liability insurance that provides coverage up to £5.0 million for any one public liability claim and £10.0 million for any one employer's 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. Finally, since 2006, we require properties in our portfolio securing mortgage loans underwritten to 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.

Our compliance function provides 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 monitoring 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.

Underwriters

We undertake regular training of our underwriters, 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 voluntarily 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 or fail to appropriately manage any regulatory inspections, reviews and investigations, 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*" *"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"* and *"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."*

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 provisions are adequate to cover such claims and costs, and we have included a provision of £11.8 million within our consolidated statement of financial position as of June 30, 2021 in relation to such claims, 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. However, we have not yet seen any significant increase in the number of PPI claims received. 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*."

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, 2019, 2020 and 2021, we had an average of 740, 750 and 606 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.

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 lien 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 lien 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 lien 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 lien 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 June 30, 2021, 73.8% of our total loan book represented unregulated commercial purpose loans, 15.4% represented FCA regulated first charge residential mortgages, and 10.8% represented FCA regulated second lien residential mortgages. 6.4% and 3.2% 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 lien classification, as appropriate. As of June 30, 2021, approximately 26.2% 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 lien 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 October 31, 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*."

On April 26, 2021, the Economic Secretary to the Treasury announced that the FCA will work with the Treasury to conduct a mortgage prisoners review. The mortgage prisoners review will include a review of, and updates to, existing data relating to mortgage prisoners, as well as the criteria for determining whether or not a mortgage borrower is able to switch (and would consequently not be considered a "mortgage prisoner"). The mortgage prisoners review will also consider what impact, if any, the modified affordability assessments and intra-group switching rule have had on the ability of "mortgage prisoners" to switch to new lenders. The results of the mortgage prisoners review are expected by November 2021.

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 or fail to appropriately manage any regulatory inspections, reviews and investigations, 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.

On May 14, 2021 the FCA published CP21/13 A new Consumer Duty which proposes a new duty on firms in respect of retail clients. The proposals in CP21/13 are proposed to have a very wide scope, and would apply to a firm even where it does not have a direct relationship with a retail client.

CP21/13 proposes requiring firms to consider what outcomes retail clients should be able to expect from their products and services; to then act to enable rather than hinder these outcomes; and to assess the effectiveness of their actions to enable rather than hinder these outcomes. CP21/13 also proposes adding one of two new Principles to the FCA's Principles for Businesses. The two options the FCA is consulting on are "a firm must act to deliver good outcomes for retail clients" and "a firm must act in the best interests of retail clients." Additionally, CP21/13 proposes creating three behaviors for firms and four outcomes that firms must achieve. The behaviors are: to take all reasonable steps to avoid causing foreseeable harm to retail clients; to take all reasonable steps to enable retail clients to pursue their financial objectives; and to act in good faith. The outcomes are: that the firm's communications equip retail clients to make effective, timely and properly informed decisions about financial products and services; a firm's products and services are specifically designed to meet the needs of retail clients, and sold to those whose needs they meet; a firm's customer service meets the needs of retail clients, enabling them to realize the benefits of products and services and acts in their interests without undue hindrance; and that the price of a firm's products and services represents fair value for retail clients.

Additionally, the FCA had previously said in Feedback Statement 19/02 that it would consider creating a private right of action for breaches of its Principles for Businesses. CP 21/13 does not propose creating a private right of action, but the FCA nonetheless seeks feedback on this topic in CP21/13.

The FCA expects any rule changes that result from CP21/13 to be in place by July 2022. The consultation period for CP21/13 closed on 31 July 2021 and the FCA expects consult on draft rules by December 31, 2021 with final rules to follow in the first quarter of 2022. Because of both the wide scope of the proposed rule changes and the short time period between the publication of draft rules and the proposed date for them to come into effect, complying with the new consumer duty may present challenges to regulated firms that have exposure to retail clients.

Reporting

Regulated firms have an ongoing obligation to provide the FCA with certain information regularly through the RegData (previously 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 for solo-regulated firms 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 have now moved 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 for in-scope firms. 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, were required to submit data as by March 31, 2021. 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 as a result of the ongoing pandemic. The Personal Finance division completed all fitness and proprietary assessments by the required deadline of 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, we believe 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. The FCA register entry for each regulated entity detailing the SMFs for each firm has been updated.

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. As a result of Covid-19, the FCA provided an extension to the implementation deadline of a number of SM&CR regulatory requirements, from December 9, 2020 to March 31, 2021 (such as the final rules on the Directory—a new public register of key financial services workers). However, activities requiring regulatory applications, such as the amendments to statements of responsibility or an amendment to our management responsibilities maps, continued throughout Covid-19.

Since the onset of the Covid-19 pandemic, there has also been a focus on ensuring that the firm's senior manager population are taking 'reasonable steps' in relation to additional significant activities, such as the furloughing of colleagues, the moves to working from home and back to the office and the ongoing management of Mortgage-Payment Deferrals.

In 2020 we 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 July 14, 2021, the FCA published its 2021/22 Business Plan in which it outlined its key priorities. It focuses on economic, technological and social changes, as well as the challenges of the pandemic, the UK's exit from the EU and how they want to ensure firms provide better outcomes for consumers. The compliance function monitors all regulatory developments, including the matters identified by the FCA in their business plans.

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.

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, and finally on November 17, 2020 (the "FCA Covid-19 Guidance"), and expired on July 31, 2021. The updated guidance used 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 provided that UK mortgage lenders would not be 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 could have been made by a customer at any time until March 31, 2021.

Where the FCA guidance had not expired and a customer indicated that they could not immediately resume full payments at the end of that initial mortgage-payment deferral, mortgage lenders were 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 for a request for an extension made after March 31, 2021, any deferral covers only payments consecutive with previous deferrals under the FCA Covid-19 Guidance, and further provided that no such mortgage-payment deferral or extension to any initial payment deferral; granted pursuant to the FCA Covid-19 Guidance extends beyond July 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.

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, 2021 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 favorable 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.

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 have commenced or continued repossession proceedings against customers before April 1, 2021 and should not have enforced 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: 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, 2021. 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 deferred amounts are deemed to constitute arrears under FCA Consumer Credit sourcebook 7 and consumers are therefore considered to be in arrears 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.

On January 27, 2021 the FCA published Finalised Guidance: Consumer Credit and coronavirus: updated Tailored Support Guidance for firms, providing guidance on the approach to repossessions of goods and vehicles after January 31, 2021. Where firms repossess goods and vehicles after January 31, 2021, they must do so only as a last resort, and in accordance with all relevant government public health guidelines, including those on social distancing and shielding. Additionally, the FCA reminded firms that they must exercise particular care when dealing with vulnerable customers to ensure that any decision to repossess goods and vehicles is appropriate.

On January 27, 2021, the FCA published Finalised Guidance: Mortgages and coronavirus: updated Tailored Support Guidance for firms , which stated that, except in exceptional circumstances, firms should not have enforced repossession before April 1, 2021. However, since April 1, 2021, firms have once again been able to commence or continue repossession activity. On March 25, 2021, the FCA published FS 21/6 Finalised Guidance: Mortgages and coronavirus: further updated tailored support guidance for firms. FS 21/6 amended Mortgages and Coronavirus: Tailored Support Guidance, which provided further guidance setting out their proposed approach to home repossessions from April 1, 2021. In addition to the existing FCA requirements that a property must not be repossessed unless all other reasonable attempts to resolve the position have failed, the FCA stated that firms should support and enable customers to disclose circumstances that might make them particularly vulnerable to repossession action as a result of the Covid-19 pandemic and consider whether additional support may be required as a result. The FCA also confirmed the ongoing relevance of the tailored support guidance.

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 lien 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

On July 29, 2019, the FCA published a guidance consultation (GC19/3) for firms on the fair treatment of vulnerable customers in order to provide regulatory clarity for firms involved in the supply of products or services to retail customers who are actually, or are potentially, vulnerable. GC19/3 gives the FCA's view of what the principles for businesses require of firms to treat vulnerable consumers fairly, sets out the FCA's definition of vulnerable customers, the scale of the issue and the potential impact on customers of being vulnerable. The FCA also sets out the aims of the guidance, what it includes and how they expect firms to use it, how they will hold firms to account if they breach the principles for business and how they will monitor the effectiveness of the guidance. The draft guidance covers three main sections: (i) understanding the needs of vulnerable customers; (ii) ensuring staff have the skills and capabilities needed; and (iii) translating that understanding into taking practical action. The deadline for comments on GC19/3 was October 4, 2019. 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). 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.

On February 23, 2021 the FCA published FG21/1 Guidance for firms on the fair treatment of vulnerable customers. It aims to drive improvements in the way firms treat vulnerable consumers so that they are able to achieve the same outcomes as others. It explains that the FCA's 'Financial Lives' research showed that 27.7 million adults in the UK now have characteristics of vulnerability such as poor health, experiencing negative life events, low financial resilience or low capability. As such, the FCA are clear that firms should understand in what circumstances their customers are likely to be vulnerable to and ensure that customers in vulnerable circumstances can receive the same fair treatment and outcomes as other customers. The guidance states that in order to achieve this, firms must assist consumers through the whole customer journey from product design to customer engagement and communications.

The guidance explains that to achieve good outcomes for vulnerable customers, firms should:

- understand the needs of their target market / customer base
- ensure their staff have the right skills and capability to recognize and respond to the needs of vulnerable customers

- respond to customer needs throughout product design, flexible customer service provision and communications
- monitor and assess whether they are meeting and responding to the needs of customers with characteristics of vulnerability, and make improvements where this is not happening

Using the guidance, the FCA will continue to hold firms to account for their treatment of vulnerable customers. Firms can expect to be asked to demonstrate how their business model, the actions they have taken and their culture ensures the fair treatment of all customers, including vulnerable customers. In addition, firms are reminded that in treating customers fairly, they should also be aware of their obligations under the Equality Act 2010. It is likely that a breach of the Equality Act will also be a breach of the FCA's rules. The FCA has also published a Memorandum of Understanding (MoU) with the Equality and Human Rights Commission (EHRC). This MoU outlines how the FCA will co-operate and work with the EHRC on equalities issues, to help protect people in financial services markets. The MoU is also intended to support the authority in eliminating discrimination and advancing equality of opportunity in line with its obligations under the Public Sector Equality duty.

On July 19, 2021 the FCA published a document containing frequently asked questions relating to the fair treatment of vulnerable customers, with the answers grouped by theme and linking back to sections of FG21/2, FS21/4 and other relevant documents relating to the FCA's expectations surrounding the fair treatment of vulnerable customers.

The FCA's 2020/21 Business Plan heavily focused 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. While the FCA's 2020/21 Business Plan has been superseded by the aforementioned 2021/22 Business Plan, the concerns relating to the fair treatment of vulnerable customers remain relevant. The compliance function monitors all regulatory developments, including the matters identified by the FCA in their business plans.

The proposals made by CP21/13 would also have implications for the fair treatment of vulnerable customers. For example, in avoiding causing foreseeable harm to consumers, the FCA has stated that firms must ensure that they do not exploit customers' vulnerabilities. Firms will also need to consider customers' needs and characteristics, including vulnerability. Please see "*Regulation—Conduct Risk*.."

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 came 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.

On February 26, 2021 the FCA published PS21/1: Breathing Space Regulations: changes to our Handbook. PS21/1 made changes to CONC to clarify how CONC applies where The Debt Respite Scheme (Breathing Space Moratorium and Mental Health Crisis Moratorium) (England and Wales) Regulations 2020 also apply and to avoid duplication where both apply.

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 consumer credit back book mortgage contracts (see "*—Regulation of Residential Mortgages*"). 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 under "*—Recent Regulatory Changes*", 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. This was subsequently extended to April 1, 2021 by Finalised Guidance: Mortgages and coronavirus: updated Tailored Support Guidance for firms. Where a possession order had already been obtained, the FCA Covid-19 Guidance stated that firms should refrain from enforcing it. The only exception to delaying proceedings was where a customer has specifically requested that the repossession proceedings continue. However, since April 1, 2021, firms have once again been able to commence or continue repossession. See "*—Recent Regulatory Changes.*"

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 define the purpose(s) for processing personal data and therefore classify as a "controller". Consequently, we must comply with the requirements established by the UK General Data Protection Regulation ("UKGDPR") and Data Protection Act 2018 ("UKDPA") in relation to processing the personal data of our customers. The Information Commissioner's Office ("ICO") is an independent supervisory 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 relating to 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 UKGDPR and UKDPA 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 (including requirements to cease processing and/or erase personal data), issue monetary penalty notices and prosecute criminal offences under the UKDPA.

The EU GDPR became applicable in all Member States from May 25, 2018 and made substantial changes to the EU data protection regime. When the UK left the EU it entered into a transition period, which ended on 31st December 2020, when GDPR ceased to apply to UK companies and the Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019 ('DPPEC') was enacted to incorporate the GDPR into UK law and create the UKGDPR. In practice, there is little variation to core data protection principles, rights and obligations.

As a controller, we are subject to the requirements and obligations set out in the Data Protection Laws. The Data Protection Laws also impose obligations on entities that process data on behalf of controllers ("processors"). We may be or become subject to the Data Protection Laws both as a controller and a processor, in differing circumstances. We need to comply with and demonstrate our compliance with a set of data protection principles under the Data Protection Laws. 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 Data Protection Laws, which include, among other things, 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 Data Protection Impact Assessments ("DPIA") on our systems, processes, procedures and engagements with third parties, and obligations relating to the handling of data breaches. The UKGDPR retained 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 £17.5 million. See "*Risk Factors—Risks Relating to Our Business—We are subject to the Data Protection Act 2018 and the UK General Data Protection Regulation relating to personal data that we collect, process 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.*"

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

Bracken Midco1 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 Bracken Midco1 plc, as of the date of this offering memorandum.

Name	Year of birth	Title	Date of appointment
Gary D. Beckett	1969	Director	June 7, 2016
Henry N. Moser	1949	Director	June 7, 2016

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.

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	Non-Executive Director
Robert M. McTighe	1953	Non-Executive Director and Chairman
Joseph M. Shaoul	1940	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

(*) Mr. Golby has recently announced his resignation and ceased serving on the Board of Directors as of September 30, 2021.

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, which was 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 led 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 recently announced his resignation and ceased serving on the Board of Directors as of September 30, 2021. 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.

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.

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. He previously served in an advisory role with the FCA Small Business Practitioner Board 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
Chris Adams	1986	Group Finance Director
Peter S. Ball	1968	Personal Finance Chief Executive Officer
Gary D. Beckett	1969	Group Managing Director and Chief Treasury Officer
Darren Clarke	1972	Commercial Finance Chief Operating Officer
Kevin G. A. Fisher	1959	Group People Director
Gerald Grimes	1964	Group CEO Designate
Marcus J.J.R. Golby	1970	Group Chief Operating Officer
Marc R. Goldberg	1971	Commercial Finance Chief Executive Officer
Steve Miller	1963	Group Chief Risk Officer
Henry N. Moser	1949	Group Chief Executive Officer
Tom Pirrie	1969	Chief Information Officer
Andrew J. Wicken	1966	Personal Finance Chief Operating Officer
Paul A. Wilson	1971	Finance Director, Personal Finance

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.

Chris Adams was promoted to the position of Group Finance Director in 2021 after initially assuming the position on an interim basis 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.

Darren Clarke joined Together Financial Services as Chief Operating Officer of Together Commercial Finance Ltd in April 2021. During his 30 year career Darren has held senior management positions across the financial services industry; most recently as Director of Operations at the challenger bank Redwood Bank as it became licensed and began trading. Darren has attended a number of business schools including Cambridge University, London Business School, Warwick Business School, IESE Madrid, and Chicago Booth University.

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.

Tom Pirrie was appointed as Chief Information Officer in 2021. Mr. Pirrie previously served as CIO for Digital Services at HSBC as well as CIO for First Direct. Prior to joining Together Financial Services, Mr. Pirrie worked as a consultant in many companies including Co-op Financial Services, Centrica and Old Mutual Wealth Management. Before consulting Mr. Pirrie worked for British Telecom and then JP Morgan. Mr. Pirrie holds a degree in Information Engineering from Strathclyde University.

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.

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.

Management of our Personal Finance and Commercial Finance Divisions

We have continued to look to enhance our corporate governance structure ensuring that the governance structures remain robust and that sufficient resources are established to support growth plans and changes in the regulatory environment.

Since 2016, separate divisional boards have been in place to manage our Personal Finance and Commercial Finance businesses. In May 2021, however, following a review of the governance arrangements across the group, a decision was taken to consolidate TCF's divisional governance arrangements with those of the Group Board and committees, and the Non-Executive Directors stepped down from the Commercial Finance Board. The Commercial Executive Committee will continue to provide operational leadership for the Commercial Finance division within a control framework which enables risk to be assessed and managed. The Personal Finance Board continue to have specific responsibility for our extended FCA regulated businesses. The divisions continue to benefit from 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. 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	Personal Finance Director

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. In November 2020, he was appointed non-executive director and Group Chair of Places for People Group Limited, a large scale property management, investment, development and regeneration company. 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.

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 our 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.

Disclosure Committee

Our Disclosure Committee is comprised of Mr. Grimes and Mr. Beckett and is chaired by Mr. McTighe. The Company Secretary and the Director of Corporate Affairs are regular attendees of the Disclosure Committee. The Disclosure Committee operates under delegated authority from the Board to review and approve public disclosures concerning the group and to consider matters brought to its attention which would likely give rise to an obligation to make a market announcement in accordance with applicable market abuse regulations. It is the group's policy that all public disclosures made by the group should be accurate and complete, fairly represent the group's financial position and be made on a timely basis as required by applicable laws and securities exchange requirements.

During the year, the Disclosure Committee approved a number of external announcements including in relation to funding transactions, changes to Board membership, and financial results.

Dividend Committee

Our Dividend Committee is comprised of Mr. Shaoul and Mr. Bowser and is chaired by Mr. McTighe. The Company Secretary and the Director of Strategic Finance are regular attendees of the Dividend Committee. During the year, the Board established and delegated authority to a Dividend Committee to consider, and if thought fit approve the payment of dividends and recommend to the Board the payment of final dividends taking into account the financial position of the company and the group as well as other relevant matters.

Compensation of Directors and Senior Management

The aggregate salary and fees, performance-related remuneration and bonuses, pension contributions and other benefits paid or accrued and deferred, to the directors and senior management listed under "—*Group Board*," "—*Personal Finance Division Management*," and "—*Senior Management of the Company*" (including all associated tax and national insurance) in the year ended June 30, 2021 was £13.9 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 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

In 2018, we introduced a staff incentive plan, which replaced a previous staff incentive plan, 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.

Executive Long-Term Incentive Plan

In 2019, we introduced a long-term incentive plan for the 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

As of the date of this offering memorandum, the authorized and issued share capital of the Issuer consisted of 5,500,000 ordinary shares of £0.01 par value each. All the issued share capital of the Issuer is owned by Bracken Topco Limited, which in turn is held by Famco, which in turn is wholly owned by Henry Moser.

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 Issuer, Midco2 and the Company entered into a series of financing arrangements. The Issuer issued the 2021 PIK Notes (repaid as part of the Holdco Refinancing in 2018) in the aggregate principal amount of £220.0 million. In 2018, the Issuer issued the 2023 PIK Notes (together with the use of proceeds therefrom, the "Holdco Refinancing"). 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 2018). 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. The Issuer Novated Shareholder Loan:

- is interest free and does not require any payments prior to its maturity in 2036;
- does not include any covenants, events of default or cross-defaults;
- is unsecured;
- may not be assigned or transferred to any other party without each other's written consent; and
- will constitute "Deeply Subordinated Shareholder Indebtedness" as defined in "*Description of Notes*."

On August 27, 2021, £7.75 million of the £43.0 million Novated Shareholder Loan Notes issued by Famco were prepaid with funds available to Famco.

Dividend Payments

During the year ended June 30, 2021, in October 2020 and April 2021, the Issuer made dividend payments totaling £20.0 million in aggregate principal amount to Topco. An additional £10.0 million was also paid in dividends by the Issuer to Topco on October 8, 2021.

RELATED PARTY TRANSACTIONS

Together Financial Services enters 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, who 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 was extended for a further term of 25 years from June 11, 2021. A new 25 year lease was entered into of our No. 1 Lakeside office, also commencing on June 11, 2021. For the year ended June 30, 2021, rent and services fees charged to us by Bracken House Properties LLP amounted to £1,553,573. £1,579,001 was paid to Bracken House Properties LLP in respect of that period (comprising £1,061,123 in respect of Lake View, £492,451 in respect of No. 1 Lakeside and £25,428 attributable to service charges and insurance payments).

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, 2021, 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 for and on behalf of Charles Street Commercial Investments Limited, including the relevant underwriting process, loan servicing activities, accounts preparation and treasury activities for which it is reimbursed by way of a service fee.

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, 2021, property management fees paid by us to Sterling Property Co. Limited amounted to £19,087.

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, 2021, such loans, which were all originated prior to 2008, represented 0.025% of our total loan assets. In addition, as of June 30, 2021, 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 Issuer, Topco and Famco entered into intercompany loans by virtue of which the Company, Midco2, the Issuer and Topco each borrowed £43.0 million from Midco2, the Issuer, Topco and Famco, respectively. See "*Shareholders—The Exit Transactions*."

On August 27, 2021, £7.75 million of the £43.0 million Novated Shareholder Loan Notes issued by Famco were prepaid with funds available to Famco.

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 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 2026 and is interest free. Concurrently with the 2024 Notes Refinancing, the maturity date of the Other Shareholder Indebtedness Intercompany Loan and the Shareholder Loan Notes Repayment Intercompany Loan owns was extended to 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 Senior Secured Notes Indentures.

For the purposes of inclusion within the consolidated financial statements of the Company, 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 the Company's 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

2027 Notes

General

On January 25, 2021, the Senior Secured Notes Issuer issued £500.0 million 5¼% Senior Secured Notes due 2027. The offering was not subject to the registration requirements of the U.S. Securities Act. The 2027 Notes are governed by an indenture entered into by, *inter alios*, the Senior Secured 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 paying agent, and NatWest Markets plc (formerly known as The Royal Bank of Scotland plc) as security agent.

Maturity and Interest

The 2027 Notes mature on January 15, 2027. The 2027 Notes bear interest at a rate of 5.25% per annum and the Senior Secured Notes Issuer pays interest on the 2027 Notes semi-annually in arrears on January 15 and July 15 of each year.

Ranking

The 2027 Notes are the senior secured obligations of the Senior Secured Notes Issuer and rank *pari passu* in right of payment with all existing and future indebtedness of the Senior Secured Notes Issuer that is not expressly subordinated in right of payment of the 2027 Notes. The 2027 Notes rank senior in right of payment to all existing and future indebtedness of the Senior Secured Notes Issuer that is subordinated in right of payment of the 2027 Notes.

The 2027 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 "2027 Notes Subsidiary Guarantors" and, together with the Company, the "2027 Notes Guarantors"). The guarantees rank senior in right of payment to the respective 2027 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 2027 Notes Guarantor's existing and future debt that is not so subordinated, including such 2027 Notes Guarantor's obligations under the Revolving Credit Facility.

Subject to the terms of the Senior Secured Notes 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 2027 Notes with respect to any proceeds received upon any enforcement action over the collateral.

The 2027 Notes are secured by first-priority fixed and floating security interests in:

- all of the issued capital stock in the Senior Secured Notes Issuer and each 2027 Notes Subsidiary Guarantor; and
- substantially all of the existing and future property and assets of the Senior Secured Notes Issuer and the 2027 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 2027 Notes are also secured by an assignment of the rights under the 2027 Notes Proceeds Loan from the Senior Secured Notes Issuer to the Company with respect to the proceeds of the 2027 Notes. The 2027 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, 2023:

- the Senior Secured Notes Issuer may redeem some or all of the 2027 Notes at 100% of their principal amount plus accrued and unpaid interest, if any, plus a make-whole premium; and
- the Senior Secured Notes Issuer may redeem up to 40% of the aggregate principal amount of the 2027 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 2027 Notes remains outstanding.

The Senior Secured Notes Issuer may redeem the 2027 Notes in whole, but not in part, at any time, if, as a result of certain changes in tax law the Senior Secured Notes Issuer is or would be required to pay additional amounts with respect to the 2027 Notes. If the Senior Secured Notes Issuer decides to exercise such redemption right, it must pay a price equal to 100% of the principal amount of the 2027 Notes plus interest and additional amounts, if any, to the date of redemption.

On or after January 15, 2023, the Senior Secured Notes Issuer may redeem some or all of the 2027 Notes at 102.6250% of the principal amount plus accrued and unpaid interest, if any. On or after January 15, 2024, the Senior Secured Notes Issuer may redeem some or all of the 2027 Notes at 101.3125% of the principal amount plus accrued and unpaid interest, if any. On or after January 15, 2025, the Senior Secured Notes Issuer may redeem some or all of the 2027 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 Senior Secured Notes Issuer may be required to make an offer to repurchase the 2027 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 2027 Notes Indenture and as a result of which such proceeds exceed £25.0 million, the Senior Secured Notes Issuer is required to make an offer to repurchase the 2027 Notes at 100% of the maximum principal amount that may be purchased, repaid or redeemed out of the Excess Proceeds (as defined in the 2027 Notes Indenture).

Dividends

Under the terms of the 2027 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 January 25, 2021; 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 2027 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 2027 Notes Indenture) has occurred and is continuing or would occur as a consequence of such dividend or similar payment pursuant to the 2027 Notes Indenture; or
- pursuant to customary carve outs, including a "general basket" of up to £50.0 million.

Events of Default

The 2027 Notes Indenture contains customary events of default, including, without limitation, payment defaults, incurrence covenant defaults, breach of other obligations set forth in the 2027 Notes Indenture, the Senior Secured Notes Intercreditor Agreement (as defined below) or any security document with respect to the 2027 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 2027 Notes being found to be unenforceable or invalid, breach of any material representation or warranty or agreement in the security documents securing the 2027 Notes or the unenforceability of the security documents securing the 2027 Notes in relation to any security interests with an aggregate value exceeding £15.0 million (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 2027 Notes becoming due and payable or, with respect to certain other events of default, would allow noteholders to declare the 2027 Notes due and payable.

Covenants

The 2027 Notes Indenture contains covenants for the benefit of the holders of the 2027 Notes that, among other things, limit the ability of the Senior Secured Notes 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 Senior Secured Notes 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 2027 Notes.

These limitations are, however, subject to a number of important qualifications and exceptions. If the 2027 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.

2026 Notes

General

On February 10, 2020, the Senior Secured Notes 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 Senior Secured 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 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 Senior Secured Notes 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 Senior Secured Notes Issuer and rank *pari passu* in right of payment with all existing and future indebtedness of the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes Issuer and each 2026 Notes Subsidiary Guarantor; and
- substantially all of the existing and future property and assets of the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes Issuer is or would be required to pay additional amounts with respect to the 2026 Notes. If the Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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 Senior Secured Notes 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.

Revolving Credit Facility

The Senior Secured Notes Issuer 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. Prior to the Issue Date, we expect to draw under the Revolving Credit Facility. See "*Summary—Trading Update.*" 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 Senior Secured Notes 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. On or around the date of this offering memorandum, the interest reference rate under the Revolving Credit Facility will be updated from LIBOR to SONIA.

Guarantees and Security

The Revolving Credit Facility is irrevocably and unconditionally jointly and severally guaranteed by the Senior Secured Notes 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 provided the facility is drawn.

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 Senior Secured Notes Intercreditor Agreement (as defined below); and
- audit qualification.

Governing law

The Revolving Credit Facility is governed by English law.

Senior Secured Notes Intercreditor Agreement

To establish the relative rights of certain of our creditors under our financing arrangements, the Senior Secured Notes Issuer, the Senior Secured Notes 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 "SSNs 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 "Senior Secured Notes 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 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 January 25, 2021, Deutsche Trustee Company Limited, as trustee under the 2027 Notes, acceded to the Senior Secured Notes Intercreditor Agreement as a "High Yield Senior Secured Trustee." The Senior Secured Notes Intercreditor Agreement is governed by English law and sets out, among other things, the relative ranking of certain debt, when payments can be made in respect of debt, when enforcement action can be taken in respect of that debt, the terms pursuant to which certain of that debt will be subordinated upon the occurrence of certain insolvency events and turnover provisions. The Issuer is not a party to the Senior Secured Notes Intercreditor Agreement.

Subordination Deed

In order to establish the relative priority between the holders of the Notes and Topco, as the lender under the Subordinated Shareholder Funding (the "Subordinated Lender"), the Subordinated Lender, the Issuer, the

Security Agent and the Trustee will enter into a subordination deed to be dated on or about the Issue Date (the "Subordination Deed"). Pursuant to the Subordination Deed the Subordinated Lender will agree that:

- Until the date on which the Trustee is satisfied that all liabilities under the Notes and the Indenture (the "Liabilities") have been irrevocably paid and discharged and all such obligations have been cancelled (the "PIK Notes Discharge Date") the Liabilities shall rank in right and priority of payment ahead of all present and future sums, liabilities and obligations payable or owing by the Issuer to the Subordinated Lender under, pursuant to or in connection with the Subordinated Shareholder Funding (the "Subordinated Liabilities") and the Subordinated Liabilities shall be irrevocably subordinated to all Liabilities and, except with respect to payments permitted by the Subordination Deed, subordinated in right of payment to the extent and in the manner forth therein. The subordination effected under the Subordination Deed shall also apply upon and after the occurrence of any Insolvency Event (as defined in the Subordination Deed) in relation to the Issuer. The subordination shall continue to be effective upon any amendment, restatement, supplement, extension, variation or novation of the Indenture, the Notes, any security document or the Subordination Deed (the "Senior Documents") (including any increase or extension in the aggregate principal amount of, or commitments under, any Senior Document) or any Liabilities owed by the Issuer.
- Until the PIK Notes Discharge Date and except as expressly provided in the Subordination Deed, (a) the Issuer will not make any prepayment, payment, repayment, repurchase, redemption, defeasance or discharge (whether in cash, by way of transfer of assets or otherwise) (a "Payment") on account of, or grant or permit to subsist any security interest in respect of, the Subordinated Liabilities, (b) nor shall the Subordinated Lender demand or receive a Payment in respect of the Subordinated Liabilities or commence any proceedings against the Issuer or take any action in respect of the Subordinated Liabilities or any part thereof (including, without limitation, the acceleration, termination or cancellation of the Subordinated Liabilities or the exercise of any right of set-off, counterclaim or lien or any action or step with a view to causing any Insolvency Event in respect of the Issuer).
- In the event of:
  - any Payment in respect of the Subordinated Liabilities being made to the Subordinated Lender, or any other action resulting in the receipt of funds by the Subordinated Lender with respect to Subordinated Liabilities; or
  - a security interest being held by the Subordinated Lender,

  in each case in breach of any provision of the Subordination Deed, the Subordinated Lender will forthwith pay to the Trustee for the benefit of the Trustee, holders of the Notes, the Security Agent or any of their successors (the "Finance Parties"), any sum or other assets which shall have been received by it in consequence of such breach (which sum or other assets shall be deemed not to have reduced the liability of the Issuer to the Subordinated Lender) and until such Payment or transfer the Subordinated Lender will hold such sums or other assets or such security interest (as the case may be) on trust for the Finance Parties; provided, however, that these provisions shall not constitute or create or be deemed to constitute or create any encumbrance or other security interest of any kind.
- Neither the Subordinated Lender nor the Issuer shall knowingly take or omit to take any action whereby the subordination of the Subordinated Liabilities or any rights of the Finance Parties under the Subordination Deed would or could reasonably be expected to be terminated, impaired or adversely affected in any manner whatsoever.
- Upon an Insolvency Event occurring with respect to the Issuer:
  - the claims of the Subordinated Lender in respect of the Subordinated Liabilities shall be postponed in all respects to the Liabilities;
  - the Subordinated Lender may, unless otherwise directed by the Trustee (acting in accordance with the Indenture) or the requisite holders of the PIK Notes (as provided for in the Indenture):
    - take any Enforcement Action (as defined in the Subordination Deed) against the Company;
    - demand, sue and prove for the Subordinated Liabilities; or
    - file claims, take proceedings or take any other action to recover the Subordinated Liabilities.

- the Subordinated Lender and the Issuer will not amend, supplement, release, cancel or waive any term of the Subordinated Shareholder Funding documents except as otherwise expressly permitted or not prohibited by the Indenture.

The Subordination Deed will be governed by English law.

Securitizations

Since 2007, we have funded our business, in part, through securitization transactions. Our Securitizations currently consist of our Private Securitizations (the BABS Securitization (since it was established on July 2, 2021, the CABS Securitization, the DABS 2 Securitization, the HABS Securitization and the LABS Securitization) and our Public Securitizations (the TABS 1 Securitization (until it was optionally redeemed on September 13, 2021), the TABS 2 Securitization, the TABS 3 Securitization, the TABS 4 Securitization, the TABS 5 Securitization (since it was established on September 22, 2021), the CRE 1 Securitization and CRE 2 Securitization). The BABS Securitization is a Private Term Securitization, while the rest form the Private Revolving Securitizations. Under the Private 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 Public Securitizations are public capital markets residential or commercial mortgage backed securitization transactions (with the exception of the Class A loan notes under the CRE 2 Securitization which were not publically offered pursuant to the offering document for the CRE 2 Securitization), under which certain of our mortgages were sold to special purpose vehicles, funded through the issuance of debt in the form of notes or loan notes. The aggregate principal amount of notes outstanding under the Public Securitizations can vary because of ongoing payments made by borrowers in respect of the loans held by the Public Securitization SPVs.

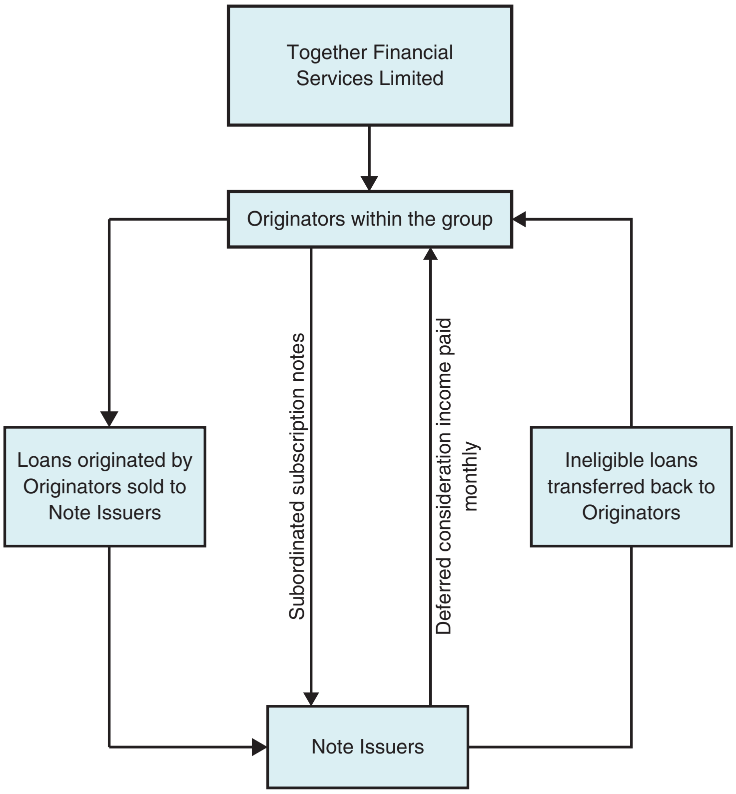
The Securitization Vehicles are consolidated into our condensed consolidated financial statements in accordance with IFRS 10 (*Consolidated Financial Statements)*. Mortgage loans sold to Brooks ABS (since it was established on July 2, 2021), Charles Street ABS, Delta ABS 1 (in respect of periods prior to March 31, 2019 included in this offering memorandum), Delta ABS 2, Highfield ABS, Lakeside ABS, Together ABS 1 (until it was optionally redeemed on September 13, 2021), Together ABS 2, Together ABS 3, Together ABS 4, Together ABS 5 (since it was established on September 22, 2021), Together CRE 1, and Together CRE 2 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 notes and/or loan notes (as applicable) issued by Brooks ABS (since it was established on July 2, 2021), Charles Street ABS, Delta ABS 1 (in respect of periods prior to March 31, 2019 included in this offering memorandum), Delta ABS 2, Highfield ABS, Lakeside ABS, Together ABS 1 (until it was optionally redeemed on September 13, 2021), Together ABS 2, Together ABS 3, Together ABS 4, Together ABS 5 (since it was established on September 22, 2021), Together CRE 1 and Together CRE 2 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.

Private Securitizations

Under the Private 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 Private 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 Private 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 Private Securitization note issuers. On a monthly basis in respect of each Private 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 waterfalls or post-enforcement priority of payments waterfalls, as applicable. The balance of any revenue receipts are, where applicable, repaid to the originators as deferred consideration. The Private Securitizations may be “revolving”, in which case assets can be sold to the relevant Private Securitization SPVs from time to time, or may be “non-revolving” and so are considered term structures whereby assets are sold to the relevant Private

Securitization SPV on the closing date and no further assets can subsequently be sold to the Private Securitization note issuer. As at the date of this offering memorandum, the BABS Securitization is the only Private Term Securitization.

The below reflects a simplified overview of the Private Revolving Securitizations(1)(2):



(1) The Private Securitization note issuers (Charles Street ABS, Delta ABS 2, Highfield ABS and Lakeside 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 Brooks ABS, Charles Street ABS, Delta ABS 2, Highfield ABS and Lakeside ABS or their parent companies.

(2) The graph does not reflect the BABS Securitization, which is a Private Term Securitization that funds a static, non-revolving pool of loans where there is no direct requirement for originators to repurchase loans in the absence of eligibility criteria.

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 September 3, 2020 following updated guidance issued by the UK Government in May 2020 to extend the period for granting Mortgage-Payment Deferrals). 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).

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 August 19, 2020 following updated guidance issued by the UK Government in May 2020 to extend the period for granting Mortgage-Payment Deferrals). The LABS Securitization funds primarily our commercial purpose loan business, with a focus on short- term commercial lending on both residential and commercial property. Under the LABS Securitization, pursuant to a variable funding note issuance facility agreement, Lakeside ABS, as note issuer, issues unrated variable funding notes to certain financial institutions (see below).

On January 26, 2017, we entered into a third series of agreements in connection with the establishment of the DABS 1 Securitization. On March 29, 2019, we entered into a further set of agreements in connection with the establishment of the DABS 2 Securitization which have been amended and/or restated from time to time (most recently on February 12, 2021 in respect of certain covenant terms), which refinanced the DABS 1 Securitization. The DABS 2 Securitization funds our unregulated bridging lending, with a focus towards commercial property.

Under the DABS 2 Securitization, pursuant to a note issuance facility agreement, Delta ABS 2, as note issuer, issues unrated Class A1 and Class A2 notes to an affiliate of Goldman Sachs Private Capital (see below).

On June 27, 2018 we entered into a further series of agreements in connection with the establishment of the HABS Securitization and most recently amended on September 1, 2021, resulting in, among other things, an increase in total commitments from £104.4 million back to £525.0 million and an extension of the maturity of the facility to September 2025. The HABS Securitization funds primarily our medium and long-term commercial purpose loans on commercial property. Under the 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 July 2, 2021 we entered into a further series of agreements in connection with the establishment of the BABS Securitization. The BABS Securitization funds a static, non-revolving pool of mortgage loans that were in arrears either on, or had been prior to, the issue date of the BABS Securitization. Under the terms of the BABS Securitization, pursuant to a note issuance facility agreement, Brooks ABS, as note issuer, issued a single class of unrated notes to a fund investor (see below).

The various agreements comprising the Private Securitizations are governed by English law (or Scots law, as applicable).

The special purpose vehicles established for the purposes of the Private 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 Private 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 Private Securitizations and each series of transaction documents under the Private 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 Private Securitizations as of June 30, 2021 (unless specified otherwise). The table does not reflect the effect of the temporary waivers obtained in respect of the Private Securitizations. See "*—Private Securitizations*" and "*Summary—Recent Developments—New Sources of Funding*."

Securitization	BABS(5)	CABS	DABS 2	HABS(4)	LABS
Structure(1)	• Senior note: Fund investor • Subordinated note: Originators within the group	• Class A1 and Class A2 Notes: Natwest Markets, Barclays, Lloyds, HSBC, BNPP and Natixis • Class B and Class C Notes: 4 institutional investors/asset managers • 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	• Senior Notes: Lloyds, Natixis, HSBC, Natwest Markets and BNP Paribas • Subordinated Notes: Originators within the group
Facility size	• £96.2 million facility size • £71.2 million issued	• £1,254.5 million facility size • £724.6 million issued	• £200.0 million facility size • £125.0 million issued	• £525.0 million facility size • £104.4 million issued	• £500.0 million facility size • £163.0 million issued
Subordinated notes balance	• £25.0 million	• £98.4 million	• £29.6 million	• £28.1 million	• £43.2 million
Maturity(2)	• Private Term Securitization • Full repayment January 2026	• Revolving period September 2022 • Full repayment September 2023	• Revolving period March 2022 • Full repayment March 2023	• Revolving period September 2024 • Full repayment September 2025	• Revolving period October 2023 • Full repayment October 2023
Loan pool collateral	• £96.2 million	• £796.7 million	• £141.9 million	• £124.9 million	• £190.7 million

Securitization	BABS[5]	CABS	DABS 2	HABS[4]	LABS
Facility purpose	• Static facility to fund a varied pool of certain commercial and mortgage loans	• Flexible facility to fund both retail and commercial purpose loan business on residential property	• Primarily to fund unregulated bridging loans and loans secured on commercial property	• To fund term loans backed by commercial property	• Primarily to fund regulated and unregulated bridging loans secured on residential and commercial property
Delinquency and loss rate[3]	• N/A	• Delinquency rate (arrears >1m) 3.23% • Rolling 3-month average default rate 0.13%	• Delinquency rate (arrears >1m) 3.20% • Rolling 3-month average default rate 3.21%	• Delinquency rate (arrears >1m) 3.52% • Rolling 3-month average default rate 0.11%	• Delinquency rate (arrears >1m) 2.07% • Rolling 3-month average default rate 0.57%
Excess spread and subordinated debt interest (LTM)	• Not available due to the facility having been established after June 30, 2021	• Average monthly excess spread of £4.0 million • Average monthly subordinated debt interest of £0.2 million	• Average monthly excess spread £1.8 million • Average monthly subordinated debt interest £0.1 million	• Average monthly excess spread of £1.9 million • Average monthly subordinated debt interest of £0.1 million[2]	• Average monthly excess spread of £2.6 million • Average monthly subordinated debt interest of £0.1 million

(1) Certain affiliates of the listed financial institutions purchase notes issued under the relevant Private Securitizations.

(2) The notes issued under the Private 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.*"

(4) The HABS Securitization facility size and maturity are updated to reflect the latest amendments to the facility on September 1, 2021.

(5) The BABS Securitization facility size and maturity are updated to reflect the inception of the facility on July 2, 2021.

Each of the Private Securitizations (with the exception of the BABS Securitization) 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 Private Securitization differ, they are generally in line with the structure outlined below (except for the BABS Securitization which is a term securitization and does not have a revolving period).

Mortgage Sale Agreements

Pursuant to the terms of mortgage sale agreements, each between the relevant note issuer (being the Private 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 Private 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 Private 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 Private Securitizations, neither does it reflect the BABS Securitization, given the underlying is a static, non-revolving asset pool with no ongoing sales. (and as such, is not one of the Private Revolving Securitizations). See "*—Private Securitizations*" and "*Summary—Recent Developments—New Sources of Funding*."

Securitization	CABS	DABS 2	HABS[2]	LABS
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 • 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.	• 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 £5.0million; • 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 property is either a residential, commercial (including land) or mixed-use property situated in England, Wales or Scotland and each mortgage loan is secured by one or more properties; • each mortgage loan originated on or after January 1, 2012; and • 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.	• 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; • 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.

(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 Private Securitizations. See "*—Private Securitizations*" and "*Summary—Recent Developments—New Sources of Funding*."

(2) This list reflects amendments made to the mortgage sale criteria as part of the amendments to the HABS Securitization on September 1, 2021.

In the event that a loan ceases to be eligible for the Private Revolving Securitizations, including where a loan exceeds a prescribed level of arrears under the relevant Private 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 June 30, 2021 for the years ended June 30, 2019, 2020 and 2021, as indicated below.

	For the year ended June 30,		
	2019	2020	2021
	(£ millions, unless otherwise indicated)		
Principal Balance of defaulted loans transferred	30.8	42.1	34.0
Percentage of average loan balances held by Charles Street ABS during the period	2.6%	3.3%	3.1%
Status as of June 30, 2021			
Performing loans	10.2	12.0	14.7
Non-performing arrears loans	2.3	8.4	7.5
Repossession and LPA Sales	2.8	6.3	7.0
Principal Balance of defaulted loans remaining live(1)	**15.3**	**26.8**	**29.2**
% of Principal Balance of defaulted loans transferred remaining live(1)	49.6%	63.5%	85.9%
Net loan balance (after allowances for impairment) of defaulted loans remaining live(1)	15.4	24.4	28.9
Allowances for impairment	0.7	2.3	1.9
Weighted average indexed LTV(2)	56.0%	54.7%	51.5%

(1) Principal Balance of defaulted loans remaining live represents the principal balance of loans which remain within the Total Loan Portfolio as of June 30, 2021. The net loan balance (after allowances for impairment) represents the amount of such loans as of June 30, 2021 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 June 30, 2021.

Since January 1, 2013, the average principal losses on loans repurchased from Charles Street ABS have amounted to less than £0.2 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 June 30, 2021, for the years ended June 30, 2019, 2020 and 2021, as indicated below.

	For the year ended June 30,		
	2019	2020	2021
Principal Balance of defaulted loans transferred	24.2	25.2	19.8
Percentage of average loan balances held by Lakeside ABS during the period	10.0%	8.4%	7.3%
Status as of June 30, 2021			
Performing loans	3.9	4.9	6.2
Non-performing arrears loans	1.1	0.5	1.1
Repossession and LPA Sales	0.4	0.7	7.7
Principal Balance of defaulted loans remaining live(1)	**5.4**	**6.1**	**15.0**
% of which are of the Principal Balance of defaulted loans transferred remaining live(1)	22.2%	24.1%	75.8%
Net loan balance (after allowances for impairment) of defaulted loans remaining live(1)	5.2	6.4	15.8
Allowances for impairment	0.6	1.1	1.6
Weighted average indexed LTV(2)	53.3%	53.0%	51.9%

(1) Principal Balance of defaulted loans remaining live represents the principal balance of loans which remain within the Total Loan Portfolio as of June 30, 2021. The net loan balance (after allowances for impairment) represents the amount of such loans as of June 30, 2021 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 June 30, 2021.

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 June 30, 2021, in the years ended June 30, 2019, 2020 and 2021, as indicated below.

	DABS 1			DABS 2
	Period from July 1, 2018 to March 2019	**Period from March 2019 to June 30, 2019**	**For the year ended June 30, 2020**	**For the year ended June 30, 2021**
Principal Balance of defaulted loans transferred	2.4	0.1	11.8	12.5
Percentage of average loan balances held by Delta ABS during the period	2.3%	0.1%	5.5%	7.0%
Status as of June 30, 2021				
Performing loans	0.3	—	6.5	6.6
Non-performing arrears loans	—	—	—	0.6
Repossession and LPA Sales	—	—	0.3	—
Principal Balance of defaulted loans remaining live[(1)]	**0.3**	**—**	**6.8**	**7.3**
% of which are of the Principal Balance of defaulted loans transferred remaining live[(1)]	12.6%	—	57.8%	58.1%
Net loan balance (after allowances for impairment) of defaulted loans remaining live[(1)]	0.2	—	7.0	6.9
Allowances for impairment	—	—	0.8	0.6
Weighted average indexed LTV[(2)]	30.8%	—	55.7%	52.0%

(1) Principal Balance of defaulted loans remaining live represents the principal balance of loans which remain within the Total Loan Portfolio as of June 30, 2021. The net loan balance (after allowances for impairment) represents the amount of such loans as of June 30, 2021 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 June 30, 2021.

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 June 30, 2021, for the years ended June 30, 2019, 2020 and 2021, as indicated below.

	For the year ended June 30, 2019	**For the year ended June 30, 2020**	**For the year ended June 30, 2021**
Principal Balance of defaulted loans transferred	16.1	22.7	17.8
Percentage of average loan balances held by Highfield ABS during the period	5.1%	5.0%	5.7%
Status as of June 30, 2021			
Performing loans	4.6	15.0	11.0
Non-performing arrears loans	0.1	0.5	0.8
Repossession and LPA Sales	1.3	1.6	3.4
Principal Balances of defaulted loans transferred remaining live	**6.0**	**17.0**	**15.3**
% of which are of the Principal Balance of defaulted loans transferred remaining live[(1)]	37.3%	74.8%	85.7%
Net loan balance (after allowances for impairment) of defaulted loans remaining live[(1)]	5.6	16.7	14.4
Allowances for impairment	0.2	0.6	0.9
Weighted average indexed LTV[(2)]	44.9%	48.2%	46.8%

(1) Principal Balance of defaulted loans remaining live represents the principal balance of loans which remain within the Total Loan Portfolio as of June 30, 2021. The net loan balance (after allowances for impairment) represents the amount of such loans as of June 30, 2021 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 June 30, 2021.

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 Private 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 Private Securitization, the relevant notes outstanding at any time is subject to a cap, being the lower of the Private 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 Private 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. With regards only to the Private Revolving Securitizations, 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 Private Securitization issuer may only use the proceeds from its issuances of notes for the purchase of loans from the Private Securitization originators pursuant to the relevant mortgage sale agreement and other purposes in connection with the relevant Private 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 Private Revolving 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 or SONIA 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.

The BABS Securitization differs slightly in nature to the other Private Securitizations, given it is a nonrevolving, term securitization whereby the Issuer purchases the loans at the outset and can only sell them back to the respective originator in limited instances, as set out in the respective Mortgage Sale Agreement.

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 EU and/or UK credit risk retention obligations as relevant for each of the Private 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 Private 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 servicer termination event under the BABS Securitization; a servicer termination event or a warm-up event (other than a potential cease purchase event or cease purchase event) under the LABS Securitization; a servicer termination event or a warm-up event under HABS Securitization or pursuant to separate standby servicing agreements under the CABS Securitization and DABS 2 Securitization, replacement or standby servicers in respect of the relevant loan portfolios Private Securitizations 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 in respect of the Private Revolving Securitizations purchasing mortgage loans, and issuing notes; and, in respect of all Private Securitizations 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 Private Securitization, except for the DABS 2 Securitization, a cash reserve in respect of the relevant Private 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.

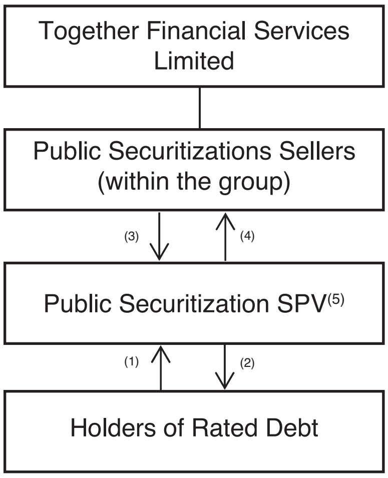
Hedging

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).

Public Securitizations

Under our Public Securitizations, which comprise the TABS 1 Securitization (optionally redeemed on September 13, 2021), the TABS 2 Securitization, the TABS 3 Securitization, TABS 4 Securitization, TABS 5 Securitization (established on September 22, 2021), CRE 1 Securitization and the CRE 2 Securitization transactions described below, special purpose vehicles financed the purchase of mortgage loans of the group primarily through the issuance of notes or loan notes (as applicable) 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 Public Securitizations' servicing arrangements.

The below reflects a simplified overview of the Public Securitizations.



(1) Public Securitization notes subscription proceeds.
(2) Principal and interest on the Public Securitization notes.
(3) Sale of a mortgage portfolio to the relevant Public 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, Together ABS 4, Together ABS 5 (established on September 22, 2021), Together CRE 1 and Together CRE 2 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, Together ABS 4 or Together ABS 5 (established on September 22, 2021) 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 September 13, 2021, we optionally redeemed the outstanding balance.

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.

On September 22, 2021, we entered into a series of agreements (the "TABS 5 Securitization") related to a securitization vehicle, Together Asset Backed Securitisation 2021-1ST1 plc ("Together ABS 5"), primarily focused on the securitization of certain of our residential mortgage loans and their related security.

On March 15, 2021, we entered into a series of agreements (the "CRE 1 Securitization") related to a securitization vehicle, Together Asset Backed Securitisation 2021-CRE1 plc ("Together CRE 1"), primarily focused on the securitization of certain of our commercial mortgage loans and their related security.

On June 11, 2021, we entered into a series of agreements (the "CRE 2 Securitization") related to a securitization vehicle, Together Asset Backed Securitisation 2021-CRE2 plc ("Together CRE 2"), primarily focused on the securitization of certain of our commercial mortgage loans and their related security.

The various agreements comprising the Public Securitizations are governed by English law (or Scots law, as applicable).

The bankruptcy-remote special purpose vehicles established for the purposes of the Public Securitizations and each series of transaction documents under the Public 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 Public 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 Public Securitization SPV issued the relevant Rated TABS Notes, which are listed on Euronext Dublin with the exception of the Class A loan notes issued by Together CRE 2 which is not listed or admitted to trading, 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*", "*TABS 4 Securitization Notes*", "*TABS 5 Securitization Notes*," "*CRE 1 Securitization Notes*" and "*CRE 2 Securitization Debt.*" 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 Public Securitization (issued to comply with the applicable European credit risk retention obligations for each Public Securitization) and the Company purchased the Class R notes under each Public 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 (we exercised the optional redemption on September 13, 2021):

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)/ BBB (low) (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).

The final maturity date for the Class A, Class B, Class C, Class D, Class E, Class R and Class Z notes issued under the TABS 1 Securitization is the interest payment date falling in March 2049. As of June 30, 2021, £93.3 million of Rated TABS 1 Notes were outstanding, with a principal balance of assets of £108.3 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 was said to be payable and residual payments under the Residual Certificates were to cease. We exercised this call option on September 13, 2021 and the TABS 1 Notes were redeemed.

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)**[(3)]
					(£ 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).

(3) In September 2021, Moody's upgraded its ratings for the TABS 2 Class B, Class C and Class D notes to Aaa (sf), Aaa (sf) and A1 (sf) respectively.

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 June 30, 2021, £139.4 million of Rated TABS 2 Notes were outstanding, with a principal balance of assets of £153.8 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)(3)
					(£ 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).

(3) In September 2021, Moody's upgraded its ratings for the TABS 2 Class B, Class C, Class D and Class E notes to Aaa (sf), Aa1 (sf), A3 (sf) and Baa2 (sf) respectively.

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 June 30, 2021, £223.2 million of Rated TABS 3 Notes were outstanding, with a principal balance of assets of £239.8 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)[3]**
					(£ in millions)			
Rated TABS 4 Notes								
Class A	290.97	100	20.5%	2.55	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 15.0% CPR and call option exercised in full on the optional redemption date (the interest payment date falling in June 2024).

(3) In September 2021, Moody's upgraded its ratings for the TABS 2 Class B, Class C, Class D and Class E notes to Aaa (sf), Aa2 (sf), A1 (sf) and Baa1 (sf) respectively.

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 June 30, 2021, £295.5 million of Rated TABS 4 Notes (including £nil million of Class X notes) were outstanding, with a principal balance of assets of £313.9 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.

TABS 5 Securitization Notes:

As part of the TABS 5 Securitization, to fund the purchase of the relevant mortgages, Together ABS 5 issued five different classes of notes (together, the "TABS 5 Notes") and residual certificates with the following characteristics on September 22, 2021:

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/ S&P/ KBRA)
					(£ in millions)			
Rated TABS 5 Notes								
Class A	283.029	100	14.6%	2.67	Compounded Daily SONIA	0.70% per annum	1.40% per annum	Aaa(sf) / AAA(sf) / AAA(sf)
Class B	7.95	100	10.6%	4.06	Compounded Daily SONIA	0.95% per annum	1.95% per annum	Aa2(sf) / AA+(sf) / AA+(sf)
Class C	11.13	100	4.83%	4.06	Compounded Daily SONIA	1.25% per annum	2.25% per annum	A1(sf) / A+(sf) / A+(sf)
Class X[(3)]	11.13	100	4.83%	N/A	Compounded Daily SONIA	4.00% per annum	4.00% per annum	Ba1(sf) / BB(sf) / Not Rated
Other TABS 5 Notes								
Class Z	15.902	100	N/A	N/A	N/A	N/A	N/A	Not Rated
Total	**329.141**	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 15.0% CPR and call option exercised in full on the optional redemption date (the interest payment date falling in October 2025).

(3) The Class X CRE 1 notes were held by the Company.

The final maturity date for the Class A, Class B, Class C, Class X and Class Z notes issued under the TABS 5 Securitization is the interest payment date falling in July 2062. As of September 30, 2021, £329.141 million of Rated TABS 5 Notes (including £nil million of Class X notes) were outstanding, with a principal balance of assets of £318.0 million. The optional redemption call date for the Rated TABS 5 Notes is the interest payment date falling in October 2025, after which date the step-up margin is payable and residual payments under the Residual Certificates will cease.

CRE 1 Securitization Notes:

As part of the CRE 1 Securitization, to fund the purchase of the relevant mortgages, Together CRE 1 issued seven different classes of notes (together, the "CRE 1 Notes") and residual certificates with the following characteristics on March 15, 2021:

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 CRE 1 Notes								
Class A	159.8	99.677	22.3%	3.37	Compounded Daily SONIA	1.400% per annum	2.800% per annum	AAA(sf) / AAA(sf)
Class B	11.0	100	16.8%	3.98	Compounded Daily SONIA	2.050% per annum	3.075% per annum	AA+(sf) / AA (sf)
Class C	8.5	100	12.5%	3.98	Compounded Daily SONIA	2.450% per annum	3.450% per annum	AA (sf) / A(sf)
Class D	7.8	100	8.6%	3.98	Compounded Daily SONIA	3.150% per annum	4.150% per annum	A(sf) / BBB (high)(sf)
Class E	7.2	100	5.0%	3.98	Compounded Daily SONIA	4.250% per annum	5.250% per annum	BBB+(sf) / BB (low)(sf)
Class X[(3)]	9.0	100	N/A	N/A	Compounded Daily SONIA	5.500% per annum	5.500% per annum	BB+(sf) / BB(sf)
Other CRE 1 Notes								
Class Z	10.0	100	N/A	N/A	N/A	N/A	N/A	Not Rated
Total	**213.3**	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) Provided through subordination and the general reserve and is calculated as a percentage of the collateralized notes.
(2) Based on 5% CPR and call option exercised in full on the optional redemption date (the interest payment date falling in February 2025).
(3) The Class X notes were held by the Company.

The final maturity date for the Class A loan notes, Class B, Class C, Class D, Class E, Class X, Class R and Class Z notes issued under the CRE 1 Securitization is the interest payment date falling in January 2055. As of June 30, 2021, £191.6 million of Rated CRE 1 Notes (including £4.8 million of Class X loan notes held by the Company) were outstanding, with a principal balance of assets of £192.7 million. The optional redemption call date for the Rated CRE 1 Notes is the interest payment date falling in February 2025, after which date the step-up margin is payable and residual payments under the Residual Certificates will cease.

CRE 2 Securitization Debt:

As part of the CRE 2 Securitization, to fund the purchase of the relevant mortgages, Together CRE 2 issued seven different classes of notes and loan notes (together, the "CRE 2 Debt") and residual certificates with the following characteristics on June 11, 2021:

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 CRE 2 Debt								
Class A	198.7	100	22.3%	3.83	Compounded Daily SONIA	1.500% per annum	3.000% per annum	AAA (sf) / AAA (sf)
Class B	13.7	100	16.8%	4.7	Compounded Daily SONIA	2.050% per annum	3.075% per annum	AA (sf) / AA(low) (sf)
Class C	10.6	100	12.5%	4.7	Compounded Daily SONIA	2.450% per annum	3.450% per annum	AA- (sf) / A(low) (sf)
Class D	9.7	100	8.6%	4.7	Compounded Daily SONIA	3.150% per annum	4.150% per annum	A (sf) / BBB(low) (sf)
Class E	9.0	100	5.0%	4.7	Compounded Daily SONIA	4.250% per annum	5.250% per annum	BBB- (sf) / B (sf)
Class X[(3)]	13.7	100	N/A	N/A	Compounded Daily SONIA	5.500% per annum	5.500% per annum	B (sf) / BB (sf)
Other CRE 2 notes								
Class Z	12.5	100	5.0%	N/A	N/A	N/A	N/A	Not Rated
Total	**267.8**	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) Provided through subordination and the general reserve and is calculated as a percentage of the collateralized notes.
(2) Based on 5% CPR and call option exercised in full on the optional redemption date (the interest payment date falling in February 2026).
(3) The Class X notes were held by the Company.

The final maturity date for the Class A loan note, Class B, Class C, Class D, Class E, Class X, Class R and Class Z notes issued under the CRE 2 Securitization is the interest payment date falling in August 2052. As of June 30, 2021, £241.6 million of Rated CRE 2 Debt (including £13.7 million of Class X notes held by the Company) were outstanding, with a principal balance of assets of £246.2 million. There have been no changes to the principal balance, CRE 2 Debt and other notes outstanding under the CRE 2 Securitization compared to its issuance date on or about June 11, 2021. The optional redemption call date for the Rated CRE 2 Debt is the interest payment date falling in February 2026, 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 Public 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 Public 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 Public 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 Class 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.

Together ABS 5 (which was established on September 22, 2021) has paid to the TABS 5 Securitization (which was established on September 22, 2021) sellers the initial gross purchase price of £318.0 million, the Class X notes of £11.1 million which are held by the Company, 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 5 in excess of the amounts payable under the priority of payments as described in the TABS 5 Securitization mortgage sale agreement.

Together CRE 1 has paid to the CRE 1 Securitization sellers the initial gross purchase price of £200.3 million, the Class X notes of £9.0 million held by the Company 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 CRE 1 in excess of the amounts payable under the priority of payments as described in the CRE 1 Securitization mortgage sale agreement.

Together CRE 2 has paid to the CRE 2 Securitization sellers the initial gross purchase price of £249.1 million, the Class X notes of £13.7 million held by the Company, 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 CRE 2 in excess of the amounts payable under the priority of payments as described in the CRE 2 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 Private 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 2 Securitization, the TABS 3 Securitization, the TABS 4 Securitization, the TABS 5 Securitization (which was established on September 22, 2021), the CRE 1 Securitization and the CRE 2 Securitization, as set out in the relevant loan warranties, are outlined below:

Securitization	TABS 2, TABS 3, TABS 4 and TABS 5	CRE 1 and CRE2
Type of loans sold	• TABS 2, TABS 3, TABS 4 and TABS 5: A pool of first and second lien (other than TABS 5 whereby all loans are first lien) owner-occupied and buy-to-let residential mortgages	• CRE 1 and CRE 2: A pool of first and second lien small balance commercial term mortgages
Key mortgage sale agreement criteria[(1)]	• TABS 2, TABS 3, TABS 4 and TABS 5: 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 (TABS2), TCFL (TABS 3 and TABS 4 and TCFL, BFL or HARP (TABS 5) has a maximum term of no longer than 30 years and each mortgage loan originated by TCFL (TABS 2) and TPFL has a maximum term of no longer than 40 years; no mortgage loan has been in arrears for a period of longer than 3 months; each mortgage loan was originated on or after January 1, 2015 (TABS 2); January 1, 2018 (TABS 3), October 1, 2017 (TABS 4) and January 1, 2015 (TABS 5); all borrowers are individuals or UK incorporated registered limited companies; and no mortgage loan is a self-certified mortgage loan	• each loan secured by either (i) residential, (ii) commercial (including land) or (iii) mixed-use property situated in England, Wales or Scotland; each mortgage loan is secured by one or more properties; each mortgage loan is 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; no mortgage loan has been in arrears for a period of longer than 3 months[(2)]; each mortgage loan was originated on or after December 20, 2016 (CRE 1) or January 3, 2017 (CRE 2); all borrowers are individuals, UK incorporated registered limited companies or UK incorporated limited liability partnerships; 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 which were granted a Mortgage-Payment Deferral were 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 Public 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 Public 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 Public Securitization servicing deed is limited to £1,500,000 in aggregate for so long as the relevant Public 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 Public 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 Public Securitization SPVs.

In addition to the ongoing cash administration activities, on a monthly basis, the cash administrator makes payments from the relevant Public 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 Public 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 an interest rate cap entered into on November 8, 2018 and under the TABS 3 Securitization, TABS 4 Securitization and TABS 5 Securitization pursuant to interest rate swap agreements entered into on October 10, 2019, July 23, 2020 and September 22, 2021 respectively. The hedging in place relates only to certain fixed rate mortgage loans under the TABS 2 Securitization, the TABS 3 Securitization, the TABS 4 Securitization and the TABS 5 Securitization, as applicable (and not to any other mortgage loans of the Borrower Group).

DESCRIPTION OF NOTES

Bracken Midco1 plc (the "**Issuer**") will issue £380.0 million aggregate principal amount of 6¾% / 7½ % Senior PIK Toggle Notes due 2027 (the "**Notes**") under an indenture, to be dated as of November 1, 2021 (the "**Indenture**"), between, among others, the Issuer, Deutsche Trustee Company Limited, as trustee (the "**Trustee**"), and Deutsche Bank AG, London Branch, as security agent (the "**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 Security Documents and the Subordination Agreement. This description does not restate those agreements in their entirety. You should read the Indenture, the Notes, the Subordination 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 Subordination 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 "**Issuer**" refers only to Bracken Midco1 plc and not to any of its Subsidiaries and 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

The Notes

The Notes:

- will be general senior obligations of the Issuer;
- will be secured as set forth under "*—Security*";
- 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;
- 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, including the Subordinated Topco Debt;
- 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; and
- will be structurally subordinated to all obligations of the Issuer's Subsidiaries, including the Senior Secured Notes, borrowings under the Revolving Credit Facility, hedging and overdraft obligations, all existing and future obligations of the Securitization Subsidiaries under the Existing Qualified Securitization Financings and any Qualified Securitization Financings entered into in the future.

The Issuer is a holding company incorporated for the purpose of the 2016 Exit Transactions, with no material operations of its own and no material assets other than its shares in Bracken Midco2 Limited ("**Midco2**") and receivables under intercompany loans. The operations of the Issuer are conducted through its Subsidiaries. The Issuer depends on the receipt of funds from its Subsidiaries (whether in the form of dividends or other distributions) to meet its obligations, including its obligations under the Notes.

Any right of the Issuer to receive assets of any of the Issuer's Subsidiaries upon that 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 Subsidiary's creditors.

As of June 30, 2021, on a *pro forma* basis after giving effect to the Transactions, the only indebtedness of the Issuer outstanding would have been the Notes and the Subordinated Topco Debt, which is subordinated in right of payment to the Notes. As of June 30, 2021, the Company and its Subsidiaries would have had an aggregate principal amount of £3,262.7 million of debt and had £71.9 million in committed but undrawn borrowings under the Revolving Credit Facility, as well as £68.1 million outstanding of intercompany loans from Midco2. See "*Risk Factors—Risks Relating to the Notes—Despite the high level of indebtedness of the Issuer and its subsidiaries, the Issuer and its subsidiaries may be able to incur significant additional amounts of debt, which could further exacerbate the risks associated with its substantial indebtedness" and "Risk Factors—Risks Relating to the Notes—The substantial leverage of the Issuer and its subsidiaries and their debt service obligations could limit their flexibility, adversely affect our business and prevent the Issuer from fulfilling its obligations under the Notes.*"

As of the Issue Date, all of the Issuer'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 Issuer will be permitted to designate Restricted Subsidiaries as "**Unrestricted Subsidiaries**." The Issuer's Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue £380.0 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 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 November 1, 2027.

Interest on the Notes will accrue at the rate of 6.75% per annum with respect to Cash Interest (as defined below) and at the rate of 7.50% per annum with respect to any PIK Interest (as defined below) that the Issuer may, in certain circumstances, at its option, elect to pay. Interest on the Notes will be payable semi-annually from the Issue Date or the most recent interest payment date to which interest has been paid or provided for, whichever is later. Interest will be payable in arrear on each Note on April 15 and October 15 of each year, commencing on April 15, 2022 (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 Cash Interest rate. 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 April 1 and October 1 of each year immediately preceding the related Interest Payment Date, in the case of Definitive Registered Notes. Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The interest amount will be calculated by applying the applicable rate to the then aggregate principal outstanding of the Notes.

In connection with the payment of PIK Interest on, and any Additional Amounts with respect to, the Notes, the Issuer is entitled, without the consent of the holders of the Notes, to issue Additional Notes having the same terms and conditions as the Notes ("**PIK Notes**").

Except as provided in the immediately succeeding sentence and the definition of "Cash Available for Debt Service" or the Minimum Liquidity Provision below, interest on the Notes shall be payable entirely in cash ("**Cash Interest**"). For any Interest Period (other than the first and the final Interest Period ending at the Stated Maturity for which interest shall be payable entirely in Cash Interest), if the Cash Available for Debt Service (as defined below) as determined on the Initial Determination Date (as defined below) for such Interest Period:

(i) is equal to or exceeds 75%, but is less than 100%, of the aggregate amount of Cash Interest that would otherwise be due on the relevant Interest Payment Date, then the Issuer may, at its option, elect to pay interest on up to 25% of the then outstanding principal amount of the Notes through the issuance of PIK Notes either by increasing the principal amount of the outstanding Notes (or by issuing a new Global Note of an increased principal amount) or by issuing PIK Notes in a principal amount equal to such interest (in each case, "**PIK Interest**");

(ii) is equal to or exceeds 50%, but is less than 75%, of the aggregate amount of Cash Interest that would otherwise be due on the relevant Interest Payment Date, then the Issuer may, at its option, elect to pay interest on up to 50% of the then outstanding principal amount of the Notes as PIK Interest;

(iii) is equal to or exceeds 25%, but is less than 50%, of the aggregate amount of Cash Interest that would otherwise be due on the relevant Interest Payment Date, then the Issuer may, at its option, elect to pay interest on up to 75% of the then outstanding principal amount of the Notes as PIK Interest; or

(iv) is less than 25% of the aggregate amount of Cash Interest that would otherwise be due on the relevant Interest Payment Date, then the Issuer may, at its option, elect to pay interest on up to 100% of the then outstanding principal amount of the Notes as PIK interest.

After making the determination pursuant to the immediately preceding paragraph with respect to an Interest Period (the "**Initial Interest Determination**"), unless the Issuer is required to (or otherwise intends to) pay 100% in Cash Interest, the Issuer shall deliver a notice (the "**Initial Interest Determination Notice**") to the Trustee and the Paying Agent no later than the date that is five Business Days prior to the commencement of such Interest Period, which notice shall state the percentage of the outstanding principal amount of Notes with respect to which such interest shall be paid in the form of Cash Interest (the "**Cash Interest Percentage**"), the corresponding amount of such Cash Interest, the percentage of the outstanding principal amount of Notes with respect to which interest shall be paid in the form of PIK Interest (the "**PIK Interest Percentage**") and the corresponding amount of such PIK Interest. The Paying Agent shall at the expense of the Issuer as soon as reasonably possible deliver the same notice to the holders of the Notes. To the extent the Issuer has delivered an Initial Interest Determination Notice to the Trustee, the Issuer shall also deliver an Officer's Certificate to the Trustee and to the Paying Agent, (which the Trustee and Paying Agent shall be entitled to rely upon conclusively and without independent investigation) which shall set forth in reasonable detail the Issuer's determination of such pro forma calculation. If the Issuer does not deliver an Initial Interest Determination Notice to the Trustee and the Paying Agent with respect to any Interest Period on or prior to the Initial Determination Date, then the Initial Interest Determination with respect to such Interest Period shall be deemed to be 100% Cash Interest and 0% PIK Interest.

In addition, for any Interest Period after the initial Interest Period (other than the final Interest Period ending at Stated Maturity), notwithstanding the Initial Interest Determination made with respect to the applicable Interest Payment Date, if, as of the Subsequent Determination Date, the Minimum Cash Balance with respect to the Applicable Interest Payment Date is less than the Minimum Cash Balance Threshold (determined on a pro forma basis to give effect to the payment of Cash Interest payable under the Notes on the relevant Interest Payment Date), then the Issuer may, at its option, elect to increase the PIK Interest Percentage in respect of such Interest Payment Date (and correspondingly decrease the Cash Interest Percentage in respect of such Interest Payment Date) such that the Minimum Cash Balance, after giving effect to such changes in the PIK Interest Percentage and Cash Interest Percentage, is equal to or less than the Minimum Cash Balance Threshold. If the Issuer is permitted to make such election and does so make such election, the Issuer shall deliver a notice to the Trustee and the Paying Agent on or prior to the date falling five Business Days prior to the relevant Interest Payment Date, which notice shall (a) state that the Issuer is increasing the PIK Interest Percentage in respect of such Interest Payment Date and correspondingly decreasing the Cash Interest Percentage in respect of such Interest Payment Date from the corresponding percentages in the Initial Interest Determination, (b) state the amount of interest to be paid as PIK Interest and the amount of interest to be paid as Cash Interest and (c) certify that the Issuer is permitted to do so pursuant to the Minimum Liquidity Provision (the "**Subsequent Notice**"). The Trustee or the Paying Agent, as the case may be, shall at the expense of the Issuer as soon as reasonably possible deliver the same notice to the holders of record. To the extent that the Issuer has delivered a Subsequent Notice to the Trustee and the Paying Agent, the Issuer shall deliver an Officer's Certificate to the Trustee and the Paying Agent (which the Trustee and the Paying Agent shall be entitled to rely upon conclusively and without independent investigation), which shall set forth in reasonable detail the Issuer's determination of such pro forma calculation. Notwithstanding anything else to the contrary contained in this paragraph, the Issuer may, at its option elect to pay Cash Interest even if it would be entitled to pay PIK Interest pursuant to this paragraph. In the event that the Issuer is not permitted to make such election or does not make such election on or prior to the date that is five Business Days prior to the relevant Interest Payment Date, the Issuer shall be required to make payments of PIK Interest and Cash Interest in accordance with the Initial Interest Determination. The Subsequent Notice shall become irrevocable five Business Days prior to the relevant Interest Payment Date. This paragraph is herein referred to as the "Minimum Liquidity Provision." The rights of the holders to receive notice and interest payments in accordance with this Minimum Liquidity Provision are subject to the applicable procedures of Euroclear and Clearstream.

Except as specifically set forth in the immediately preceding paragraph and the definition of "Cash Available for Debt Service," the insufficiency or lack of funds available to the Issuer to pay Cash Interest as required by the preceding paragraph shall not permit the Issuer to pay PIK Interest in respect of any Interest Period and the sole right of the Issuer to elect to pay PIK Interest shall be as (and to the extent) provided in the immediately preceding paragraph.

To the extent the Issuer is required pursuant to the provisions above to pay Cash Interest for all or any portion of the interest due on any Interest Payment Date, the Issuer shall and shall cause each of the Restricted Subsidiaries to take all such shareholder, corporate and other actions necessary or appropriate to permit the making of any such dividends or other distribution or other form of return on capital; *provided* that any such shareholder, corporate or other actions would not violate applicable law.

As used herein:

"**Cash Available for Debt Service**" shall be the amount equal to the sum (without duplication) of:

(i) all cash and Cash Equivalents on hand at the Issuer as of such Initial Determination Date, other than:

(A) any cash and Cash Equivalents on hand at the Issuer that was distributed to the Issuer by a Restricted Subsidiary in reliance on an exception under any agreement to which any of the Restricted Subsidiaries is a party that allowed such distribution, in each case, only to the extent such amounts have been distributed to the Issuer or retained by the Issuer, as the case may be, for a purpose other than paying Cash Interest (including, without limitation, any exception allowing amounts to be distributed to the Issuer solely for the purpose of paying taxes and other corporate and administrative expenses attributable to the Issuer's consolidated Subsidiaries);

(B) any cash held by the Issuer (i) classified as restricted cash under IFRS or (ii) held by a Securitization Subsidiary;

(C) any net proceeds from the Notes issued on the Issue Date, pending the final application of such proceeds in connection with the Transactions; and

(D) any cash and Cash Equivalents on hand to be used for payment of Cash Interest on the next succeeding Interest Payment Date; and

(ii) the maximum amount of all dividends and distributions that, as of such Initial Determination Date, would be permitted to be paid to the Issuer for the purpose of paying Cash Interest by all of its Restricted Subsidiaries, taking into account:

(A) all corporate, shareholder or other comparable actions required in order to effect such payment of dividends or distributions;

(B) corporate law restrictions and other legal and regulatory restrictions, including currency controls, capital controls, sanctions, prudential capital maintenance and other laws and regulations, restricting the movement or transfer of capital and funds, any restrictions on the making of dividends or other payments from a subsidiary to a shareholder that may reasonably be expected to create civil fines or criminal sanctions on members of the boards or other decision making bodies of such subsidiaries (including corporate benefit laws, thin capital rules and other laws limiting the ability of such boards or governing bodies to transfer cash to their shareholders); and

(C) all contractual restrictions or limitations on the ability to make such dividends or distributions (to the extent such restrictions and limitations are otherwise permitted by the covenant described under *"—Certain Covenants—Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries"*) pursuant to the "restricted payments" covenants (which shall be determined by including the consolidated net income "build-up basket," the "general basket," and any "leverage basket" but excluding any other exceptions in such covenants) contained in the Senior Secured Notes Indentures, the Senior Secured Intercreditor Agreement, the Revolving Credit Facility and any other instrument or agreement governing Indebtedness of any Restricted Subsidiary of the Issuer in existence on the Issue Date or any future Indebtedness incurred in accordance with the Indenture or any agreement that amends, modifies, renews, increases, supplements, refunds, replaces or refinances such Indebtedness; *provided* that any such encumbrances or restrictions described in (A), (B) or (C) of clause (ii) above as reasonably determined by the Issuer, do not otherwise violate the Indenture, and net of all taxes attributable solely to such dividend or distribution, if any (including income taxes, capital taxes, withholding taxes, customs and duties, or any other tax or government levy that applies to such dividend or distribution), and, in each case, without regard to whether any such Restricted Subsidiary shall have any funds available to make any such dividends or distributions; *provided* that, with respect to each of (i) and (ii), in no event will the Cash Available for Debt Service determined in any Interest Period be required to exceed the amount of Cash Interest payable for such Interest Period.

"**Initial Determination Date**" shall mean, with respect to each Interest Period, the fifth Business Day immediately prior to the first day of the relevant Interest Period.

"**Interest Period**" shall mean the period commencing on and including an Interest Payment Date and ending on and including the day immediately preceding the next succeeding Interest Payment Date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include April 15, 2022 and the last Interest Period shall commence on October 16, 2027 and end on and include November 1, 2027, (the Interest Payment Date for any other Interest Periods shall be the Interest Payment Date occurring on the day immediately following the last day of such Interest Period).

"**Minimum Cash Balance**" means the aggregate average daily balance of cash and Cash Equivalents (net of any amount drawn in cash and outstanding under the Revolving Credit Facility) of the Issuer and its Restricted Subsidiaries during 30-day period preceding the relevant Subsequent Determination Date. For the avoidance of doubt, Minimum Cash Balance shall exclude any cash held by a Securitization Subsidiary.

"**Minimum Cash Balance Threshold**" means, as of any Subsequent Determination Date, the greater of £30.0 million and 0.7% of Total Assets.

"**Subsequent Determination Date**" shall mean, with respect to each Interest Period following the first Interest Period and except for the final Interest Period ending at the Stated Maturity, the date that is eight Business Days prior to the next succeeding Interest Payment Date.

Interest for the first Interest Period commencing on the Issue Date shall be payable entirely as Cash Interest. Interest for the final Interest Period ending at the Stated Maturity shall be payable entirely as Cash Interest.

Notwithstanding anything to the contrary, the payment of accrued interest and Additional Amounts, if any, in connection with any redemption or repurchase of the Notes as described under *"—Optional Redemption*," "*—Redemption for Changes in Taxes*," "*—Repurchase at the Option of Holders—Change of Control*" and "*—Repurchase at the Option of Holders—Asset Sales*," will be made solely in cash. Accrued interest with respect to any such redemption or repurchase of the Notes will be calculated at the average of the interest rates applicable to Cash Interest.

The Issuer will make all payments, if payable in cash, in same day funds. Payments on the Global Notes will be made to the common depositary as the registered holder of the Global Notes.

Interest, if paid in the form of PIK Notes, on the Global Notes will be payable by the Issuer delivering an order to issue additional PIK Notes by increasing the principal amount of any such Global Note by the relevant amount (rounded up to the nearest whole pound) or, if necessary, by issuing a new Global Note executed by the Issuer and an order to the Trustee (or its authenticating agent) to authenticate such new Global Note under the Indenture. Interest, if paid in the form of PIK Notes, on any definitive Notes in registered form (the "**Definitive Registered Notes**") will be payable by the Issuer delivering to the Trustee and Paying Agent such PIK Notes in the relevant amount (rounded up to the nearest whole pound) as definitive registered Notes and an order to the Trustee (or its authenticating agent) to authenticate and deliver such PIK Notes in certificated form for original issuance to the holders on the relevant record date as shown by the records of the registered holders. If the Issuer pays a portion of the interest on the Notes as Cash Interest and a portion of the interest as PIK Interest, such Cash Interest and PIK Interest shall be paid to holders *pro rata* in accordance with their interests. Following an increase in the principal amount of the outstanding Global Notes as a result of a payment as PIK Interest, the Notes will bear interest on such increased principal amount from and after the date of such payment. Any PIK Notes issued in registered form will be dated as of the applicable Interest Payment Date and will bear interest from and after such date. All PIK Notes will mature on November 1, 2027.

The rights of holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear (defined below) and Clearstream (defined below). If the due date for any payment in respect of any Notes is not a Business Day, the holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

The Issuer cannot assure you that any of its Subsidiaries will have the ability to pay dividends or otherwise distribute funds to the Issuer in order to allow the Issuer to make Cash Interest payments on the Notes. The ability of the Company and its Restricted Subsidiaries to make dividends or distributions to the Issuer pursuant to the covenants in their debt instruments is subject to important restrictions as well as legal and regulatory limitations. See "Description of Certain Financing Arrangements" and "*Risk factors—Risks Relating to the Notes—The Issuer is a holding company with no business operations or assets*."

We estimate that, as of June 30, 2021, the Company would have had approximately £272.0 million "restricted payment" capacity under the "build-up" basket under the Senior Secured Notes Indentures and the Revolving Facility Agreement. We estimate that, as of June 30, 2021, the Issuer would have had approximately £41.0 million "restricted payment" capacity under the "build-up" basket to pay dividends under the 2023 PIK Notes. Since June 30, 2021, the Company has made dividend payments to Midco2 in an aggregate amount of £27.6 million and the Issuer made dividend payments to Topco in an aggregate amount of £10.0 million, thereby reducing their respective dividend capacity. Restricted payments capacity is not necessarily an indication of our cash position on such date or any date in the future or an indication of the amount that can be distributed as dividends under the applicable laws and regulations.

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 London, United Kingdom. The initial Transfer Agent will be Deutsche Bank AG, London Branch. 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.

Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the U.S. Securities Act ("**Rule 144A**") will initially be represented by one or more global Notes in registered form without interest coupons attached (the "**144A Global Note**"), and Notes sold outside the United States pursuant to Regulation S under the U.S. Securities Act ("**Regulation S**") will initially be represented by one or more global Notes in registered form without interest coupons attached (the "**Regulation S Global Note**" and, together with the 144A Global Notes, the "**Global Notes**").

The Notes will be subject to certain restrictions on transfer and certification requirements, as described under "*Notice to Investors*."

Ownership of interests in the Global Notes (the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking, S.A. ("**Clearstream**") or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*." In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of £100,000 and integral multiples of £1 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, 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 the "*Notice to Investors*" section of this offering memorandum 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 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) 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 (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 (including, without limitation, the jurisdiction of any Paying Agent) or any political subdivision thereof or therein (each, a Relevant 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, including payments of principal, redemption price, purchase price, or interest or premium, if any, the Issuer 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 or the Indenture or the receipt of any payments under or in respect of such Note or the Indenture;

(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;

(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 Relevant Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Tax Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant 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 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 Relevant Tax Jurisdiction on the execution, delivery, issuance or registration of, or by any jurisdiction on the enforcement of, any of the Notes, the Indenture, 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 Relevant Tax Jurisdiction that are not excluded under clauses (1) through (3) or (5) through (6) above or any combination thereof).

If the Issuer becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Issuer 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 the

Issuer becomes aware of such obligation, less than 45 days prior to that payment date, in which case the Issuer shall notify the Trustee and Paying Agents promptly 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 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 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 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 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 if, notwithstanding the Issuer's efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee) by the Issuer. 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.

If the Issuer elects to pay an amount of interest as PIK Interest and is required to pay Additional Amounts in respect of PIK Interest, such Additional Amounts shall be paid as PIK Interest. In other cases, such Additional Amounts shall be paid as Cash Interest.

Whenever in the Indenture or in this "*Description of Notes*" there is mentioned, in any context, the payment of amounts based upon the outstanding principal amount of the Notes or of principal, premium or interest or of any other amount payable under, or with respect to, any of the Notes, 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 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 is made and any political subdivision thereof or therein.

Security

General

The Notes will be secured by first-priority Liens pursuant to (1) a pledge of all the Capital Stock of Midco2 and (2) an assignment by way of security of any existing and future intercompany loans in respect of which the Issuer is the obligor, including, among others, the Midco2 Intercompany Loans. The Collateral will be pledged pursuant to the Security Documents to the Security Agent on behalf of the holders of the Notes. Any additional security interests that may in the future be pledged to secure obligations under the Notes and the Indenture would also constitute Collateral.

The proceeds from the sale of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Notes and the creditors of any other Indebtedness secured thereby. No appraisals of the Collateral have been made in connection with this offering of the Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, if at all. See "*Risk Factors—Risks Relating to the Notes—The value of the collateral securing the Notes may not be sufficient to satisfy the Issuer's obligations under the Notes*."

Each holder of Notes, by accepting a Note, shall be deemed (1) to have authorized the Trustee to enter into to the Subordination Agreement and the Security Agent to enter into the Security Documents and the Subordination 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 and the Subordination Agreement, and authorizes it to act as such.

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 the Issuer's obligations under the Notes.*"

Release

The Issuer will be entitled to the release of the Liens over the assets constituting Collateral securing the Notes under any one or more of the following circumstances:

(1) other than with respect to the pledge of the Capital Stock of Midco2 and the assignment of the intercompany loans by the Issuer, 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 Issuer or any of its Restricted Subsidiaries, 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 all or substantially all of the assets of the Issuer that are part of the Collateral (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 Issuer or a Restricted Subsidiary if the sale or other disposition does not violate the "*Merger, Consolidation or Sale of Assets*" provisions of the Indenture;

(3) 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*";

(4) upon the full and final payment of the Notes and performance of all Obligations of the Issuer under the Indenture and the Notes;

(5) as described under the caption *"—Amendment, Supplement and Waiver*";

(6) 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 to be secured on such property or assets; or

(7) as otherwise permitted in accordance with the Indenture and the Security Documents.

The Trustee and the Security Agent will, at the cost and expense of the Issuer and subject to receipt of an Officer's Certificate and Opinion of Counsel, take all necessary action requested by the Issuer to effectuate any release of Collateral securing the Notes, in accordance with the provisions of the Indenture and the relevant Security Document.

Subordination Agreement

Topco, the Issuer, the Security Agent and the Trustee will enter into the Subordination Agreement to give effect to the provisions described in the section entitled "*Description of Certain Financing Arrangements—Subordination Deed*."

Optional Redemption

At any time prior to November 1, 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 106.75% 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 Issuer 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 November 1, 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 November 1, 2023.

On or after November 1, 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 November 1 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	103.375%
2024	101.6875%
2025 and thereafter	100.0000%

In connection with any tender offer for or other offer to purchase 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, an incurrence of Indebtedness, a Change of Control, an Asset Sale or other transaction)), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption is subject to satisfaction of one or more conditions precedent (including but not limited to the completion of a related transaction), the notice of redemption 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 (or waived by the offeror in its sole discretion) (*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. In addition, the Issuer may provide in such notice that payment of the redemption or purchase price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person. 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 may redeem Notes pursuant to one or more of the relevant provisions in the Indenture, and, subject to the requirements of Euroclear and/or Clearstream, a single notice of redemption may be delivered with respect to redemptions made pursuant to different provisions. Any such notice may provide that redemptions made pursuant to different provisions will have the same or different redemption dates.

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 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 (disregarding any election to pay PIK Interest), the Issuer is or would be required to pay Additional Amounts, and the Issuer 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), 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 Relevant Tax Jurisdiction became a Relevant 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 Relevant Tax Jurisdiction became a Relevant 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 would be obligated to pay Additional Amounts if a payment in respect of the Notes was then due (disregarding any election to pay PIK Interest). 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 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 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. However, under certain circumstances, the Issuer may be required to offer to purchase Notes as described under "*—Repurchase at the Option of the Holders—Change of Control*" and "*—Repurchase at the Option of the Holders—Asset Sales*." As market conditions warrant, we and our equity holders, including the Permitted Holders, their respective Affiliates and members of our management, may from time to time seek to purchase our outstanding debt securities or loans, including the Notes or derivative instruments related thereto, in privately negotiated or open market transactions, by tender offer or otherwise. Subject to any applicable limitations contained in the agreements governing our indebtedness, including the Indenture, any purchases made by us may be funded by the use of cash on our balance sheet or the incurrence of new secured or unsecured debt. The amounts involved in any such purchase transactions, individually or in the aggregate, may be material. Any such purchases may be with respect to a substantial amount of a particular class or series of debt, with the related reduction in the trading liquidity of such class or series.

Repurchase at the Option of Holders

Change of Control

Unless (i) a third party makes a Change of Control Offer or (ii) the Issuer has previously or substantially concurrently therewith delivered a redemption notice with respect to all the outstanding Notes as described in the seventh paragraph under this heading "*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; *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 also constitute a change of control under the Senior Secured Notes Indentures, 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 Issuer 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. or (ii) a notice of redemption of all outstanding Notes has been given pursuant to the Indenture as described under "*—Optional Redemption*," unless and until there is a default in the payment of the redemption price on the applicable redemption date or the redemption is not consummated due to the failure of a condition precedent contained in the applicable redemption notice to be satisfied. 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 Issuer 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 Issuer 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.

Asset Sales

The Issuer will not, and will not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, consummate an Asset Sale unless:

(1) the Issuer (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 Issuer 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), as recorded on the balance sheet of the Issuer or any Restricted Subsidiary (or, in relation to contingent liabilities, to the extent provisions have been taken on the balance sheet of the Issuer or any Restricted Subsidiary), that are assumed by the transferee of any such assets and as a result of which the Issuer 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 Issuer 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 Issuer 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 Restricted Subsidiary (other than any Indebtedness that is expressly subordinated in right of payment to the Notes) received from Persons who are not the Issuer or any Restricted Subsidiary that is subsequently cancelled;

(f) any Designated Non-Cash Consideration received by the Issuer 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 Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Proceeds (at the option of the Issuer or Restricted Subsidiary):

(1) (a) to repay, repurchase, prepay or redeem (i) any Pari Passu Indebtedness of the Issuer (other than the Notes); (ii) Indebtedness of any Restricted Subsidiary of the Issuer; 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, that is secured by a Lien on the Collateral and that is not subordinated in right of payment to the Notes;

(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.

Pending the final application of any Net Proceeds, the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by the Indenture.

Any Net Proceeds from Asset Sales that are not applied or invested as provided in the second paragraph of this covenant will constitute "Excess Proceeds." On the 366th day (or (i) such earlier date as the Issuer may elect or (ii) such later date as set forth in clause (5) of the first paragraph of this covenant), if the aggregate amount of Excess Proceeds exceeds £25.0 million, within ten Business Days thereof, the Issuer will make an offer (an "**Asset Sale Offer**") to all holders of Notes and may make an offer to all holders of other Pari Passu Indebtedness to purchase, prepay or redeem the maximum principal amount of Notes and such other Pari Passu Indebtedness (plus all accrued interest on the Indebtedness and the amount of all fees and expenses, including premiums, incurred in connection therewith) that may be purchased, prepaid or redeemed out of the Excess Proceeds. The offer price for the Notes in any Asset Sale Offer will be equal to 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts (if any) to, but not including, the date of purchase, prepayment or redemption, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant Interest Payment Date, and will be payable in cash. If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Issuer 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 ability of the Issuer to apply the proceeds of an Asset Sale by the Company and its Restricted Subsidiaries to repay Indebtedness of the Issuer may be limited. The Indebtedness of the Company and its Restricted Subsidiaries may not permit the application of the proceeds of any such Asset Sale to repay Indebtedness of the Issuer prior to an "Asset Sale Offer" under the terms of such Indebtedness. The ability of the Issuer to distribute any "Excess Proceeds" not used in an "Asset Sale Offer" under the terms of such Indebtedness, may be limited by the "restricted payment" covenant in the terms of such Indebtedness.

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, irrevocably 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.

Certain Covenants

Restricted Payments

The Issuer 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 Issuer's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries)

or to the direct or indirect holders of the Equity Interests of the Issuer or any of its Restricted Subsidiaries in their capacity as holders of the Issuer except:

(a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Deeply Subordinated Shareholder Indebtedness; and

(b) dividends or distributions payable to the Issuer 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 Issuer 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 Issuer) any Equity Interests of the Issuer or any Parent Holdco of the Issuer;

(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 that is expressly contractually subordinated in right of payment to the Notes (excluding any intercompany Indebtedness between or among the Issuer 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**"). Notwithstanding the foregoing, the Issuer or any Restricted Subsidiary may, prior to a Qualifying IPO, make Restricted Investments (other than Indirect Restricted Payments) and Pre-IPO Restricted Distributions and, following the date on which such Qualifying IPO has occurred, Restricted Payments, if at the time of and after giving *pro forma* effect to such proposed Restricted Investment, Pre-IPO Restricted Distribution or Restricted Payment, as the case may be:

(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 Issuer and its Restricted Subsidiaries since July 1, 2013 (and not returned or rescinded) (including Restricted Payments permitted by clauses (1) and (11) 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 Issuer and its Restricted Subsidiaries for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing July 1, 2013 to the end of the most recently ended fiscal quarter for which internal financial statements of the Issuer 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); *provided* that the amount taken into account pursuant to this sub-clause (1) shall not be less than zero; *plus*

(ii) 100% of the aggregate net cash proceeds and the Fair Market Value of property, assets or marketable securities received by the Issuer since the Issue Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Issuer (other than Disqualified Stock and Excluded Contributions) or from the issue or sale of convertible or exchangeable Disqualified Stock of the Issuer or convertible or exchangeable debt securities of the Issuer, in each case, that have been converted into or exchanged for Equity Interests of the Issuer (other than

Equity Interests (or Disqualified Stock or debt securities) sold to a Subsidiary of the Issuer) or from the issuance or sale of Deeply Subordinated Shareholder Indebtedness (other than an issuance or sale to a Subsidiary of the Issuer); *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 Issuer 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 Issuer 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 Issuer designated as such after the Issue Date is redesignated as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary, or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, the Fair Market Value of the property received by the Issuer or Restricted Subsidiary or the Issuer'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 Issuer 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 Issuer 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 Issuer or one of its Restricted Subsidiaries to any Person (other than the Issuer 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);

provided that, in the case of a Pre-IPO Restricted Distribution, the aggregate amount of all Pre-IPO Restricted Distributions made since July 1, 2018 (and not returned or rescinded) (excluding Restricted Payments in connection with the 2018 Transactions and the Transactions) shall not exceed the sum, without duplication, of (i) 20% of the Consolidated Net Income of the Issuer and its Restricted Subsidiaries for the period (taken as one accounting period) from the beginning of the fiscal quarter commencing July 1, 2018 to the end of the most recently ended fiscal quarter for which internal financial statements of the Issuer are available at the time of such Pre-IPO Restricted Distribution and (ii) the net cash proceeds and the Fair Market Value of property, assets or marketable securities received by the Issuer pursuant to clause (ii) above.

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 Issuer) of Equity Interests of the Issuer (other than Disqualified Stock) or Deeply Subordinated Shareholder Indebtedness or substantially concurrent contribution of common equity capital to the Issuer (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 that is contractually subordinated to the Notes 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 Issuer 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 Issuer 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 Issuer, 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 Issuer, any of its Restricted Subsidiaries or any Parent Holdco of the Issuer 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 Issuer or a Restricted Subsidiary or Deeply Subordinated Shareholder Indebtedness of the Issuer received by the Issuer or a Restricted Subsidiary during such calendar year, in each case, from members of management, officers, employees, directors or consultants of the Issuer, any of its Restricted Subsidiaries or any Parent Holdco of the Issuer 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 Issuer 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 Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Equity Interests of the Issuer, any Restricted Subsidiary 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 Issuer, any Restricted Subsidiary 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 Issuer 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 Issuer of, or loans, advances, dividends or distributions to any Parent Holdco to pay, dividends on the Capital Stock of the Issuer or any Parent Holdco, following a Qualifying IPO, in an amount per annum not to exceed the greater of (a) 6.0% of the net cash proceeds received by the Issuer 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 Issuer or loaned as Deeply Subordinated Shareholder Indebtedness to the Issuer 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, any Restricted Payments in an aggregate amount not to exceed the greater of £50.0 million and 1.2% of Total Assets 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 Issuer 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 Issuer 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 Issuer 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.

Further Limitations

If an Interest Period occurs in respect of which the Issuer intends to pay (or has subsequently paid) part or all of the interest due on the Notes with respect to such period as PIK Interest, the Issuer and its Restricted Subsidiaries may not make a Restricted Payment other than an Investment (other than Indirect Restricted Payments) in such Interest Period in compliance with or in reliance on the first paragraph or clause (13) of the second paragraph of the provision described under *"—Restricted Payments*."

Incurrence of Indebtedness and Issuance of Preferred Stock

The Issuer 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 Issuer 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 and its Restricted Subsidiaries may incur Indebtedness (including Acquired Debt) or issue Disqualified Stock or 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; *provided* that any Unsecured Indebtedness of the Company and its Restricted Subsidiaries incurred pursuant to this paragraph shall not exceed 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 proviso, the greater of £55.0 million and 1.3% of Total Assets.

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 Company or any of its Restricted Subsidiaries 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 Issuer or any Restricted Subsidiary (other than Indebtedness pursuant to the Notes, 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 of Indebtedness represented by (a) the Notes issued on the Issue Date; and (b) an unlimited principal amount of PIK Interest issued from time to time in payment of accrued interest or Additional Amounts on the Notes, (either in the form of an issuance of PIK Notes or by increasing the amount of principal on any Note) but not including any Additional Notes other than PIK Notes;

(4) the incurrence by the Company or any of its Restricted Subsidiaries of (a) 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) (a) the incurrence by the Issuer or any Restricted Subsidiary 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 that was permitted by the Indenture to be incurred under clause (3) or (5)(a) of this paragraph; and (b) the incurrence by the Company or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace, defease or discharge any Indebtedness (other than intercompany Indebtedness) that was permitted by the Indenture to be incurred under the first paragraph of this covenant or clause (2), (3), (5) or (14) of this paragraph; *provided* that such Permitted Refinancing Indebtedness shall not be Unsecured Indebtedness of the Company and its Restricted Subsidiaries to the extent incurred to renew, refund, refinance, replace, defease or discharge Indebtedness incurred under the first paragraph of this covenant that was not Unsecured Indebtedness to the extent such Permitted Refinancing Indebtedness, incurred pursuant to this clause (5), when taken together with any Unsecured Indebtedness of the Company and its Restricted Subsidiaries incurred under the first paragraph of this covenant, shall not exceed an aggregate principal amount at any time outstanding the greater of £55.0 million and 1.3% of Total Assets;

(6) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Indebtedness between or among the Issuer or any Restricted Subsidiary; *provided* that:

    (a) if the Issuer is the obligor on such Indebtedness, 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 Issuer 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; 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 Issuer or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is not either the Issuer or a Restricted Subsidiary, will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Issuer 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 Issuer 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 Issuer or a Restricted Subsidiary; and

 (b) any sale or other transfer of any such preferred stock to a Person that is not either the Issuer 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 Issuer 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 Issuer 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, 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 Issuer 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 Issuer 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 Issuer 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 Issuer, Midco2, 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 Issuer 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 Issuer 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 or in relation to any Qualified Securitization Financing;

(14) Indebtedness (a) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary 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 of the Company or was otherwise acquired by the Company or a Restricted Subsidiary or (ii) any assets are acquired and related liabilities are assumed by the Issuer 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 Issuer 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 Issuer 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 Issuer and its Restricted Subsidiaries in connection with such disposition;

(16) Indebtedness of the Issuer 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 Issuer 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; 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 Issuer 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 Issuer, 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 Issuer, 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 (including PIK Interest), 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 Issuer 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 Issuer 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

The Issuer will not incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer unless such Indebtedness is also contractually subordinated in right of payment to the Notes 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 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 Issuer 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 and the Notes are secured on an equal and ratable *pari passu* basis with the obligations so secured (and if such obligations so secured are subordinated in right of payment to the Notes 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 Issuer 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 any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Issuer or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Issuer or any Restricted Subsidiary;

(2) make loans or advances to the Issuer or any Restricted Subsidiary; or

(3) sell, lease or transfer any of its properties or assets to the Issuer 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 Issuer or any Restricted Subsidiary to other Indebtedness incurred by the Issuer 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 Issuer) and where, in the case of this sub-clause (b), the Issuer 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 Issuer's ability to make principal or interest payments on the Notes or compliance by the Issuer or any Restricted Subsidiary with its obligations under the Notes, the Indenture, the Security Documents or any Credit Facility;

(2) the Indenture, the Notes, the Senior Secured Notes Indentures, the Senior Secured Notes, the guarantees of the Senior Secured Notes, any Credit Facility (including the Revolving Credit Facility), the Senior Secured Intercreditor Agreement, the Security Documents, the Subordination Agreement, the security documents related to the Senior Secured Notes 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) as is customary in comparable financings (as reasonably determined by the Issuer, (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 Issuer determines when such Indebtedness is incurred that such encumbrances or restrictions will not adversely affect, in any material respect, the ability of the Issuer to make principal or cash interest payments on the Notes (in the reasonable determination of the Issuer);

(4) applicable law, rule, regulation or order or the terms of any license, authorization, concession or permit;

(5) any agreement or instrument governing Indebtedness or Capital Stock of a Person acquired by the Issuer or any of its Restricted Subsidiaries as in effect at the time of such acquisition, consolidation or other combination with or into, the Issuer 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 Issuer) and would not otherwise restrict the payment of amounts due in respect of

the Notes or compliance by the Issuer with its obligations under the Notes, the Indenture, the Subordination Agreement and the Security Documents;

(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 Issuer 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 Issuer 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) ; *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 Issuer) and where, in the case of this sub-clause (b), the Issuer 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 (including the payment of Cash Interest) or compliance by the Issuer, in any material respect, with its obligations under the Notes, the Indenture, the Subordination Agreement and the Security Documents.

Merger, Consolidation or Sale of Assets

The Issuer will not, directly or indirectly: (A) consolidate or merge with or into another Person (whether or not the Issuer 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 Issuer 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 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 the Issuer under the Notes, the Indenture, the Subordination Agreement and the Security Documents;

(3) immediately after such transaction, no Default or Event of Default exists;

(4) the Issuer or 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, 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, the Issuer would (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 Issuer 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 (if any) comply with this covenant and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Notes and the Indenture each constitute legal, valid and binding obligations of the Issuer or the Person formed by or surviving any such consolidation or merger (as applicable) enforceable in accordance with their terms.

Clauses (3) and (4) of the first paragraph of this covenant will not apply to any merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction.

Transactions with Affiliates

The Issuer 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 Issuer (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 Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction on an arm's-length basis by the Issuer 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 Issuer 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 Issuer, 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 Issuer 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 Issuer 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 Issuer) that is an Affiliate of the Issuer solely because the Issuer 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 Issuer or any of its Restricted Subsidiaries or any Parent Holdco;

(5) any issuance of Equity Interests (other than Disqualified Stock) of the Issuer to Affiliates of the Issuer 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 Issuer;

(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) the Transactions and 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 Issuer or the Restricted Subsidiaries, in the reasonable determination of the members of the Board of Directors of the Issuer 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 Issuer 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 the Issuer or 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 Issuer or the Restricted Subsidiary generally to non-affiliated third party investors on the same or more favorable terms.

Limitation on Issuance of Guarantees of Indebtedness of the Issuer

Notwithstanding anything to the contrary in the Indenture, no Restricted Subsidiary shall guarantee the payment of, assume or in any manner become liable with respect to any other Indebtedness of the Issuer 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 Issuer shall not be obligated 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 Issuer or the Restricted Subsidiary (including "whitewash" or similar procedures); (b) any risk or liability for the officers, directors or shareholders of such Restricted Subsidiary; or (c) any significant cost, expense, liability or obligation other than reasonable out-of-pocket expenses.

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 Issuer 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 (if applicable) shall at the cost and request of the Issuer and subject to customary protections and indemnifications 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 Issuer will not 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 Issuer 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 Subordination Agreement, any interest whatsoever in any of the Collateral, except the Issuer 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 and the Security Documents; (b) the Issuer 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 Issuer 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 Issuer delivers to the Trustee and the Security Agent 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 and the Security Agent confirming the solvency of the Issuer 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 Issuer, 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 and the Security Agent (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), or other Indebtedness of the Issuer not prohibited by the Indenture, including intercompany indebtedness, lending or otherwise advancing the proceeds thereof 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) 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 Subordination Agreement 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 and the corporate existence of its Subsidiaries; (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 Subordination Agreement) entered into in connection with the issuance of the Notes or any other Indebtedness not prohibited by the Indenture; (11) involving the provision of administrative services and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets needed to provide such service; (12) related to the investments in and ownership and disposition of cash and Cash Equivalents; (13) related to the ownership of the Capital Stock of Midco2 (or to the extent transferred to the Issuer, the Company), directly and/or through one or more holding companies; (14) related to the issuance of Capital Stock and activities related to any stock option plan or any other management or employee benefit or incentive plan; (15) related to consummating the Transactions; (16) reasonably related to the foregoing; (17) relating to the lending of the proceeds of the Notes (including any Additional Notes) and the lending of the proceeds of other Indebtedness, to Midco2; and (18) not specifically enumerated above that is *de minimis* in nature as reasonably determined by the Issuer.

Limitation on Midco2 Activities

Notwithstanding anything contained in the Indenture, the Midco2 shall not engage in any business activity or undertake any other activity, except any activity: (1) related to the servicing, listing, purchase, redemption, amendment, exchange, refinancing, incurring or retirement of any intercompany indebtedness, lending or otherwise advancing the proceeds thereof and performance of the terms and conditions and exercise of any rights of 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) related to the paying or receiving of dividends or the making of distribution to the Issuer; (3) undertaken with the purpose of, and directly related to, fulfilling the obligations of Midco2 under any Security Document to which it is a party; (4) related or reasonably incidental to the establishment and/or maintenance of Midco2's corporate existence and the corporate existence of its Subsidiaries; (5) involving the provision of administrative services and management services to its Subsidiaries of a type customarily provided by a holding company to its Subsidiaries and the ownership of assets needed to provide such service; (6) related to the ownership of the Capital Stock of the Company; (7) related to the issuance of Capital Stock and activities related to any stock option plan or any other management or employee benefit or incentive plan; (8) related to the investment in and ownership and disposition of cash and

Cash Equivalents; (9) reasonably related to the foregoing; (10) related to consummating the Transactions; and (11) not specifically enumerated above that is *de minimis* in nature as reasonably determined by Midco2.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of the Issuer 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) 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 Issuer 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 Issuer. 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 Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by furnishing to the Trustee a copy of a resolution of the Issuer'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 Issuer 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 Issuer, 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 Issuer 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 Issuer 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 into 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.

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, 2022 (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 Issuer will provide, in the case of a material acquisition, acquired company financials)); (c) an operating and financial review of the audited financial statements of the Company, 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 Issuer and 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 Issuer need describe only any material changes); (e) loan portfolio analysis; (f) material operational risk factors and material recent developments; and (g) any statutory financial information of the Issuer and Midco2 (to the extent prepared) and a brief description of the material differences in the financial condition and results of operation between the Issuer and its Restricted Subsidiaries (other than the Company and its Restricted Subsidiaries) and the Company and its Restricted Subsidiaries and a statement of the Issuer's total debt, cash, and interest expense on a consolidated basis;

(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, 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 4.2 (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; (e) material recent developments; and (f) a brief description of the material differences in the financial condition and results of operation between the Issuer and its Restricted Subsidiaries (other than the Company and its Restricted Subsidiaries) and the Company and its Restricted Subsidiaries and a statement of the Issuer's total debt, cash, and interest expense on a consolidated basis; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer or the Company and their Restricted Subsidiaries, taken as a whole, or any changes of the Chief Executive Officer, Chief Financial Officer or other Managing Director at the Issuer or the Company or change in auditors of the Issuer or the Company or any other material event that the Issuer or 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 Subsidiaries of the Issuer (other than the required consolidated financial statements expressly required in (1) and (2) above).

In addition, if the Issuer 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 Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

Except as provided for above, no report needs to include separate financial statements for the Issuer or Subsidiaries of the Issuer 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 (other than the required consolidated financial statements expressly required in (1) and (2) above).

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 post such report on the Company's website. If the due date for any report set forth in clauses (1) and (2) above is not a Business Day, the Issuer or other reporting entity permitted under this covenant will be entitled to provide such report on the next succeeding Business Day.

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 or the Issuer 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 Issuer 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) "*—Limitation on Issuance of Guarantees of Indebtedness of the Issuer*"; 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 Issuer 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 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.

The Trustee shall have no duty to monitor the ratings of the Notes or notify holders of an occurrence of a Suspension Period.

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 to comply with the provisions described under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(4) failure by the Issuer 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 Issuer or any of its

Restricted Subsidiaries (or the payment of which is guaranteed by the Issuer 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 Issuer 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) 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 and the Security Documents) or any assertion by the Issuer 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 and the Security Documents); and

(8) other than on a solvent basis, certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any of the Issuer'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 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 the 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.

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, of which a responsible officer of the Trustee has written notice, 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 Issuer 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, as such, will have any liability for any obligations of the Issuer under the Notes, the Indenture 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 ("*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 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 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 and Cash 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 with the intent of defeating, hindering, delaying or defrauding any creditors of the Issuer 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 Security Documents and the Subordination Agreement 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, any Security Document or the Subordination Agreement 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 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 or the Indenture; or

(10) 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 Trustee and the Security Agent (as applicable) may amend or supplement the Indenture, the Notes any Security Document or the Subordination Agreement:

(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 obligations to holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Issuer'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 Notes or the Security Documents 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 Notes or the Security Documents;

(6) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;

(7) to allow any future guarantor to execute a supplemental indenture and/or a note guarantee with respect to the Notes;

(8) to enter into additional or supplemental Security Documents;

(9) to add additional parties to any Security Document or the Subordination Agreement to the extent permitted hereunder or thereunder;

(10) 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;

(11) to make any amendment of an administrative or ministerial nature to the provisions of the Indenture, the Notes, any Security Document or the Subordination Agreement to facilitate a Permitted Reorganization; or

(12) 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 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.

Satisfaction and Discharge

The Indenture (except as to surviving rights (including certain rights of the Trustee) as expressly provided for 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 has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for this purpose) as 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 has paid or caused to be paid all sums payable by the Issuer 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, shall constitute a discharge of the Issuer's obligation under the Indenture and the Notes, 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 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, 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 person in the conduct of their 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 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 Issuer (and in accordance with the Indenture) as set forth under "*—Satisfaction and Discharge*."

Listing

Application will be made to The International Stock Exchange Authority Limited for the listing of the Notes on the Official List of The International Stock Exchange and permission to deal in the Notes. There can be no assurance that the application to list the Notes on the Official List of the Exchange and that such permission to deal in the Notes will be granted 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 and the Subordination Agreement without charge by writing to Chief Treasury Officer, 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 the Exchange and admitted for trading on the Exchange and the rules of the Exchange 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 and the Notes will be governed by, and construed in accordance with, the laws of the State of New York. The Security Documents and the Subordination Agreement will be governed by English law.

Consent to Jurisdiction and Service of Process

The Indenture will provide that the Issuer 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 or the Notes 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 are outside the United States, any judgment obtained in the United States against the Issuer, may not be collectable within the United States. Please see "*Service of Process and Enforcement of Civil Liabilities*."

Prescription

Claims against the Issuer 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 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.

"**2018 Transaction**" means the issuance of the 2023 PIK Notes and the use of proceeds therefrom.

"**2023 PIK Notes**" means the £368.2 million aggregate principal amount of the Issuer's 8⅞%/10⅜% Senior PIK Toggle Notes due 2023 issued pursuant to the 2023 PIK Notes Indenture 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.

"**2023 PIK Notes Indenture**" means the indenture, dated as of September 28, 2018, by and among the Issuer, 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.

"**2026 Notes**" means the £435.0 million aggregate principal amount of 4⅞% Senior Secured Notes due 2026 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 S.A., 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 Trustee**" means the trustee under the 2026 Notes Indenture.

"**2027 Notes**" means the £500.0 million aggregate principal amount of 5¼% Senior Secured Notes due 2027 issued by the Issuer on January 25, 2021 pursuant to the 2027 Notes Indenture.

"**2027 Notes Indenture**" means the Indenture, dated as of January 25, 2021, by and among the Issuer, Deutsche Bank Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as principal paying agent, Deutsche Bank Luxembourg S.A., 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.

"**2027 Notes Trustee**" means the trustee under the 2027 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 November 1, 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 November 1, 2023 (excluding accrued but unpaid interest to the redemption date and assuming all interest payments were made in the form of Cash Interest), 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, the Transfer Agent or any Paying Agent.

"**Asset Sale**" means:

(1) the sale, lease, conveyance or other disposition of any assets by the Issuer 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 Issuer 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 Issuer or any of its Restricted Subsidiaries of Equity Interests in any Subsidiary of the Issuer (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 Issuer (other than to the Issuer 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 Issuer and any Restricted Subsidiary;

(3) an issuance of Equity Interests by a Restricted Subsidiary to the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer;

(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.

"**BABS**" means Brooks Asset Backed Securitisation 1 Limited.

"**BABS Securitization**" means the series of agreements entered into on July 2, 2021, including the note issuance facility, entered into by, among others, the Company, as cash administrator, BABS, as note issuer and HSBC, as facility agent, security trustee and standby cash administrator.

"**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 Issuer 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 Issuer to an Affiliate of the Issuer for the purpose of reincorporating the Issuer 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 Issuer, measured by voting power rather than number of shares; or

(4) the first day on which (a) the Issuer shall fail to directly own 100% of the issued and outstanding Voting Stock and Capital Stock of Midco2, excluding (A) treasury shares and (B) directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Restricted Subsidiary of the Issuer; or (b) Midco2 shall fail to directly own 100% of the issued and outstanding Voting Stock of the Company and at least 95% of the Capital Stock of the Company (except to the extent such Voting Stock and Capital Stock is owned directly by the Issuer), excluding (A) treasury shares and (B) directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Midco2 or another wholly owned Restricted Subsidiary of Midco2.

"**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 the Issuer for which a Lien has been created to secure the Notes 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 or the Notes.

"**Company**" means Together Financial Services Limited.

"**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 the Issuer and its Restricted Subsidiaries for such Relevant Testing Period) of such Person and its Restricted 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 such Person 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 the Issuer 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 such Person 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 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 Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture or (c) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary (including under the Senior Secured Notes and the Senior Secured Notes Indentures, 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 Issuer) and would not otherwise restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its Obligations under the Notes, the Indenture or the Security Documents) and (d) other

restrictions with respect to such Restricted Subsidiary that would not materially adversely affect the ability of the Issuer to service or repay the Notes, except that the Issuer'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 Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than 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 Issuer 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 Issuer) will be excluded;

(4) any one-time non-cash charges or any amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of, or merger or consolidation with, another Person or business or resulting from any reorganization or restructuring involving the Issuer 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 Issuer) 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 (or in the case of any other Person, such indebtedness that would otherwise meet the criteria of Deeply Subordinated Shareholder Indebtedness, *mutatis mutandis*) 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.

For purposes of calculating Consolidated Net Income for the covenant described under the caption "*—Certain Covenants—Restricted Payments*," Consolidated Net Income for the period from July 1, 2013 to November 2, 2016 shall be the Consolidated Net Income of the Company (which, in the case of the period from the first day of the month of November 2, 2016 to November 2, 2016, shall be calculated on a pro rata basis based on the Consolidated Net Income of the Company for that month) and the Issuer thereafter.

"**Consolidated Senior Secured Non-Securitization Leverage**" means, with respect to any Person as of any date of determination, the sum, without duplication, of the total amount of Senior Secured Non-Securitization Indebtedness of such Person and its Restricted Subsidiaries on a consolidated basis, less the amount of cash and Cash Equivalents that would be stated on the balance sheet of the Company and its Restricted Subsidiaries as of such date in accordance with IFRS up to an amount not to exceed £50.0 million.

"**Consolidated Senior Secured Non-Securitization Leverage Ratio**" means, with respect to any Person, the ratio of (1) the Consolidated Senior Secured Non-Securitization Leverage of such Person on such date to (2) the LTM EBITDA, in each case for the Relevant Testing Period. In the event that the specified Person or any of its

Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness (other than ordinary working capital borrowings) or issues, repurchases or redeems preferred stock subsequent to the commencement of the Relevant Testing Period for which the Consolidated Senior Secured Non-Securitization Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Senior Secured Non-Securitization Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Senior Secured Non-Securitization Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer or Company) to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the Relevant Testing Period (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.

"CRE 1" means Together Asset Backed Securitisation 2020-CRE1 PLC.

"**CRE 1 Securitization**" means the series of agreements entered on or about March 15, 2021, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the trust deed, entered into by, among others, CRE 1, as issuer and U.S. Bank Trustees Limited as note trustee and security trustee.

"CRE 2" means Together Asset Backed Securitisation 2020-CRE2 PLC.

"**CRE 2 Securitization**" means the series of agreements entered on or about June 11, 2021, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the trust deed, entered into by, among others, CRE 2, as issuer and U.S. Bank Trustees Limited as note trustee and security trustee.

"**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 Issuer 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 Issuer by any direct or indirect Parent Holdco of the Issuer 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 Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;

(5) is subordinated in right of payment to the prior payment in full in cash of the Notes in the event of any default, bankruptcy, reorganization, liquidation, winding up or other disposition of assets of the Issuer at least to the same extent as the Subordinated Topco Debt as in effect on the Issue Date and shall be deemed "Subordinated Liabilities" as defined in the Subordination Agreement (or such comparable term in any other similar 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 Issuer,

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 Issuer, 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 Subordinated Topco Debt (other than any amendments, novations, supplements, extensions, restatements or replacements thereto) 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 Issuer 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.

"**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 Issuer or a Parent Holdco of the Issuer pursuant to which the net cash proceeds are contributed to the Issuer or its Subsidiaries in the form of a subscription for, or a capital contribution in respect of, Capital Stock (other than Disqualified Stock) of the Issuer or its Subsidiaries or as Deeply Subordinated Shareholder Indebtedness of the Issuer.

"**Excluded Contributions**" means the net cash proceeds, property or assets received by the Issuer or its Subsidiaries after the Issue Date from:

(1) contributions to the Issuer's Equity Interests; and

(2) the sale (other than to a Subsidiary of the Issuer) of Capital Stock (other than Disqualified Stock) or Deeply Subordinated Shareholder Indebtedness of the Issuer,

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 BABS, CABS, DABS 2, HABS, LABS, TABS 1, TABS 2, TABS 3, TABS 4, TABS 5, CRE 1 and CRE 2 under the BABS Securitization, the CABS Securitization the DABS 2 Securitization, the HABS Securitization, the LABS Securitization, the TABS 1 Securitization, the TABS 2 Securitization, the TABS 3 Securitization, the TABS 4 Securitization, the CRE 1 Securitization and the CRE 2 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 November 1, 2023; *provided*, *however*, that if the period from such redemption date to November 1, 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).

"**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 Issuer 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 Issuer and its Subsidiaries as of June 30, 2019 and prior periods and any guarantee given by the Issuer 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 Issuer 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 Issuer and its Subsidiaries as of June 30, 2019 and prior periods and any guarantee given by the Issuer 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 Issuer 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 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.

"**Indirect Restricted Payment**" means an Investment, directly or indirectly, in (1) any Parent Holdco of the Issuer, (2) any Permitted Holder, (3) any Affiliate of any Permitted Holder (other than the Issuer or a Restricted

Subsidiary or a Person who is an Affiliate of a Permitted Holder because the Issuer or one of its Restricted Subsidiaries holds Capital Stock of such Person) or (4) any Unrestricted Subsidiary (to the extent the Investment in such Unrestricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary, is directly or indirectly used in a manner that would have otherwise been a Restricted Payment pursuant to clause (1), (2), (3) or (4) of the definition thereof had such Unrestricted Subsidiary been subject to the covenant described above under the caption "*—Certain Covenants—Restricted Payments*").

"**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 Issuer 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 Issuer 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 Issuer 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 Issuer'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 Issuer or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer 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 Issuer or any Restricted Subsidiary.

"**IPO Entity**" means the Issuer or any Parent Holdco or any successor of the Issuer or any Parent Holdco, in each case, to the extent that it consummates a Public Equity Offering.

"**Issue Date**" means on or about November 1, 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 Issuer 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 Issuer, its Restricted Subsidiaries or any direct or indirect parent of the Issuer 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.

"**Midco2**" refers to Bracken Midco2 Limited.

"**Midco2 Intercompany Loans**" has the meaning ascribed to this term in this offering memorandum.

"**Moody's**" means Moody's Investors Service, Inc.

"**Net Proceeds**" means the aggregate cash proceeds received by the Issuer 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 Issuer 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-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 Issuer 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) Deeply Subordinated Shareholder Indebtedness (or in the case of any other Person, such indebtedness that would otherwise meet the criteria of Deeply Subordinated Shareholder Indebtedness, *mutatis mutandis*) 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 Shareholder Indebtedness (or in the case of any other Person, such indebtedness that would otherwise meet the criteria of Deeply Subordinated Shareholder Indebtedness, *mutatis mutandis*) 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.

"**Obligations**" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"**Officer**" means, with respect to any Person, the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, the Chief Financial Officer, the Treasurer or a responsible accounting or financial officer of such Person.

"**Officer's Certificate**" means a certificate signed on behalf of the Issuer by an Officer of the Issuer.

"**Opinion of Counsel**" means a written opinion from legal counsel who is reasonably acceptable to the Trustee. The counsel may be an employee of or counsel to the Issuer or any Subsidiary of the Issuer.

"**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 Issuer 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 Issuer 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, the 2018 Transactions or the 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 Issuer 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 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 Issuer and its Subsidiaries or any Parent Holdco or any other Person established for purposes of or in connection with the 2016 Exit Transactions or the Transactions or which holds directly or indirectly any Capital Stock or Deeply Subordinated Shareholder Indebtedness of the Issuer, in an amount not to exceed £3.0 million in any fiscal year (with unused amounts in any calendar year being carried forward to succeeding calendar years);

(8) expenses incurred by any Parent Holdco in connection with any 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 any Indebtedness of the Issuer that ranks pari passu in right of payment to the Notes.

"**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 Issuer 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 Issuer or any of its Restricted Subsidiaries on the Issue Date, (2) any businesses, services and activities engaged in by the Issuer 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 (including any Additional Notes permitted under the Indenture) and any Permitted Refinancing Indebtedness in respect thereof;

(2) 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) or this clause (2); and

(3) Liens on the Collateral described in clause (7) of the definition of "Permitted Liens" and that would not materially interfere with the ability of the Security Agent to enforce any Lien over the Collateral;

provided that such Lien must rank *pari passu* with, or junior to, the Liens on the Collateral securing the Obligations under the Notes, and (ii) any Lien on any assets or other security pledged or assigned by the Issuer or any of its Restricted Subsidiaries to secure, directly or indirectly, any such Indebtedness shall be pledged or assigned to secure the obligations under the Notes on an equal and ratable or senior basis.

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) to (3) 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 Issuer or in a Restricted Subsidiary;

(2) any Investment in cash and Cash Equivalents;

(3) any Investment by the Issuer 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 Issuer 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 Issuer or any Parent Holdco of the Issuer 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 Issuer 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 and any other Indebtedness of the Issuer or any Restricted Subsidiary;

(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 Issuer or any Restricted Subsidiary of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer 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 (other than, prior to the date on which a Public Offering has been completed that results in a Public Market of the Capital Stock of the Issuer or a Parent Holdco of the Issuer, Indirect Restricted Payments) 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 Issuer 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 Issuer or any Restricted Subsidiary; and (b) Liens on assets at the time the Issuer or any of its Restricted Subsidiary acquired the assets, including any acquisition by means of a merger, amalgamation or consolidation with or into the Issuer 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 any future guarantee of the Notes) (b) Liens pursuant to the security documents entered into pursuant to the Indenture or the Revolving Credit Facility Agreement; and (c) Permitted Collateral Liens;

(11) Liens to secure any Permitted Refinancing Indebtedness (excluding Liens to secure Permitted Refinancing Indebtedness initially secured pursuant to clause (36) 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 (other than Midco2) securing Indebtedness of any Restricted Subsidiary that is permitted by the covenant described under "—*Certain Covenants—Incurrence of Indebtedness and Issuance of Preferred Stock*" or any Guarantee of such Indebtedness;

(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 Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer 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 (34); *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

(36) 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 Issuer 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 Issuer 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 (subject to clause (4) below) 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, 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, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes, on terms at least as favorable to the holders of Notes, 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 was the obligor on the Indebtedness being renewed, refunded, refinanced, replaced, redeemed, defeased or discharged, such Indebtedness is incurred by the Issuer.

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 or any Restricted Subsidiary (a "Reorganization") that is made on a solvent basis; *provided* that:

(1) if the surviving entity of any such consolidation or merger is not the Issuer, such surviving entity expressly assumes (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and this Indenture, and (b) all obligations of the Issuer, under Subordination Agreement, and the Security Documents, as applicable

(2) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries;

(3) if any shares or other assets of an entity subject to reorganization form part of the Collateral, substantially equivalent Liens (as determined in good faith by an Officer or the Board of Directors of the Issuer) 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));

(4) the Security Agent and the Trustee shall at the cost of the Issuer take any action necessary to effect any release of any guarantees of Restricted Subsidiaries as reasonably requested by the Issuer in connection such Reorganization; *provided* that reasonably promptly after the completion of the Reorganization, guarantees are provided by such Restricted Subsidiaries of the Issuer to the extent necessary to procure that such guarantees will (taken as a whole together with any pre-existing 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 Issuer) to any guarantees (taken as a whole) prior to such Reorganization;

(5) no Default is continuing or would arise as a result of such Reorganization; and

(6) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate and an Opinion of Counsel confirming that such Reorganization is permitted under this Indenture, that the surviving entity has assumed all relevant obligations and that no Event of Default is continuing and no Default 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 Issuer).

"**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.

"**Pre-IPO Restricted Distribution**" means a Restricted Payment (other than an Investment (other than an Indirect Restricted Payment)) prior to a Qualifying IPO.

"**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 Issuer (or a Parent Holdco of the Issuer) has been distributed to investors other than the Permitted Holders or any other direct or indirect shareholders of the Issuer as of the Issue Date.

"**Qualifying IPO**" means a Public Equity Offering that results in a Public Market of the Capital Stock of the Issuer or a Parent Holdco of the Issuer.

"**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 BABS, CABS, DABS 2, HABS, LABS, TABS 1, TABS 2, TABS 3, TABS 4, TABS 5, CRE 1, CRE 2 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 Issuer or a Restricted Subsidiary in exchange for assets transferred by the Issuer 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 Issuer or any of the Issuer's Subsidiaries);

   (b) issuing or holding Deeply Subordinated Shareholder Indebtedness;

   (c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Subsidiaries;

   (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Issuer's Subsidiaries; or

(e) having made any payment in respect of any of the items for which the Issuer 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 Issuer 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 Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer 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 Issuer and its Subsidiaries with such amount reduced by the amount of any such Taxes paid by the Issuer 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 such Person 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 Issuer (or of the Company if the context otherwise requires) 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 Issuer 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 BABS, CABS, DABS 2, HABS, LABS, TABS 1, TABS 2, TABS 3, TABS 4, TABS 5, CRE 1, CRE 2 or any other subsidiary or special purpose vehicle through which a Qualified Securitization Financing is operated.

"**Security Documents**" means (1) the fixed charge over all of the issued Capital Stock of Midco2 dated on or around the Issue Date by and among, *inter alios*, the Issuer and the Security Agent, (2) the assignment of the any existing and future intercompany loans in respect of which the Issuer is the lender, including, among others, Midco2 Intercompany Loans, dated on or around the Issue Date by and among, *inter alios*, the Issuer and the Security Agent and (3) 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 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 Senior Secured Notes Issuer, the Company, certain lenders and creditors and the other parties named therein (as amended, novated, supplemented, extended, restated or replaced).

"**Senior Secured Notes**" means the 2026 Senior Secured Notes and the 2027 Senior Secured Notes.

"**Senior Secured Notes Indentures**" means the 2026 Senior Secured Notes Indenture and the 2027 Senior Secured Notes Indenture.

"**Senior Secured Notes Issuer**" means Jerrold FinCo plc.

"**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 a basis pari passu with or senior to the security in favor of the Senior Secured Notes (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 Issuer)).

"**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 Issuer 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 Issuer, 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.

"**Subordination Agreement**" means the agreement among the Issuer, Topco, the Security Agent and the Trustee on or about the Issue Date (as amended, novated, supplemented, extended, restated or replaced) to establish the relative rights of the holders of the Notes vis-à-vis the creditors of the Subordinated Topco Debt.

"**Subordinated Topco Debt**" means the loan evidenced by that certain loan agreement, dated as November 2, 2016, made by Topco, as lender, to the Issuer, as borrower, for the amount £43 million in the form of assuming the liabilities of the Issuer with respect to certain shareholder loan notes (as amended, novated, supplemented, extended, restated or replaced).

"**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.

"**TABS 5**" means Together Asset Backed Securitisation 2021-1ST1 PLC.

"**TABS 5 Securitization**" means the series of agreements entered on or about September 22, 2021, as amended, extended, restated, modified, renewed, novated, replaced or supplemented from time to time, including the trust deed, entered into by, among others, TABS 5, as issuer and U.S. Bank Trustees Limited as note trustee and security trustee.

"**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.

"**Topco**" means Bracken Topco Limited, the direct parent company of the Issuer.

"**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.

"**Transactions**" means the transactions described under the caption "*Summary—The Refinancing*" in this offering memorandum.

"**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 Issuer that is designated by the Board of Directors of the Issuer 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.

"**Unsecured Indebtedness**" means the principal amount of any Indebtedness other than (x) Indebtedness that is (1) secured by a first-priority Lien on the assets of the Company and its Restricted Subsidiaries and (2) is not subordinated in right of payment with any other Indebtedness of the Company and its Restricted Subsidiaries and (y) Indebtedness that is owed by the Company and its Restricted Subsidiaries to Midco2 or the Issuer. For the avoidance of doubt, Unsecured Indebtedness shall not include any Indebtedness in relation to any Qualified Securitization Financing.

"**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 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, the Issuer, 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.

The Issuer 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 thereon. 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 the Issuer and the initial purchasers as follows:

(1) It understands and acknowledges that the Notes 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 acting on behalf of the Issuer 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 nor the initial purchasers, nor any person representing the Issuer 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 Indenture, the Notes 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 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.

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 ISSUER.

(7) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(8) It acknowledges that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act.

(9) It acknowledges that the Registrar will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set out therein have been complied with.

(10) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or the initial purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer 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 the Issuer, 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

Certain 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" and "discount" refer to interest and discount as those terms are 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 without withholding or deduction for or on account of UK income tax provided the Notes 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 on, and admitted to trading on, the Exchange in accordance with on the rules of the Exchange.

Interest on the Notes will also be payable without withholding or deduction for or on account of UK tax where the relevant holder of Notes is a company that is beneficially entitled to the interest and is within the charge to UK corporation tax in respect of that interest, provided that the Issuer reasonably believes that this is the case and HMRC has not issued a direction that this exemption is not to apply to the relevant holder of Notes.

In other cases falling outside the exemptions described above, 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).

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 are 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.

Certain U.S. Federal Income Tax Considerations

Income Tax Considerations

The following is a general discussion based upon present law of certain U.S. federal income tax considerations for prospective purchasers of the Notes. The discussion addresses only persons that are treated as purchasing Notes in the original offering for cash at their issue price (i.e., the first price at which a substantial amount of Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), hold the Notes as capital assets, and, in the case of U.S. Holders (as defined below), use the U.S. dollar as their functional currency. The discussion does not consider the circumstances of particular purchasers, some of which (such as financial institutions, insurance companies, regulated investment companies, tax exempt organizations, dealers, traders who elect to mark their investment to market, 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," and persons holding the Notes as part of a hedge, straddle, conversion, constructive sale or integrated transaction) are subject to special tax regimes. The discussion does not address any state, local or foreign taxes, the Medicare tax on net investment income or the federal alternative minimum tax. Prospective investors should note that no rulings have been, or are expected to be, sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS or a court will not take contrary positions. The Issuer believes, and the discussion below assumes, that the Notes will be treated as indebtedness for U.S. federal income tax purposes.

EACH PROSPECTIVE PURCHASER IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW, UNITED STATES ESTATE AND GIFT TAX LAWS, AND THE MEDICARE TAX ON NET INVESTMENT INCOME, THE STATE AND LOCAL LAWS OF THE UNITED STATES, AND THE LAWS OF THE UNITED KINGDOM AND OF ANY OTHER JURISDICTION WHERE THE PURCHASER MAY BE SUBJECT TO TAXATION.

For purposes of this discussion, "U.S. Holder" means the beneficial owner of a Note that for U.S. federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation organized in or under the laws of the United States or any political subdivision thereof;

- a trust subject to the control of one or more U.S. persons and the primary supervision of a U.S. court or that has validly elected to be treated as a U.S. person; or
- an estate the income of which is subject to U.S. federal income taxation regardless of its source.

"Non-U.S. Holder" means a person that is a beneficial owner of a Note other than a U.S. Holder.

The treatment of partners in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that owns Notes may depend on the status of such partners and the status and activities of the partnership. A potential investor in the Notes that is a partnership, and partners in such partnership, should consult their own tax advisors about the consequences of an investment in the Notes.

Potential Contingent Payment Debt Instrument Treatment

Although the matter is not free from doubt, the Issuer believes and intends to take the position that U.S. Holders are entitled to account for the Notes using a payment schedule in which all interest payments on the Notes are initially assumed to be paid in cash in accordance with Treasury regulations section 1.1272-1(c) and that, accordingly, the Notes are not subject to the Treasury regulations applicable to contingent payment debt instruments ("CPDIs") due to the possibility that PIK Interest may be paid. In addition, under 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—Repurchase at the Option of Holders—Change of Control*" and *"Description of the Notes—Optional Redemption.*" The Issuer intends to take the position that these provisions will not cause the Notes to be CPDIs. This position is based in part on assumptions regarding the likelihood, as of the Issue Date, that such additional amounts will have to be paid. Our assessments of the likelihood of all interest being paid in cash and the likelihood that additional payments will have to be made are solely for U.S. federal income tax purposes and do not constitute representations by us regarding the likelihood that interest on the Notes will be paid in cash or the likelihood that additional amounts will have to be paid. The Issuer's determination is binding on a U.S. Holder unless the U.S. Holder discloses a 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 successfully 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. If the Notes are not CPDIs but such contingent payments were required to be made or PIK Interest were paid, 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.

Interest and Original Issue Discount

The amount of OID on the Notes will equal the excess of the "stated redemption price at maturity" of the Notes over their issue price (as defined above). The stated redemption price at maturity of the Notes is the sum of all payments on the Notes other than payments of qualified stated interest. Because interest on the Notes is payable at the option of the Issuer as PIK Interest if certain conditions are met, none of the stated interest on the Notes will be qualified stated interest for U.S. federal income tax purposes. Consequently, all of the stated interest on the Notes will be treated as OID for U.S. federal income tax purposes. There will be additional OID to the extent the issue price of the Notes is less than their stated principal amount.

A U.S. Holder must include OID in income as ordinary income for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such OID, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of OID included in income in each taxable year by a U.S. Holder of a Note is the sum of the daily portions of OID with respect to such Note for each day during such taxable year (or portion of such taxable year) on which the U.S. Holder held the Note. The daily portion of OID on any Note is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. An accrual period may be of any length and the accrual periods 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 day or final day of an accrual period. The amount of OID allocable to each accrual period is generally equal to 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 appropriately adjusted to take into account the length of the particular accrual period).

The adjusted issue price of a Note at the beginning of any accrual period is the sum of the issue price of the Note plus the amount of OID allocable to all prior accrual periods, less any cash payments made on such Note on or before the first day of the accrual period.

As discussed above under "—Potential Contingent Payment Debt Instrument Treatment," for purposes of calculating the stated redemption price at maturity and the yield to maturity on the Notes, the Issuer will initially be assumed to pay all of the interest on the Notes as Cash Interest. This assumption is made solely for U.S. federal income tax purposes and does not constitute a representation by the Issuer regarding the likelihood that interest on the Notes will be paid in Cash Interest or PIK Interest.

Since the Issuer is initially assumed to pay all interest on the Notes as Cash Interest, if the Issuer instead pays PIK Interest on the Notes for any interest period, the OID accrual for future periods will be adjusted by treating the Notes as if they had been retired and then reissued for an amount equal to their adjusted issue price on the date of such payment of PIK Interest, and recalculating the yield to maturity of the reissued Notes by treating the amount of such PIK Interest (and of any prior PIK Interest) as a payment that will be made on the maturity date on such notes. Such deemed reissued Notes may be subject to the contingent payment debt instrument rules. If the Issuer in fact pays Cash Interest consistent with the Issuer's initial assumption, a U.S. Holder will not be required to adjust its OID inclusions.

The rules regarding OID, and their application to debt instruments that provide for the possibility of interest being paid in kind, are complex and the rules described above may not apply in all cases. Accordingly, U.S. Holders should consult their own tax advisors regarding their application.

A U.S. Holder will be required to include in income the U.S. dollar value of OID accrued in sterling during the accrual period. A U.S. Holder may determine the amount of income recognized with respect to such OID using either of two methods. Under the first method, the OID accrued is translated at the average sterling spot rate for the accrual period (or, with respect to an accrual period that spans two taxable years, the partial period within the taxable year). Under the second method, the U.S. Holder can elect to translate the OID accrued at the sterling spot rate on the last day of an accrual period (or, in the case of an accrual period that spans two taxable years, at the sterling spot rate in effect on the last day of the partial period within the taxable year) or, if the last day of an accrual period is within 5 business days of the receipt of such accrued OID, the sterling spot rate on the date of receipt. An election to accrue OID at the spot rate under this second method generally will apply to all foreign currency denominated debt instruments held by the U.S. Holder, and is irrevocable without the consent of the IRS.

Upon receipt of a payment attributable to OID, a U.S. Holder generally will recognize foreign currency gain or loss in an amount equal to the difference (if any) between the U.S. dollar value of such payment, translated at the sterling spot rate on the date the payment is received, and the U.S. dollar value of the accrued OID previously included in income (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. For this purpose, all payments on a Note generally will be viewed first as the payment of previously accrued OID (to the extent thereof), with payments considered made for the earliest accrual periods first, and thereafter as the payment of principal.

OID accrued on the Notes generally will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the Notes. Alternatively, the U.S. Holder may be able to deduct such taxes in computing taxable income for U.S. federal income tax purposes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit or a deduction for foreign taxes paid under their particular circumstances.

Sale, Exchange, Retirement or Other Taxable Disposition

A U.S. Holder generally will recognize gain or loss on the sale, exchange, retirement or other taxable disposition of a Note equal to the difference between the amount realized on the sale, exchange, retirement or other disposition and the adjusted tax basis of the Note. A U.S. Holder's adjusted tax basis in a Note generally will be the cost of the Note to the U.S. Holder, increased by any OID previously accrued by the U.S. Holder and decreased by the amount of any cash payments previously made on the Note to the U.S. Holder. Although not free from doubt, if the Issuer pays PIK Interest on a Note, a U.S. Holder's adjusted tax basis in a Note should be allocated between such Note and any PIK Notes received in respect of PIK Interest thereon in proportion to their relative principal amounts. A U.S. Holder's holding period in any PIK Note received in respect of PIK Interest would likely be identical to its holding period for the original Note with respect to which the PIK Note was received. The amount realized on the sale, exchange, retirement or other disposition of a Note generally is determined by translating the sterling proceeds into U.S. dollars at the spot rate on the date on which the Note is disposed. If, however, the Notes are traded on an established securities market, a cash basis U.S. Holder or electing accrual basis U.S. Holder will determine the amount realized by translating the sterling proceeds received using the spot rate on the settlement date. An election by an accrual basis U.S. Holder to apply the spot rate on the settlement date will be subject to the rules regarding currency translation elections described above, and cannot be changed without the consent of the IRS. An accrual method U.S. Holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent attributable to the difference between the exchange rates on the trade date and settlement date.

The amount of foreign currency gain or loss realized with respect to accrued OID is determined as discussed under "*—Interest and Original Issue Discount*" above. The amount of foreign currency gain or loss with respect to principal will equal the difference between the U.S. dollar value of the sterling purchase price of the Note, determined at the sterling spot rate on the date payment is received or the Note is disposed of and the U.S. dollar value of the sterling purchase price of the Note on the date the Note was acquired (determined at the sterling spot rate on the date of acquisition). Foreign currency gain or loss with respect to principal and accrued OID on a sale, exchange, retirement or other disposition of a Note is generally recognized only to the extent of total gain or loss on the transaction.

Foreign currency gain or loss recognized by a U.S. Holder on the sale, exchange or other disposition of a Note (including repayment at maturity) generally will be treated as U.S. source ordinary income or loss. Gain or loss in excess of foreign currency gain or loss generally will be U.S. source capital gain or loss, and will be treated as long-term capital gain or loss if, at the time of the sale or other taxable disposition, the U.S. Holder held the Note for more than one year. Long-term capital gains recognized by an individual U.S. Holder generally are subject to U.S. federal income taxation at preferential rates. Capital gains of a corporate U.S. Holder generally are taxable at the regular rates applicable to corporations. The deductibility of capital losses is subject to significant limitations. Because any gain or loss realized on the sale or other taxable disposition of a Note generally will be treated as U.S. source gain or loss, a U.S. Holder may not be able to claim a credit for any UK or other non-U.S. tax imposed upon a disposition of a Note unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from foreign sources.

Tax Return Disclosure Requirements

A U.S. Holder may be required to report a sale or other disposition of a Note or the receipt of a payment attributable to accrued OID on IRS Form 8886 (Reportable Transaction Disclosure Statement) if it recognizes foreign currency exchange loss that exceeds US$50,000 in a single taxable year from a single transaction if such U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. U.S. Holders are urged to consult their tax advisors in this regard.

Non-U.S. Holders

Subject to the discussion of backup withholding below, a Non-U.S. Holder generally will not be subject to U.S. federal withholding tax on interest (including payments of accrued OID) on or gain with respect to the Notes. A Non-U.S. Holder also generally will not be subject to U.S. federal income tax on a net income basis with respect to interest (including accrued OID) received in respect of the Notes or gain realized on the sale, exchange or other taxable disposition (including redemption) of the Notes, unless that interest or gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States or, in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

U.S. Backup Withholding and Information Reporting

Information reporting generally will apply to payments of principal of, and interest (including the accrual of OID) on, Notes, and to proceeds from the sale, exchange or other taxable disposition (including redemption) of Notes, to a U.S. Holder (other than an exempt recipient). Backup withholding may be required on reportable payments if the holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, information reporting and backup withholding. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of information reporting and backup withholding. Backup withholding is not an additional tax. A holder of Notes generally may be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

"Specified Foreign Financial Asset" Reporting

Owners of "specified foreign financial assets" with an aggregate value in excess of US$50,000 (and in some circumstances, a higher threshold), may be required to file an information statement with respect to such assets with their U.S. federal income tax returns, currently on IRS Form 8938. The Notes generally are expected to constitute "specified foreign financial assets" unless they are held in accounts maintained by certain financial institutions. If a U.S. Holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. U.S. Holders are urged to consult their tax advisors regarding the application of this legislation to their ownership of the Notes.

FATCA Withholding

Pursuant to Sections 1471 to 1474 of the Internal Revenue Code of 1986, as amended, and Treasury 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 withholding could apply to payments on the Notes only if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Many countries, including the United Kingdom, have entered into agreements with the United States to implement FATCA in a manner that alters the rules described above. Under such intergovernmental agreements, the Issuer may be required to report certain information regarding investors to tax authorities in its jurisdiction, which information may be shared with taxing authorities in the United States. Holders should therefore consult their own tax advisors on how these rules may apply to their investment in the Notes.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE OWNERSHIP OF THE NOTES. PROSPECTIVE PURCHASERS OF NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

PLAN OF DISTRIBUTION

The initial purchasers are Citigroup Global Markets Limited, HSBC Bank plc, Barclays Bank PLC, Credit Suisse International, Goldman Sachs International and J.P. Morgan Securities plc. The Issuer has agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from the Issuer, pursuant to a purchase agreement between the Issuer and the initial purchasers of the Notes (the "Purchase Agreement"):

Initial Purchasers		**Principal Amount of the Notes**
Citigroup Global Markets Limited	£	223,530,000
HSBC Bank plc	£	111,766,000
Barclays Bank PLC	£	11,176,000
Credit Suisse Securities (Europe) Limited	£	11,176,000
Goldman Sachs International	£	11,176,000
J.P. Morgan Securities plc	£	11,176,000
Total	£	380,000,000

The obligations of the initial purchasers under the Purchase Agreement, including their agreement to purchase Notes from the Issuer, 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 the Issuer's counsel.

The Purchase Agreement provides that the Issuer 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. The Issuer has 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 the Issuer's subsidiaries (except the Public Securitization SPVs and the Private 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 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 an EEA 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 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 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 the listing agent to the Exchange for the Notes to be admitted for listing and permission to deal on The Official List of the International Stock Exchange.

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 Official List 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 eight 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 + 8"). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this offering memorandum or the next five succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

The initial purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, commercial purpose lending, transaction and clearing services, consulting and financial advisory services to us and our affiliates in the ordinary course of business for which they may receive customary advisory and transaction fees and expense reimbursement. In connection with the offering, the initial purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients, nor for providing advice in relation to the offering. In addition, certain of the initial purchasers or their respective affiliates are lenders under the Revolving Credit Facility, holders of outstanding debt securities of the group, who, accordingly, may receive a portion of the net proceeds of this offering, and note purchasers or lenders or arrangers under certain of our Securitizations including the CABS Securitization and the DABS 2 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 Limited as of and for the year ended June 30, 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 years ended June 30, 2020 and 2021, 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, 2019, 2020 and 2021 are included on pages F-180, F-105 and F-24, 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, 2019, 2020 and 2021 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 the Issuer, 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 the Issuer or the initial purchasers.

The Issuer is 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 thereon and the rules of the Exchange so require, copies of such information, the organizational documents of the Issuer, the most recent consolidated financial statements of Together Financial Services, the Indenture (which includes the form of the Notes), the Senior Secured Notes 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 is a private limited company incorporated under the laws of England and Wales. All the directors and executive officers of the Issuer live outside the United States. All the assets of the directors and executive officers of the Issuer are located outside the United States. Although the Issuer 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 their respective directors and officers or (ii) to enforce against either the Issuer 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

The Issuer will make an application to the Authority for the listing of the Notes on the Official List of The International Stock Exchange and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

For the period of at least 14 days from the date of admitting the Notes to the Official List of the Exchange and for as long as the rules and regulations of the Exchange so require, 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;
- the audited consolidated financial statements of Together Financial Services Limited for the preceding two years;
- the Indenture governing the Notes (which includes the form of the Notes);
- the Subordination Deed; and
- the Security Documents.

From the date of admission of the Notes to the Official List of the Exchange and for so long as the Notes remain outstanding, the following documents will be obtainable free of charge, during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the office of the Listing Agent in Jersey:

- the memorandum and articles of association of the Issuer; and
- the latest audited consolidated financial statements of Together Financial Services Limited.

The Issuer has, or will have, obtained all necessary consents, approvals and authorizations (if any) in connection with the issuance of the Notes. The issuance of the Notes will be approved by the board of directors or shareholders, as applicable, of the Issuer prior to the Issue Date. The total expenses related to the admission of the Notes to trading on the Exchange 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, 2021 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, 2021. Except as disclosed in this offering memorandum, there has been no material adverse change or significant change in our financial or trading position since June 30, 2021.

So far as the Issuer is aware and except as otherwise disclosed in this offering memorandum, no actual or potential conflicts of interest exist between any duties owed to the Issuer by the directors of the Issuer and his or her private interests and/or duties and there are no agreements in place between the directors or principals of the Issuer and any parties to which the directors are related.

The Issuer, Bracken Midco1 plc, registration number 10219097, was formed on June 7, 2016 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 Issuer's Legal Entity Identifier is 213800AFGHKES7J58805.

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.

Notes

The Notes are only intended to be offered in the primary market to, and held by, qualified investors who are particularly knowledgeable in investment matters.

No discount on the issue price of the Notes was given.

Statements

This offering memorandum includes particulars given in compliance with the listing rules of the Authority (the "Listing Rules") and, from the date of admitting the Notes to the Official List of the Exchange, constitutes a Listing Document for the purpose of the Listing Rules.

Neither the admission of the Notes to the Official List nor the approval of the offering memorandum pursuant to the listing requirements of the Authority shall constitute a warranty or representation by the Authority as to the competence of the service providers or any other party connected with the Issuer, the adequacy and accuracy of information contained in the offering memorandum or the suitability of the Issuer for investment or for any other purpose.

Listing Agent

Mourant Securities Limited, Jersey Branch, as listing agent to the Issuer (the "Listing Agent"), is acting for the Issuer and for no one else in connection with the issue and listing of the Notes and will not be responsible to anyone other than the Issuer. The Listing Agent has not separately verified the information contained in this offering memorandum, accordingly the Listing Agent does not make any representation or recommendation and does not give any warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Notes or their distribution and the Listing Agent accepts no responsibility or liability therefor. The Listing Agent neither undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this offering memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Listing Agent.

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	XS2400445446	240044544
Regulation S Global Notes	XS2400445362	240044536

ANNEX A: RECONCILIATION OF CERTAIN SELECTED BALANCE SHEET DATA OF THE COMPANY AND ITS SUBSIDIARIES WITH CERTAIN SELECTED BALANCE SHEET DATA OF THE ISSUER AND ITS SUBSIDIARIES (INCLUDING MIDCO2)

The tables below set out certain data related to the annual consolidated results and financial position of the Issuer and its subsidiaries, compared to certain data related to the annual consolidated results and financial position of the Company and its subsidiaries, for the year ended and as of June 30, 2021.

	For the year ended June 30, 2021		
	Company (£ in million)	Adjustments (£ in million)	Issuer (£ in million)
Profit before tax(1)	**150.3**	**36.5**	**113.8**

	As of June 30, 2021		
	Company (£ in million)	Adjustments (£ in million)	Issuer (£ in million)
***Assets*:**			
Cash and balances at bank	228.6	0.6(2)	229.2
Loans and advances to customers	4,011.9	—	4,011.9
Inventories	0.6	—	0.6
Other assets	6.3	—	6.3
Investments	—	—	—
Property, plant and equipment	31.6	—	31.6
Intangible assets	7.0	—	7.0
Current tax asset	—	—	—
Deferred tax asset	11.0	—	11.0
Total assets	**4,297.0**	**0.6**	**4,297.6**
Liabilities			
Loan notes	2,327.7	—	2,327.7
Senior secured notes	935.0	—	935.0
2023 PIK Notes	—	368.2(3)	368.2
Obligations under finance leases	29.9	—	29.9
Company Subordinated Shareholder Funding(6)	29.3	(29.3)	—
Issuer Subordinated Shareholder Funding(7)	—	7.5	7.5
Debt issue costs	(17.9)	(0.5)(4)	(18.4)
Total borrowings (excluding subordinated shareholder funding)	**3,304.0**	**345.9**	**3,649.9**
Other liabilities	57.1	13.5(5)	70.6
Derivative liabilities held for risk management	1.2	—	1.2
Provisions for liabilities and charges	25.1	—	25.1
Current tax liabilities	1.9	—	1.9
Total liabilities	**3,389.3**	**359.4**	**3,748.7.9**
Equity:			
Total equity	**907.7**	**(358.8)**	**548.9**
Total equity and liabilities	**4,297.0**	**0.6**	**4,297.6**

(1) Presented to reflect the full annual consolidated profit of the Company and the Issuer (also incorporating Midco2) respectively. The £36.5 million variance comprises of: (i) £36.7 million of interest payable and debt issue amortisation on the 2023 PIK Notes, (ii) £1.8 million being the unwind of the fair value adjustment in respect of intercompany loan amounts owed to Topco, and (iii) £1.0 million being the elimination on consolidation of a modification gain arising on an intercompany loan owed to Midco2 and the elimination on consolidation of £1.0 million of fair value unwind at Company on intercompany loans owed to Midco2.

(2) Represents cash and cash equivalents held within the Issuer and Midco2.

(3) Represents the borrowings in the form of £368.2 million 2023 PIK Notes.

(4) Represents unamortised debt issue costs associated with the issuance of the 2023 PIK Notes.

(5) Includes interest accrued and accrued call redemption penalty on the 2023 PIK Notes.

(6) Referred to as Subordinated shareholder loans in the consolidated financial statements of the Company and represents the carrying value of shareholder funding owed to Midco2 by the Company recognised at fair value. Such amounts are classified as Total Shareholders' Funds of the Company in "*Capitalization*."

(7) Represents the carrying value of shareholder funding owed to Topco by the Issuer recognised at fair value. Such amounts are classified as Total Shareholders' Funds of the Issuer in "*Capitalization*."

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Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit of the Group and the Company for that year.

In preparing these financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in international accounting standards in conformity with the Companies Act 2006 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group financial position and financial performance;
- state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and the Group will not continue in business.

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

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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 and 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.

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 shown in the adjacent diagram, 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 overall risk appetite for the Group and the Commercial Finance Division. In the Personal Finance Division, the divisional board has the flexibility to set their own risk appetite, which may be informed by regulatory requirements.

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.

Overview of risk management within the Group (continued)
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.

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.

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:

Covid-19 and the macroeconomic environment
The Covid-19 pandemic continued to disrupt the world economy over the course of 2020/2021, although consensus macroeconomic forecasts have improved compared with those issued during the height of the pandemic as the UK's vaccination programme has progressed, and restrictions have been lifted. However, the risk of further impacts which are yet to emerge remains, as support measures are unwound.

The UK is now trading under the new terms of its agreement with the EU, although those terms are subject to continuing review and potential future development for the aspects not covered by the agreement.

Amongst other impacts, macroeconomic uncertainty may 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.

What we did in FY21
In response to the Covid-19 pandemic and other macroeconomic factors, the Group:

- Continued to support colleagues in working from home, and implemented measures to ensure a 'Covid secure' workspace within the office environment for those colleagues unable to work from home or where there was a necessity to work from the office, including the provision of on-site rapid testing facilities;
- Engaged with colleagues in order to begin the transition from full time working from home back to more consistent office working;
- Increased the frequency of our surveying of colleagues to ensure regular checks on wellbeing and engagement. The Group has offered a broad range of collaborative activities whilst colleagues have been working from home, such as online yoga, and has established a team of 'wellbeing champions' who have been providing specialist training to support colleagues;
- Increased the frequency of Board and Board Risk Committee meetings to address the rapidly evolving risk environment, when required;
- Implemented revised payment deferral guidance to continue to support customers through the Covid-19 pandemic;
- Continued to closely monitor financial resources and conducted frequent refreshes of financial projections, stress testing and monitoring of key risk indicators under a range of scenarios. This included taking actions which have substantially increased the levels of accessible liquidity within the Group;
- Resumed new lending to customers in a controlled manner, utilising refined underwriting criteria to reflect the changing macroeconomic environment and risks within the market;
- Successfully concluded several refinancing activities and issuances of new funding lines, to further diversify the Group's funding resources and protect against the risks of disruption in wholesale funding; and

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

The Group continues to focus on specialist lending, secured at prudent LTVs and has no operations outside of the UK.

Group expectations for FY22 and direction
It is too early to reliably estimate any long term economic impacts of Covid-19 however our return to more normal levels of loan originations signals that the appetite in the market for the Group's product suite remains strong. With a resilient, sustainable and proven business model, and experience of operating through multiple economic cycles, the Group is well placed to support increasing numbers of customers and to play our part in 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 FY21
The Group undertakes comprehensive underwriting processes, including conducting affordability and repayment assessments, and lends at prudent LTVs at origination to provide protection from falls in property prices. Average origination LTV was 59.8% for the year to 30 June 2021 (2020: 57.7%).

During the year, the Group has resumed the processing and funding of new lending applications, and has taken a cautious approach to new lending by maintaining additional controls and tighter lending criteria, where appropriate. These additional controls and criteria have been subject to ongoing review and monitoring throughout the period.

The Group has implemented several refinements to enhance our ability to proactively manage the risks of exposure within its portfolio, including:

- Establishment of a specific team to focus on management of the bespoke and specialist nature of some of the markets in which we operate within the Commercial Finance Division;
- Development of contact strategies for those customers who have experienced repayment challenges during the course of the Covid-19 pandemic;
- Reviewing our collection strategies to protect the Group against the risk of loss; and

External environment (continued)

- Detailed monitoring of payment deferrals and subsequent performance of those accounts, including intra month and daily monitoring of payment trends. As part of our proactive support for customers, we proactively contacted customers reaching the end of a payment deferral period to assess their ability to resume payments, and utilised credit bureau data to identify potentially vulnerable customers for pre-emptive contact.

Group expectations for FY22 and direction
The response of the property market to the conclusion of the stamp duty holiday and potential economic instability are uncertain, however the level of risk may increase in the forthcoming year as certain support schemes conclude. The Group expects to continue its longstanding approach of lending at prudent LTVs.

Interest rate environment
Interest rates have remained depressed during the year, with Bank Rate stable at a record low of 0.1%. The low interest rate environment makes 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 FY21
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 Together ABS 4, Together CRE1 and CRE2, which use 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 2027 and entered into interest rate derivatives where appropriate to mitigate interest rate risk.

The Group has also undertaken stress testing to assess the possible impacts of fluctuations in market interest rates upon its lending and funding positions.

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

Group expectations for FY22 and direction
Market expectations for interest rates project that they will remain at current levels in the short term. The Group utilises consensus forecasts in a number of areas, with the base case consensus forecast not predicting an increase in interest rates until March 2023. The Group will continue to monitor the external environment and respond to any interest rate changes as appropriate.

External environment (continued)

The Group has a number of facilities which utilise Sterling Libor as a reference rate, which is expected to be discontinued on 31 December 2021. The Group is well progressed with the project to transition these instruments to Sonia, and expects that this will be concluded prior to the cessation date. For further information, please see Note 29.

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 FY21

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

The Group resumed lending in July 2020, following the temporary pause placed upon the processing of new applications and originations at the end of the previous year as a response to the onset of the Coronavirus pandemic. The volume of new originations has been managed on a phased basis, and gradually increased during the course of the year as the Group has been able to observe the response of the market to the resumption of activity.

The Group continues to offer a broad product range to underserved segments of the market, and we have continued to develop our offering to reflect the needs of our customers and assist them in achieving their ambitions. The Group continues to be a visible presence in the specialist lending market, which is enhanced by initiatives such as the sponsorship of the Channel 4 programme The Great House Giveaway, which brought the Together brand to an average of 816,000 viewers per day during its first series.

The Group has an experienced management team with 'through the cycle' experience and benefits from a rich pool of expertise and skills.

The Group has also placed significant focus upon its modernisation and transformation programmes, which continue to progress well. The operational efficiencies gained and streamlining of customer journeys will allow the Group to maintain its position as a leading provider of specialist lending.

Group expectations for FY22 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 mean that we have the ability to attract customers who are not serviced by other lenders, together protecting our competitive position. The Group expects to continue building and maintaining these strong relationships during FY22 as we deliver upon our purpose and vision.

External environment (continued)

The Group will continue to monitor the external environment and is confident, given this experience which has been 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.

The Group expects to continue investing in its modernisation and transformation agenda, with delivery of several projects planned during FY21/22.

Cybercrime
Cybercrime 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 FY21
The Group continues to perform penetration testing on our systems and to strengthen its defences against cybercrime. The Group operates a suite of controls designed to protect against the risk of cyberattacks, including:

- Data centre access monitoring and restriction;
- Continued utilisation of anti-malware & anti-virus software and network monitoring; and
- Providing training materials on phishing attacks and information security awareness to colleagues.

Group expectations for FY22 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 and controls in mitigating the risk of cyberattacks.

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 continues to look closely at the non-standard lending sector.

What we did in FY21
The Group has responded to updates to the guidance issued by the FCA in response to the coronavirus pandemic, in respect of the application of mortgage-payment deferrals and treatment of vulnerable customers. We also continued to actively engage with the regulator's requests for information as part of their thematic reviews into the specialist lending sector and responded to any firm-specific enquiries.

The Group has delivered a number of rate changes during the period, including to long-standing customers in order to offer support during the difficult economic times caused by the pandemic. In addition the Group has progressed remediation projects, primarily relating to forbearance and customer communications. On these projects, we have completed remediation for all live customer accounts and have processed remediation for redeemed customers where we have validated contact

External environment (continued)

and payment details. We will continue to contact the remaining customers and will process these payments at the earliest opportunity.

Further information on provisions held is provided in Note 19.

Group expectations for FY22 and direction
The Group expects that evolution of the regulatory environment will continue to be a key focus area, as focus continues to be placed upon the specialist lending market. We will continue to respond to industry and firm-specific enquiries in an open and transparent manner and will continue to monitor our own performance against regulatory standards and best practice. Where we believe we fall short of such standards we will ensure we correct the position with immediate effect and remediate customers for any loss incurred.

The FCA has issued the 2021/2022 Business Plan, setting out its future role and priorities. In consumer markets, the FCA is progressing proposals for a new Consumer Duty to raise standards in firms' treatment of consumers. The FCA's cross-cutting priorities include driving down the incidence and impact of fraud, improving diversity and inclusion, and supporting environmental goals.

The Group'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.

What we did in FY21

During the year, the Group has continued to receive legal claims from CMCs and claimant law firms. The Group evaluates the facts and circumstances of each claim individually and will defend claims without merit.
The Group regularly reviews provisions held, in order to determine whether these appropriately reflect the observed data and trends. The calculation of provisions is reliant on certain assumptions and inputs. Movements in these assumptions during the year has increased the amount of provisions held, and further information is provided in Note 19.

Group expectations for FY22 and direction
Current volumes have increased and the Group expects that legal claims and complaints and claims from CMCs and claimant law firms will continue in the coming year. The Group will continue its approach of evaluating claims on their merits and acting accordingly.

Principal risks and uncertainties

The Coronavirus pandemic has impacted across the variety of risks and uncertainties facing the Group, and has influenced the actions taken to mitigate risk across a number of principal risk categories.

The Group continues to benefit from a prudent LTV loan portfolio, and new origination volumes have been closely controlled in response to the challenges of robustly assessing affordability and property valuations, particularly in respect of commercial securities, in current conditions.

The Group's results have continued to be impacted by increased expected credit losses measured in accordance with IFRS9, although the impact is significantly lower than in the previous year. The forward looking requirements of the accounting standard mean that possible economic adversity is already incorporated into the expected credit losses provided for. As the economy moves into a post-pandemic phase the shape of the recovery may result in movements in the amounts provided. The Group will continue to benchmark economic forecasts used where possible providing for a consensus view of economic outlook.

Whilst Covid-19 has dominated the year, this has not been the only factor impacting upon the Group's assessment of the key risks. During the year, the Group has refreshed its monitoring of risks to align these to our strategy, including the modernisation and transformation agenda, and the future direction of the business.

The directors have identified the following as the principal risks and uncertainties facing the business.

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

- Strategic risk;
- Credit risk;
- Liquidity and funding risk;
- Market risk;
- Capital risk;
- Operational risk;
- Conduct risk; and
- Compliance risk.

This section includes disclosures required by IFRS 7 and IFRS 9, in respect of the Financial Statements.

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 in the Strategic Review.

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 ensure alignment of objectives;
- Redefining the purpose and vision of the Group, in order to ensure the alignment of our strategic objectives to our core objectives of helping to realise ambitions by making finance work;
- Developing succession planning, and continuing to focus on our colleagues, in order to mitigate the risks of key person dependencies at all levels of the Group;
- Enhancing the suite of management information and analysis used to monitor the lending pipeline, to give greater control over lending volumes and operational planning;
- Identification of areas of the market where customers value our common sense lending and a relationship-based approach;
- Listening to customers to learn how we can improve their experience and increase customer advocacy;
- Delivering upon the Group's modernisation and transformation agenda, to improve the customer journey and increase the operational efficiency of our business;

Principal risks and uncertainties (continued)

Strategic risk (continued)

- Delivery of significant change programmes and projects by a dedicated change delivery department in accordance with the Group's 'Change Delivery Framework';
- Assessment and consideration of the 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; and
- 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, in order to monitor the Group's ability to deliver on its strategic objectives. As part of this, the Group:

- Maintains a prudent statement of financial position with diversity of mix and tenor of funding structures, and closely monitored gearing levels; and
- Performs the annual budget process, with a 12–18 month outlook, which aligns with the Group's objectives.

Overall responsibility for governance and monitoring of the Group's direction and strategy lies with the Group Board of Directors.

The Group also understands the importance of its environmental and social contribution and is further developing its strategic objectives in these areas.

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.

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 level of risk has been heightened by the impact of the coronavirus pandemic; however, the Group has observed some improvements in credit risk indicators, when compared to the height of the pandemic. The Group remains cautious as the impact of the government support measures ending remains unknown, and maintains appropriate levels of provisions against possible future credit losses which recognise this uncertainty.

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

- The Group's comprehensive underwriting procedures, which, as appropriate, have regard to creditworthiness, affordability levels, repayment strategies and LTV ratios;
- Conservative LTVs are targeted across all products, providing mitigation to the risk of credit losses arising in the event of default and protection from the risk of falling collateral values;
- Customer affordability models are utilised by the Group, and are tailored to the customer and loan type;
- Undertaking stress testing to model the impact of increased numbers of customers requiring support and other interventions, to allow appropriate resource and operational planning;

Principal risks and uncertainties (continued)

Credit risk (continued)

- In the Personal Finance Division, there has been a cautious resumption of lending following the pause placed on new originations upon the onset of the Covid-19 pandemic, reflecting the requirements of the market and our customers. Our criteria have been carefully adjusted where appropriate, however these remain tighter than before the Covid-19 pandemic in certain areas;
- In the Commercial Finance Division, the Group has implemented additional controls over originations, including the creation of a specific team to reflect some of the bespoke markets in which the Group operates. Lending has gradually increased with revised criteria, such as increased thresholds on affordability assessments, which were implemented in response to the Covid-19 pandemic remaining in place. Our close relationships with our partners has been maintained and the majority of new business repayments profiles are fully serviced;
- Continuing to focus lending on areas of the market where the 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, or the application of forbearance measures;
- Capturing additional data and establishing enhanced monitoring of the specific risks posed to the portfolio by the impacts of Covid-19. This has included accessing additional data, where appropriate, for example from credit reference agencies;
- During its implementation, assessing the performance of customers availing themselves of mortgage-payment deferral arrangements, both during and subsequent to their utilisation of these measures;
- Updated arrears management standards and processes to reflect FCA guidance on mortgage-payment deferrals and the repossession moratorium;
- Monitoring of the characteristics of the loan portfolio, including geographical concentration and LTV;
- Implementing a programme of work to increase automation, including extension of the use of automated valuation models;
- Monitoring of credit risk exposures through credit risk management information, to enable an assessment of position versus risk appetite. This has been enhanced to provide further analysis and focus on particular risk factors emerging as a result of Covid-19;
- Performance of regular assessments of the sensitivity of the loan book to movements in macroeconomic factors; and
- 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 11 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.

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	2021 £m	2020 £m
Included within the statement of financial position:			
Gross customer balances		**4,132.4**	4,300.3
Unsecured loans		**0.2**	0.2
Accounting adjustments		**(16.3)**	(19.5)
Gross loans and advances to customers	11	**4,116.3**	4,281.0
Less: allowance for impairment	11	**(104.4)**	(118.8)
Loans and advances to customers	11	**4,011.9**	4,162.2
Cash and cash equivalents	10	**228.6**	252.5
Derivative assets held for risk management	12	**0.6**	–
Amounts owed by related parties	13	**0.4**	1.0
Other debtors	13	**0.7**	1.4
		4,242.2	**4,417.1**
Not included within the statement of financial position:			
Commitments to lend (net of ECL)	28	**106.0**	88.4
Maximum exposure to credit risk		**4,348.2**	4,505.5

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 customer, measured on an expected credit loss (ECL) basis under IFRS 9. Internal credit risk ratings are not used by the Group to monitor credit risk and therefore are not disclosed. Further details on the Group's ECL methodology, and the movement in impairment losses through the year, are shown in Notes 2 and 11 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 (LTV). 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 where this has been obtained. The table below shows gross customer balances by indexed LTV banding.

Audited	2021 £m	2021 % of gross customer balances	2020 £m	2020 % of gross customer balances
60% or less	**2,676.4**	**64.8**	2,374.7	55.2
61–85%	**1,328.3**	**32.1**	1,750.4	40.7
86–100%	**78.3**	**1.9**	119.7	2.8
Greater than 100%	**49.4**	**1.2**	55.5	1.3
Gross customer balances	**4,132.4**	**100.0**	**4,300.3**	**100.0**

Of the gross customer balances at 30 June 2021, 96.9% (30 June 2020: 95.9%) 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:

	2021 %	2020* %
East Anglia	**4.5**	4.7
East Midlands	**3.9**	3.6
Ireland	**0.1**	0.1
London	**16.7**	17.5
North East	**1.6**	1.7
North West	**16.3**	15.5
Scotland	**4.8**	4.4
South East	**25.0**	25.9
South West	**7.4**	7.3
Wales	**3.4**	3.7
West Midlands	**9.3**	9.0
Yorks & Humber	**7.0**	6.6
Gross customer balances	**100.0**	**100.0**

* During the year, the Group revised its regional segmentation, to redistribute properties previously categorised within the South Central Region. The comparative percentages have been restated accordingly.

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:

Audited	2021 %	2020 %
Up to £50,000	**9.5**	10.5
£50,000–£100,000	**15.5**	15.5
£100,000–£250,000	**23.4**	22.7
£250,000–£500,000	**16.3**	15.7
£500,000–£1,000,000	**10.5**	10.3
£1,000,000–£2,500,000	**11.5**	12.0
More than £2,500,000	**13.3**	13.3
Gross customer balances	**100.0**	**100.0**

Whilst the proportion of the Group's gross customer balances in excess of £2.5m has remained in line year-on-year, the size of the loan book has declined and the Group's exposure to loans in excess of £2.5m has decreased. Of these loans, 89.0% (30 June 2020: 87.3%) have an LTV of under 85% at 30 June 2021.

Forbearance

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.

During the year, the Group continued to offer mortgage-payment deferral arrangements to customers through the government intervention schemes implemented following the onset of the pandemic. This scheme closed to new entrants on 31 March 2021.

Further detail on the impact on the Group's loss allowance is set out in Note 11.

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

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 planned 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 provides liquidity.

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

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

Increasing arrears, as a result of the wider economic consequences of the Covid-19 pandemic, increases the risk that insufficient eligible assets will be available to ensure facilities remain in compliance with covenants, and thus able to provide a source of liquidity and funding for the Group. The Group monitors such covenants and carries a level of cash and eligible assets to support the private securitisation facilities in a stress event in line with set risk appetites.

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

The Group also benefits from a highly cash-generative business model, with a high level of redemptions, which is a key source of liquidity. The Group took a number of actions during the coronavirus pandemic to increase the levels of liquidity, including a temporary pause on lending. This increased liquidity, which left the Group well positioned in the event of further macroeconomic instability which could result in slowing of redemption activity and therefore lower levels of cash inflows for the Group.

The Group monitors liquidity by reference to its total accessible liquidity (TAL), which comprises cash plus immediately accessible headroom in its funding facilities (subject to draw down notice periods), which includes the revolving credit facility and each of the private securitisations. As a result of the measures taken, TAL has increased to £453.3m at 30 June 2021 (2020: £148.2m), and, whilst cash balances have decreased to £228.6m at 30 June 2021 (2020: £252.5m), they remain above pre-pandemic levels. Not all cash is accessible at any one time due to securitisation requirements and covenant restrictions, and so accessible cash, which is just one component of TAL, is lower than the total cash balance.

Principal risks and uncertainties (continued)

Liquidity and funding risk (continued)

Note 2 to the Financial Statements provides further detail of the considerations made in applying 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.

Our liquidity and funding risk management cycle includes the undertaking of the following activities:

- 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 cashflow scenarios, stress-testing and reverse stress-testing in response to the economic and market disruptions following the outbreak of coronavirus;
- Regular monitoring and reporting of compliance with financial covenants and restrictions;
- Reporting of management information which includes a range of quantitative measures of liquidity risk;
- Closely managing total liquidity resources, including cash, redemption cashflows, access to funding from securitisations and access to a revolving credit facility;
- Forecasting of expected cash inflows and outflows, including the outstanding pipeline of loan offers, and monitoring of actual cashflows; and
- 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;
- Monitoring individual funding maturity dates and maturity concentrations.

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. During the year, the Board received more frequent updates in respect of ALCO metrics, compared to pre-pandemic reporting.

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, based upon current forecast market rates for floating rate instruments.

Audited 30 June 2021	**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**
Loan notes	2,327.7	290.2	499.6	1,681.8	—	2,471.6
Senior secured notes	935.0	45.5	47.5	577.4	526.4	1,196.8
Obligations under finance leases	29.9	0.9	0.8	2.1	26.1	29.9
Subordinated shareholder loans	29.3	—	—	—	68.0	68.0
	3,321.9	**336.6**	**547.9**	**2,261.3**	**620.5**	**3,766.3**
Debt issue costs	(17.9)	—	—	—	—	—
Borrowings	**3,304.0**	**336.6**	**547.9**	**2,261.3**	**620.5**	**3,766.3**
Trade creditors	1.1	1.1	—	—	—	1.1
Other creditors	1.9	1.9	—	—	—	1.9
Commitments to lend	—	106.2	—	—	—	106.2
	3,307.0	**445.8**	**547.9**	**2,261.3**	**620.5**	**3,875.5**

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**

The weighted average maturity of the Group's borrowings is 2.6 years at 30 June 2021 (30 June 2020: 3.3 years) and the Group has a strong track record of successful refinancing and raising new facilities.

The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk. Following the refinancing of the Highfield Asset Backed (ABS) facility in September 2021, the earliest maturity of wholesale funding is the Delta ABS 2 facility (the drawn amount at 30 June 2021 of £125.0m representing 2.8% of the Group's available borrowing facilities), and is not due until March 2023. Following the redemption of the notes issued by Together ABS 1 in September 2021, the earliest call date on any of the Group's public securitisations is Together ABS2 in November 2022. Further detail is set out in Note 18 to the Financial statements.

Principal risks and uncertainties (continued)

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.

Our interest rate risk management cycle includes the undertaking of the following activities:

- Monitoring against risk appetite. During the year the Group continued to monitor exposure compared to defined triggers and limits for 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, including the possibility of negative interest rates, on the Group's performance and strategy; and
- 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 increase/(decrease) in 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 and before any mitigation or management actions.

	2021 £m	**2020 £m**
0.1% decrease	**(1.8)**	(1.5)
0.1% increase	**1.8**	1.5
0.5% increase	**9.0**	7.6
1.0% increase	**18.1**	15.2

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 12 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 £80.6m over the year (2020: £66.5m), which is net of dividends paid in the year of £52.7m. The net debt gearing ratio[1] has decreased to 75.6% at 30 June 2021 (30 June 2020: 78.6%) as a result of reductions in debt.

[1] Refer to appendix for definitions and calculations

Principal risks and uncertainties (continued)

Capital risk (continued)

During the period, the Group has established a dividend policy, which takes into account the funding and capital requirements of the Group.

Capital risk is managed and mitigated by:

- Regular monitoring of current and forecast levels of capital, including the gearing ratio at group and at facility level. We also regularly assess profitability and business performance, in order to consider the Group's ability to generate capital.
- Continuous monitoring of the required regulatory capital requirements within relevant subsidiaries and the actual levels projected.
- Business planning and stress testing over a forecast horizon of 12-18 months.
- Reviewing the level of gearing within securitisation facilities and within the senior borrower group, and seeking to manage these when refinancing to ensure the Group's capital efficiency, whilst ensuring sufficient capital is available to support the facilities and mitigate refinancing risk.

The Group's ALCO provides oversight and monitoring of capital risk, 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 includes execution risk in relation to the performance of the Group's modernisation and transformation agenda, and risks relating to the transition from the ways of working implemented following the onset of the Covid-19 pandemic back to a sustainable, business as usual, approach.

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

- A framework of systems, controls, policies and procedures;
- Continual monitoring of a variety of operational metrics, and evaluation of these against defined operational risk appetites.
- Regularly reviewing the top identified risks and the development of focused action plans to mitigate them.
- Maintaining an incident management process in order to mitigate the impact of any operational incidents, and conducting root cause analysis to understand any incidents which do occur and implement appropriate responses.
- Frameworks to recruit, train and retain sufficient skilled personnel. This includes succession planning and identification and mitigation of reliance on key individuals;
- Implementing initiatives to enhance colleague engagement and maintain wellbeing, such as implementing a network of wellbeing champions comprised of colleagues across different areas of the business;
- Utilising a Risk and Control Self-Assessment (RCSA) approach to identify, manage and monitor key operational risks, and the development of action plans to address these risks;
- A documented and tested business continuity plan;
- A specialist business change team dedicated to managing the change projects the business is undertaking;
- Specialist risk advice to and independent assurance over the delivery of change projects by the Group Risk department;

Principal risks and uncertainties (continued)

Operational risk (continued)

- Maintaining IT infrastructure, which is sufficiently resilient; and
- 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; and
  - Encryption of all mobile devices.

The Group's Executive Risk Committee provides oversight and monitoring of operational risk, with authority delegated to the Financial Committee for the management of certain elements of this risk. Board oversight is performed by the Risk Committee.

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

As restrictions have been lifted, the Group has implemented plans which have supported a safe and phased return to the office for 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 define and embed an appropriate culture, colleague behaviours that are inconsistent with defined Group values, and from our business activities if they fail to deliver fair and appropriate outcomes to our customers. Failure to manage this risk sufficiently could result in reputational damage, regulatory sanction, remediation programmes, and impact the Group's operating model.

Our conduct risk management cycle includes the following activities:

- The communication of the Group's vision and purpose set by the Board, which define our organisational culture and focus on colleague conduct, respect, accountability and customer experience;
- Remuneration, recruitment, performance management and promotion practices reviewed by the Remuneration and Nomination Committee to ensure they are reinforcing the right values and embedding good colleague behaviour;
- Annual training and awareness sessions for colleagues, for example training to identify factors which may indicate that a customer is vulnerable and action that can be taken to reflect their situation and treat them fairly.
- Adherence to a system of processes and controls which mitigate conduct risk, including monitoring and reporting against risk appetite;
- Regular review of the effectiveness of our business activities and processes for their ability to deliver consistent fair customer outcomes. Recently, reviews have focused on vulnerable customers, those with increasing balances, products at higher interest rates and our processes for supporting customers who have had a payment deferral as a result of Covid-19;
- Mobilising projects to enhance the approach to account management within the Personal Finance Division, in order to improve the consistency of approaches to the management of both new and existing customers;

Principal risks and uncertainties (continued)

Conduct risk (continued)

- Performance of gap analyses against industry body and regulator guidance and good practice to identify continual improvements to business processes;
- Products are approved through a 'Product Governance framework' with a focus on customer needs;
- The communication to all colleagues of the Group's gifts and hospitality policy;
- Identifying and supporting customers when things go wrong, for example, through application of forbearance tools and complaint handling;
- Root cause analysis of complaints, claims or failings, focusing on continuous improvement aiming to identify where we could improve the outcome for customers; and
- 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 the Group's Board of Directors.

Where the Group identifies potential instances of activities that may have fallen short of the standards expected, a detailed assessment is carried out to understand the cause, impact and appropriate resolution, which may include remediation.

The Group is committed to delivering positive customer experiences and outcomes, and has progressed with remediation programmes where customers have been adversely affected by legacy issues. In addition, the Personal Finance Division continues to assess its policies and procedures, and has developed a framework aimed at ensuring consistency of customer outcomes, which seeks to build upon and enhance existing practices, policies and procedures. A provision has been recognised to reflect that the Group may make payments to customer populations in scope upon finalisation of the framework.

Further disclosures in respect of this can be found in Note 19 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.

Our compliance risk management cycle includes the following activities:

- Quality assurance reviews in operational areas with oversight provided by experienced risk and compliance departments;
- Independent monitoring reviews undertaken by second-line teams. Recently, these have focused on the impact of Covid-19 on customer outcomes, from customer requests for a mortgage-payment deferral through to their payment deferral exit;
- Proactively engaging with the Group's regulators to provide transparency with regard to actions taken to ensure compliant outcomes for legacy customers;
- Continued investment in staff training and awareness;

Principal risks and uncertainties (continued)

Compliance risk (continued)

- 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;
- Controls to prevent financial crime, including fraud detection, anti-money laundering checks and established processes for whistleblowing. The Board receives an annual report from its dedicated Money Laundering Reporting Officer (MLRO) setting out a comprehensive review of controls and compliance with relevant regulation. We are also investing in technology to manage financial crime risks;
- Monitoring of compliance with legal obligations by an in-house legal department. Regular meetings are held with operations personnel, the legal department and the compliance team to identify trends in potential legal claims and proactively make process improvements to improve customer outcomes;
- Monitoring processes to assess ongoing compliance with the requirements of GDPR; and
- 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 its 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 the Group's Board of Directors.

The Group is committed to delivering positive customer experience and outcomes, and has progressed with remediation programmes where customers have been adversely affected primarily as a result of legacy issues.

Further disclosures in respect of this can be found in Note 19 to the Financial Statements.

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 "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2021 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 31, including a summary of significant accounting policies, and information in the Risk Management section of the annual report, marked as "audited". The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 30 June 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- 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. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Independent auditor's report (continued)

To the members of Together Financial Services Limited (continued)

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent 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 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 59, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the Companies Act 2006, Financial Conduct Authority rules and regulations, and UK Tax Legislation.
- We understood how the Group is complying with those frameworks by making enquiries of management, internal audit, legal counsel, those charged with governance, and reviewing relevant committee minutes and board reports. We enquired as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Group has established to address risks identified by the Group, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquires of management and internal audit for their awareness of any known instances of non-compliance or suspected non-compliance with laws and regulations, reviewing key policies and correspondence exchanged with regulators. We performed journal entry testing, with a focus on post-closing adjustments and journals indicating unusual transactions based on our understanding of the business, incorporated unpredictability into the nature, timing, and extent of our testing, and challenged assumptions and judgements used by management in key areas of estimation.
- The Group operates in the financial services industry, which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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
14 September 2021

Consolidated statement of comprehensive income
Year ended 30 June 2021
All amounts are stated in £m

Income statement	Note	2021	2020
Interest receivable and similar income	4	**370.9**	388.4
Interest payable and similar charges	5	**(123.5)**	(137.1)
Net interest income		**247.4**	251.3
Fee and commission income		**4.2**	4.5
Fee and commission expense		**(1.8)**	(2.9)
Net fair-value gains/(losses) on derivatives	12	**1.1**	(0.5)
Other income		**1.7**	1.9
Operating income		**252.6**	254.3
Administrative expenses	6	**(86.2)**	(92.8)
Operating profit		**166.4**	161.5
Impairment losses	11	**(16.1)**	(66.9)
Profit before taxation		**150.3**	94.6
Income tax	9	**(19.2)**	(10.5)
Profit after taxation		**131.1**	84.1
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	12	**1.3**	(2.8)
Amounts reclassified to income statement		**0.3**	0.1
		1.6	(2.7)
Movement in the cost-of-hedging reserve:			
Effective portion of changes in fair value of derivatives	12	**(0.5)**	—
Amounts reclassified to income statement		**0.2**	0.1
		(0.3)	0.1
Other comprehensive expense for the year, net of tax		**1.3**	(2.6)
Total comprehensive income for the year		**132.4**	81.5

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

Consolidated statement of financial position
As of 30 June 2021
All amounts are stated in £m

	Note	2021	2020
Assets			
Cash and cash equivalents	10	**228.6**	252.5
Loans and advances to customers	11	**4,011.9**	4,162.2
Derivative assets held for risk management	12	**0.6**	—
Other assets	13	**6.3**	7.0
Property, plant and equipment	15	**31.6**	13.9
Intangible assets	16	**7.0**	8.1
Current tax asset		**—**	3.2
Deferred tax asset	17	**11.0**	7.6
Total assets		**4,297.0**	4,454.5
Liabilities			
Derivative liabilities held for risk management	12	**1.2**	2.9
Current tax liabilities		**1.9**	—
Borrowings	18	**3,304.0**	3,550.1
Provisions for liabilities and charges	19	**25.1**	22.3
Other liabilities	20	**57.1**	51.2
Total liabilities		**3,389.3**	3,626.5
Equity			
Share capital	21	**9.8**	9.8
Subordinated shareholder funding reserve	18	**38.7**	39.7
Cashflow-hedging reserve		**(1.1)**	(2.7)
Cost-of-hedging reserve		**(0.4)**	(0.1)
Other reserves		**10.6**	10.6
Retained earnings		**850.1**	770.7
Total equity		**907.7**	828.0
Total equity and liabilities		**4,297.0**	4,454.5

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

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

G Grimes
Director

Company statement of financial position
As of 30 June 2021
All amounts are stated in £m

	Note	2021	2020
Assets			
Cash and cash equivalents		**37.3**	112.1
Amounts owed by related parties	13	**1,393.8**	1,218.9
Other assets	13	**4.5**	0.8
Investments in subsidiaries	14	**25.3**	25.3
Property, plant and equipment	15	**31.6**	9.2
Intangibles	16	**7.0**	—
Deferred tax asset	17	**1.3**	0.3
Total assets		**1,500.8**	1,366.6
Liabilities			
Borrowings	18	**59.0**	48.8
Amounts owed to related parties	20	**955.6**	802.9
Other liabilities	20	**28.0**	2.2
Total liabilities		**1,042.6**	**853.9**
Equity			
Share capital	21	**9.8**	9.8
Subordinated shareholder funding reserve	18	**38.7**	39.7
Other reserve		**20.2**	20.2
Retained earnings		**389.5**	443.0
Total equity		**458.2**	512.7
Total equity and liabilities		**1,500.8**	1,366.6

Together Financial Services Limited (the Company) reported a loss after tax for the year ended 30 June 2021 of £1.8m (2020: £2.0m 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 14 September 2021.

Company Registration No. 02939389.

Signed on behalf of the Board of Directors

HN Moser
Director

G Grimes
Director

Consolidated statement of changes in equity
Year ended 30 June 2021
All amounts are stated in £m

2021	**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**	**39.7**	**(2.7)**	**(0.1)**	**10.6**	**770.7**	**828.0**
Total comprehensive income	**—**	**—**	**1.6**	**(0.3)**	**—**	**131.1**	**132.4**
Dividend paid	**—**	**—**	**—**	**—**	**—**	**(52.7)**	**(52.7)**
Modification of subordinated debt	**—**	**1.0**	**—**	**—**	**—**	**(1.0)**	**—**
Transfer between reserves	**—**	**(2.0)**	**—**	**—**	**—**	**2.0**	**—**
At end of year	**9.8**	**38.7**	**(1.1)**	**(0.4)**	**10.6**	**850.1**	**907.7**

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
Adjustment on adoption 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

* Relates to purchase of shares by employee-benefit trust and charged to the capital redemption reserve.

Other reserves consist of the following:

	Share premium	**Merger reserve**	**Capital redemption reserve**	**Share-based payment reserve**	**Total**
As at 30 June 2021	**17.5**	**(9.6)**	**1.1**	**1.6**	**10.6**
As at 30 June 2020	17.5	(9.6)	1.1	1.6	10.6

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

Company statement of changes in equity
Year ended 30 June 2021
All amounts are stated in £m

2021	Called-up share capital	Subordinated shareholder funding reserve	Other Reserves	Retained earnings	Total
At beginning of year	**9.8**	**39.7**	**20.2**	**443.0**	**512.7**
Loss for the financial year	**—**	**—**	**—**	**(1.8)**	**(1.8)**
Modification of subordinated debt	**—**	**1.0**	**—**	**(1.0)**	**—**
Transfer between reserves	**—**	**(2.0)**	**—**	**2.0**	**—**
Dividend	**—**	**—**	**—**	**(52.7)**	**(52.7)**
At end of year	**9.8**	**38.7**	**20.2**	**389.5**	**458.2**

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

* Relates to purchase of shares by employee-benefit trust and charged to the capital redemption reserve.

Other reserves consist of the following:

	Share premium	Capital redemption reserve	Share-based payment reserve	Total
As at 30 June 2021	**17.5**	**1.1**	**1.6**	**20.2**
As at 30 June 2020	17.5	1.1	1.6	20.2

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 2021
All amounts are stated in £m

	Note	2021	2020
Cash flows from operating activities			
Profit after tax		**131.1**	84.1
Adjustment for non-cash items included in profit after tax	23	**(193.9)**	(145.6)
Changes in operating assets and liabilities	23	**126.4**	(540.3)
Interest income		**370.9**	388.4
Income tax paid		**(17.4)**	(22.2)
Net cash inflow/(outflow) from operating activities		**417.1**	(235.6)
Cash flows from investing activities			
Cash paid on purchase of property, plant and equipment		**(0.6)**	(0.4)
Investment in intangible assets		**(2.0)**	(3.5)
Proceeds from disposal of property, plant and equipment		**0.2**	0.2
Net cash outflow from investing activities		**(2.4)**	(3.7)
Cash flows from financing activities			
Drawdown of loan notes		**35.0**	765.3
Repayment of loan notes		**(1,233.1)**	(572.4)
Proceeds from issuance of loan notes		**795.9**	315.4
Repayment of senior secured notes		**(350.0)**	(375.0)
Proceeds from issuance of senior secured notes		**500.0**	435.0
Net cash outflows from bank facilities		**(10.0)**	(45.0)
Interest paid		**(120.9)**	(134.0)
Dividends paid		**(52.7)**	(15.6)
Purchase of shares by employee-benefit trust		**—**	(0.2)
Purchase and cancellation of derivatives		**(0.6)**	(0.3)
Principal elements of lease liability payments		**(1.6)**	(1.1)
Interest paid on lease liabilities		**(0.6)**	(0.5)
Net cash (outflow)/inflow from financing activities		**(438.6)**	371.6
Net (decrease)/increase in cash and cash equivalents		**(23.9)**	132.3
Cash and cash equivalents at beginning of year		**252.5**	120.2
Cash and cash equivalents at end of year	10	**228.6**	252.5

At 30 June 2021 cash and cash equivalents include £148.7m (2020: £139.6m) of restricted cash (see Note 10).

Company statement of cash flows
Year ended 30 June 2021
All amounts are stated in £m

	Note	2021	2020
Cash flows from operating activities			
Loss after tax		**(1.8)**	(2.0)
Adjustment for non-cash items included in profit after tax	23	**59.9**	59.6
Changes in operating assets and liabilities	23	**(9.5)**	138.2
Interest received		**—**	0.1
Net cash inflow from operating activities		**48.6**	195.9
Cash flows from investing activities			
Cash paid to acquire property, plant and equipment		**(0.4)**	—
Investment in intangible assets		**(0.4)**	—
Net cash outflow from investing activities		**(0.8)**	—
Cash flows from financing activities			
Net cash outflows from bank facilities		**(10.0)**	(45.0)
Interest paid		**(59.9)**	(57.4)
Dividends paid		**(52.7)**	(15.6)
Net cash outflow from financing activities		**(122.6)**	(118.0)
Net (decrease)/increase in cash and cash equivalents		**(74.8)**	77.9
Cash and cash equivalents at beginning of year		**112.1**	34.2
Cash and cash equivalents at end of year		**37.3**	112.1

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 accounting standards in conformity with the requirements of the Companies Act 2006.

The preparation of financial statements in accordance with international standards in accordance with the requirements of the Companies Act 2006 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 and 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.

Going concern

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

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

The Group's business model, being one which is ordinarily highly cash generative, operating in profitable market segments and lending at low average loan-to-value (LTV) ratios, provides mitigation to many downside risks.

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

- the impact of offering mortgage-payment deferrals in line with government guidance;
- exit strategies for customers post the mortgage-payments deferrals;
- the impact of advancing other forbearance measures to our customers;
- changes in customer-repayment behaviour;

2. Significant accounting policies (continued)

Going concern (continued)

- increases in credit risk;
- the potential for declining or stagnating property values;
- possible reduced access to wholesale-funding markets;
- changes in market rates of interest;
- reductions in new mortgage-origination volumes; and
- changes to operating costs.

Many of the potential challenges included above have either not emerged during the period or not emerged to a significant extent. The Group has, for example, retained access to wholesale-funding markets which has allowed the continuation of the existing strategy of refinancing facilities in advance of their contractual maturities. This is just one example of risk factors which have been considered as part of scenario planning, but have not so far crystallised into significant adverse effects on the Group's business.

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

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

The risk of lower levels of cash inflows from redemptions can be mitigated by increasing the amount of liquid resources held as cash. In order to increase cash held, the directors controlled levels of new lending following the pandemic, which, in combination with other management actions, increased total cash balances. Cash remains at elevated levels at £228.6m at 30 June 2021 (2020: £252.5m). Of this, £79.9m is unrestricted cash (2020: £112.9m) as shown in Note 10. This is lower than the prior year as the rate of lending has gradually been increased, however such balances remain significantly above pre-pandemic levels.

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

A key risk associated with wholesale funding is refinancing risk, where the Group has a proven track-record of successfully refinancing borrowings. The coronavirus outbreak has had some impacts on the capital markets and the availability and/or pricing of wholesale funding at certain points earlier in the pandemic. The depth of maturity in the Group's existing debt facilities provides significant mitigation in respect of refinancing risk. Following the refinancing of the Highfield Asset Backed Securitisaiton (ABS) facility, the earliest maturity of wholesale funding is the Delta ABS 2 facility (the amount drawn at 30 June 2021 of £125.0m representing 2.8% of the Group's available borrowing facilities), and is not due until March 2023. Following the redemption of the notes issued by Together ABS 1, the earliest call date on any of the Group's public securitisations is Together ABS2 in November 2022. Further detail is set out in Note 18 to the Financial statements.

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

- In July 2020, the Group successfully issued the latest and largest issuance in its residential mortgage-backed securitisation (RMBS) programme, Together Asset Backed Securitisation 2020 – 1 PLC raising £361m.
- In September 2020, the maturity date on the undrawn £71.9m RCF facility was extended from June 2021 to June 2023.
- In January 2021 the Group issued £500m of senior secured notes due 2027, at a coupon of 5.25%.
- In March 2021, Together completed its first public market securitisation backed by commercial real-estate mortgages, Together CRE1. The issuance resulted in £193.8m of additional funding.

2. Significant accounting policies (continued)

Going concern (continued)

- As a result of the demand arising from CRE1, the Group completed a second such transaction, Together CRE2, in June 2021. This raised external funding of £241.6m.
- Shortly after the year end the Group launched a new type of facility, Brooks ABS, secured on loans with some degree of arrears or imperfect credit histories. The issuance raised external funding of £71m.
- In September 2021, the Group refinanced its £525m Highfield ABS facility, extending its maturity date from June 2022 to September 2025 and reducing the coupon.
- In September 2021, the Group redeemed the loans notes in its first residential-mortgage-backed securitisation, TABS 1.

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

Whilst the Group was required to agree temporary waivers between June and September 2020, as a result of the pandemic and the offering of mortgage-payment deferrals, the Group is not currently reliant on any such waivers as at the year end.

Stress Testing

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

To evaluate the Group's resilience in meeting these tests, a reverse-stress scenario has been developed and was considered as part of the going-concern assessment.

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

The results of the reverse-stress test showed that unrealistic reductions in expected cash inflows within the Senior Borrower Group would be required for the Senior Borrower Group not to be able to meet its liabilities as they fall due, within the going-concern assessment period. Even in the event that actual experience approached the level of reductions judged unrealistic, further management actions could be taken to mitigate the impact. The Group has periodically repeated the reverse-stress testing and headroom to meet the test has increased over the period from 30 June 2020 to 30 June 2021.

2. Significant accounting policies (continued)

Stress Testing (continued)

In addition, the potential impact of reductions in the level of profitability were assessed, using increases in expected credit losses as the primary driver, in order to determine the reduction which would result in the Group's gearing breaching the RCF covenant. The testing showed that ECLs would have to increase by a substantial amount with the probability of such a severe outcome considered remote. The deployment of additional management actions could also mitigate the possible impact, including but not limited to: renegotiation of the terms of existing borrowings, raising alternative funding and measures to further reduce costs.

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

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 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.

2. Significant accounting policies (continued)

Goodwill (continued)

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 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 eg 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

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.

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone costs.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses the interest rate implicit in the lease.

The lease liability is measured at amortised cost using the interest rate implicit in the lease or 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.

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.

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, and include 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.

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

2. Significant accounting policies (continued)

Financial assets and liabilities (continued)

Financial assets (continued)

- 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 entities for the purpose of collateralising the issuance of loans. 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.

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. 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

2. Significant accounting policies (continued)

Impairment of financial instruments (continued)

- 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 certain of the Group's subsidiaries which engage in regulated lending, these criteria are aligned to the regulatory definition of credit impaired.

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 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.

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, ie 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. For accounts which are in a shortfall position, this is judged to occur when an account is fully provided against, and no payments have been received for six consecutive months. The Group may continue to apply enforcement activities for 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.

2. Significant accounting policies (continued)

Derivatives held for risk-management purposes and hedge accounting (continued)

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 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.

Intragroup transactions

Transfers of assets and liabilities between the Company and its subsidiaries occur at book value.

In order to simplify the Group's arrangements, a decision was made during the year to transfer staff and certain specific assets and liabilities from one of the Group's subsidiaries to the Company. The assets and liabilities transferred include prepayments, fixed assets, and certain accruals and was settled through an intercompany loan. For further details, see Notes 7, 15 and 16.

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*

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

All items of property, plant and equipment are reviewed for indications of impairment on a regular basis and at each reporting 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 the item, 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
- the development cost of the intangible asset can be measured reliably.

This type of expenditure 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

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

Phase 1 ('Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7') of the IASB's amendments, which are mandatory for annual reporting periods beginning on or after 1 January 2020, modify certain hedge-accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the reforms are completed.

2. Significant accounting policies (continued)

New and revised standards, amendments and interpretations not yet effective (continued)

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

- The Group has floating-rate loan notes, linked to sterling Libor, which it cashflow hedges using interest-rate caps, swaps or floors. The amendments permit continuation of hedge accounting even though the reforms mean there is uncertainty about the timing and amount of the hedged cash flows.
- The Group will retain the cumulative gain or loss in its cashflow-hedging and cost-of-hedging reserves for designated cash flow hedges that are subject to the reforms, despite this uncertainty. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than the reforms, the cumulative gain or loss will be immediately reclassified to the income statement.

The amendments also require additional disclosures in relation to those hedging relationships to which the reliefs are applied.

The Group will continue to apply the Phase 1 amendments to IFRS 9 until the end of any uncertainty with respect to the timing and amount of the underlying cash flows arising from the reforms. The Group expects this uncertainty will continue until its contracts that reference sterling Libor are amended to specify the date on which it will be replaced and the bases for the replacement Sonia cash flows, including any fixed spread, are determined.

Phase 2 ('Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16') of the amendments, effective for reporting periods beginning on or after 1 January 2021 with earlier adoption permitted, enables entities to reflect the effects of transitioning to RFRs without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not early adopted these amendments.

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

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

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

Note 29 sets out the financial disclosures.

A number of other new or 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.

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

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 judgements:

- The incorporation of forward-looking information in the measurement of ECL, in particular the economic variables driving credit risk and the number and relative weightings of the scenarios used.
- Determining the criteria for a significant increase in credit risk and indicators of credit impairment.

Further detail on the judgements in respect of the measurement of ECL and sensitivities thereon is set out in Note 11 to the Financial Statements.

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 19 to the Financial Statements.

Key sources of estimation uncertainty

a) Loan impairment allowance

As a result of the Covid-19 pandemic the Group utilises macroeconomic forecasts which are significantly changed from those applied pre-pandemic, when the external environment was more benign. 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 sensitivities thereon is set out in Note 11 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 19 to the Financial Statements.

c) Interest income recognition

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

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

4. Interest receivable and similar income

	2021	2020
Interest on loans and advances to customers	**370.9**	388.4

Included within interest on loans and advances to customers is £12.1m (2020: £13.6m) relating to credit impaired loans.

All amounts are stated in £m

5. Interest payable and similar charges

	2021	2020
On borrowings	**121.5**	136.2
On lease liabilities	**0.6**	0.5
On derivatives in qualifying and discontinued hedging relationships	**1.4**	0.4
	123.5	**137.1**

Interest payable on borrowings includes a call penalty of £5.4m, the release of the issue premium of £0.7m and the write-off of deferred up-front fees of £1.2m as a result of early refinancing of the 2024 senior secured notes (2020: £5.9m, £nil and £0.8m respectively). It is also net of a modification gain of £1.0m arising on the extension in January 2021 of the maturity date of £25.1m of interest-free subordinated shareholder loans (2020: £nil).

6. Administrative expenses

	Note	2021	2020
Staff costs	7	**53.8**	44.9
Auditor's remuneration	8	**0.6**	0.4
Depreciation of property, plant and equipment	15	**2.2**	2.5
Amortisation of intangible assets	16	**3.1**	4.2
Provisions for liabilities and charges	19	**11.9**	21.4
Other administrative costs		**14.6**	19.4
		86.2	92.8

There were no material gains or losses on the disposal of property, plant and equipment (2020: £0.1m gain).

7. Staff costs

The average monthly number of employees, including executive directors, was:

Management and administration	2021 No.	2020 No.
Full time	**557**	688
Part time	**52**	62
	609	750

The aggregate remuneration of staff and executive directors was as follows:

Staff remuneration	Note	2021	2020
Wages and salaries		**36.3**	35.0
Social security costs		**3.8**	3.5
Pension	26	**1.3**	1.4
		41.4	39.9
Directors' remuneration			
Emoluments		**12.4**	5.0
Company contribution to personal pension schemes	26	—	—
		12.4	5.0
Total staff costs		**53.8**	44.9

The emoluments of the highest paid director were £3.9m (2020: £1.4m) including £nil (2020: £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 26.

During the year, the employees of the Group were transferred from a subsidiary to the Company pursuant to the Transfer of Undertakings (Protection of Employment) ('TUPE') regulations. Directors' emoluments and wages and salaries are now borne by the Company and are recharged to subsidiaries in line with approved methodologies.

All amounts are stated in £m

8. Auditor's remuneration

	2021	2020
Fees payable for the audit of the Company's accounts	**0.1**	0.1
Fees payable for the audit of the Company's subsidiaries	**0.3**	0.2
Audit-related assurance services	**0.1**	0.1
Other assurance services	**0.1**	0.0
	0.6	0.4

9. Income tax

	2021	2020
Current tax		
Corporation tax	**22.1**	10.6
Adjustment in respect of prior years	**0.5**	(0.3)
	22.6	10.3
Deferred tax		
Origination and reversal of temporary differences	**(0.4)**	1.1
Adjustment in respect of prior years	**(1.3)**	—
Effect of tax rates	**(1.7)**	(0.9)
	(3.4)	0.2
Total tax on profit	**19.2**	10.5

Corporation tax is calculated at 19.0% (2020: 19.0%) 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:

	2021	2020
Profit before tax	**150.3**	**94.6**
Tax on profit at standard UK corporation tax rate of 19.0% (2020: 19.0%)	**28.6**	18.0
Effects of:		
Expenses not deductible for tax purposes	**0.1**	0.6
Income not taxable	**(0.2)**	—
Group relief*	**(6.8)**	(6.9)
Adjustment in respect of prior years	**(0.8)**	(0.3)
Changes in tax rate	**(1.7)**	(0.9)
Group tax charge for year	**19.2**	10.5

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

In March 2021, the Government announced that the main rate of corporation tax will increase to 25% from April 2023. This change was substantively enacted on 24 May 2021. This will increase the Group's future tax rate accordingly.

10. Cash and cash equivalents

	2021	2020
Unrestricted cash	**79.9**	112.9
Restricted cash	**148.7**	139.6
Total cash and cash equivalents	**228.6**	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 £39.7m (2020: £62.0m) represents amounts that could be accessed by the Group, for example by allocating additional eligible assets

All amounts are stated in £m

10. Cash and cash equivalents (continued)

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.

11. Loans and advances to customers

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

	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
ECL coverage (%)	0.4	2.9	17.1	2.8

Loans and advances to customers include total gross amounts of £5.0m (2020: £9.7m), equivalent to £1.0m net of allowances (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 24.

Group gross balances of credit impaired loans include £3.2m (2020: £nil) of purchased or originated credit impaired (POCI) loans, which are presented net of lifetime ECL impairment provisions of £0.4m (2020: £nil).

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
- 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.

11. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL)

ECL model (continued)

- 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, 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 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 a probationary period in line with the below:

- Into stage 2: 6 months of performing at stage 2 or better; and
- Into stage 1: 9 months of performing at stage 1.

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

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. The unprecedented nature of the current economic conditions leads to high levels of uncertainty in forecasting the timing and speed of an eventual recovery.

Previously, the Group calculated ECL using a base case, an upside and a downside scenario, weighted 40%, 30% and 30% respectively. The unprecedented societal and economic impact caused by the coronavirus outbreak meant that the available economic forecasts were subject to significant uncertainty and showed a wide range of views on the depth, shape and duration of the impact of the pandemic.

All amounts are stated in £m

11. Loans and advances to customers (continued)

Incorporation of forward-looking information (continued)

As a result of this uncertainty, the Group's approach to developing economic scenarios for the purposes of measuring ECLs was to increase the number of scenarios from three to six. The base case is weighted at 50% and each of the other five scenarios is weighted at 10%. The Group continues to apply this methodology as uncertainty remains significantly elevated compared with pre pandemic levels, despite the continued period of recovery since spring 2021 and the increasingly optimistic macroeconomic forecasts.

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 economic scenarios utilised also take into account the unprecedented levels of support the government and Bank of England are providing to borrowers and the general economy.

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 2021, by economic indicator, until June 2025 are as follows:

Annual GDP change (annual %)*	Weighting	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Jun 2023	Jun 2024	Jun 2025
Upside	10%	5.1	9.9	15.3	12.4	5.1	2.3	1.6
Mild Upside	10%	4.8	9.3	14.2	10.8	4.4	2.0	1.6
Base	50%	4.5	8.5	12.9	8.7	3.1	1.6	1.5
Stagnation	10%	3.8	6.7	10.1	5.2	3.2	1.3	1.5
Downside	10%	3.6	6.2	9.0	3.4	3.3	1.2	1.4
Severe downside	10%	3.2	5.4	7.7	1.4	2.4	1.1	1.4
Weighted average		**4.3**	**8.0**	**12.1**	**7.7**	**3.4**	**1.6**	**1.5**

Annual quarterly GDP change (%)**	Future quarter when GDP returns to Dec-19 levels	Weighting	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Jun 2023	Jun 2024	Jun 2025
Upside	Sep-21	10%	10.7	12.0	15.5	11.5	3.2	2.0	1.4
Mild Upside	Sep-21	10%	9.5	10.6	13.8	9.5	2.9	1.8	1.5
Base	Dec-21	50%	8.2	8.7	11.5	6.5	2.2	1.5	1.5
Stagnation	Sep-22	10%	5.6	4.3	7.5	3.3	1.9	1.2	1.6
Downside	Sep-23	10%	4.6	3.3	4.9	0.9	2.7	1.1	1.7
Severe downside	Dec-25	10%	3.0	1.7	3.2	(2.2)	3.0	0.9	1.7
Weighted average			**7.4**	**7.6**	**10.2**	**5.5**	**2.5**	**1.4**	**1.6**

Bank rate	Future quarter which anticipates the first rate rise	Weighting	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Jun 2023	Jun 2024	Jun 2025
Upside	Sep-21	10%	0.2	0.4	0.6	0.9	1.8	2.0	2.1
Mild Upside	Sep-21	10%	0.2	0.3	0.4	0.5	1.3	1.5	1.5
Base	Mar-23	50%	0.1	0.1	0.1	0.1	0.3	0.5	0.8
Stagnation	Mar-25	10%	0.1	0.1	0.1	0.1	0.1	0.1	0.3
Downside	Mar-26	10%	0.1	(0.1)	(0.3)	(0.3)	(0.3)	(0.3)	0.0
Severe downside	Jun-29	10%	(0.1)	(0.3)	(0.4)	(0.5)	(0.5)	(0.5)	(0.3)
Weighted average			**0.1**	**0.1**	**0.1**	**0.1**	**0.4**	**0.5**	**0.7**

Notes to the financial statements (continued)
All amounts are stated in £m

11. Loans and advances to customers (continued)

Incorporation of forward-looking information (continued)

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

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

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

The most significant assumptions used for the ECL estimate as at 30 June 2020 by scenario 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**

All amounts are stated in £m

11. 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)	(20.0)	(10.1)	(7.6)	5.0
Weighted average			**(2.6)**	**(4.8)**	**(7.8)**	**(9.3)**	**2.2**	**4.2**	**4.1**

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.

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 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.

Mortgage-payment deferrals have not been considered to represent a contractual modification as interest continues to accrue at the effective rate which does not generally give rise to material modification gains or losses. In addition, the request for a mortgage-payment deferral has not been considered to represent a significant increase in credit risk. Instead, a request was considered along with a number of other indicators of credit risk.

As at 30 June 2021, just 0.2% of Group's customers by value had outstanding deferred payments as a result of Covid-19 (2020: 16%).

All amounts are stated in £m

11. 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 years ended 30 June 2021 and 30 June 2020.

	2021			
Loss allowance	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**
Balance at beginning of year	**(12.4)**	**(21.0)**	**(85.4)**	**(118.8)**
Transfer to a 12-month ECL	**(1.9)**	**5.2**	**—**	**3.3**
Transfer to a lifetime ECL not credit impaired	**8.2**	**(24.6)**	**15.9**	**(0.5)**
Transfer to a lifetime ECL credit impaired	**0.9**	**24.2**	**(42.7)**	**(17.6)**
Other changes in credit risk during the year	**(3.9)**	**(15.4)**	**(4.0)**	**(23.3)**
Impairment of interest income on stage 3 loans	**—**	**—**	**(12.1)**	**(12.1)**
New financial assets originated	**(1.7)**	**(3.0)**	**—**	**(4.7)**
Financial assets derecognised	**3.0**	**9.6**	**26.4**	**39.0**
Changes in models and risk parameters	**3.8**	**(3.6)**	**(2.3)**	**(2.1)**
Impairment losses for the year charged to income	**8.4**	**(7.6)**	**(18.8)**	**(18.0)**
Unwind of discount	**—**	**—**	**12.1**	**12.1**
Write-offs net of recoveries	**—**	**(0.1)**	**16.6**	**16.5**
Changes on refinancing of impaired loans	**—**	**—**	**3.8**	**3.8**
Balance at end of year	**(4.0)**	**(28.7)**	**(71.7)**	**(104.4)**

	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	**(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)**

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 decreased by £14.4m to £104.4m (2020: £118.8m). The key changes in the estimate for ECL are set out below.

Changes in models and risk parameters resulted in a charge of £2.1m (2020: £14.2m charge). The main drivers of this change are as follows:

- A £6.4m release from updating the probabilities of default with the latest performance data (2020: £6.7m release);
- A £3.3m release resulting from updates to HPI forecasts (2020:£13.7m charge);
- A £5.7m charge arising from an increased provision for commercial secured loans (2020: £nil);

All amounts are stated in £m

11. Loans and advances to customers (continued)

Loss allowance (continued)

- A £4.9m charge resulting from an update to forced sale discount methodology (2020: £nil); and
- A net £1.2m charge resulting from a number of miscellaneous changes (2020: £7.4m charge).

The impact of loans transferring between stages has increased ECL by £14.8m during the year (2020: £21.4m) and other changes in credit risk have increased ECL by £23.3m (2020: £31.6m). There are a number of drivers of the combined increase of £38.1m observed in these line items, the principal ones being:

- £11.8m 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;
- £14.4m due to changes in the assessment of 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;
- £4.8m due to changes in qualitative criteria used 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 have been most affected by social restrictions such as certain hospitality and retail-purpose properties; and
- £7.7m 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 £12.1m (2020: £13.6m) was offset by the unwinding of discounting on expected cash flows of the same amount. New originations increased ECL by £4.7m (2020: £6.2m), 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 £39.0m (2020: £20.3m) on loans which have redeemed during the period. ECL has reduced by £3.8m (2020: £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 £1.4m of ECLs on initial recognition, resulting in a net release of £2.4m.

Write-offs net of recoveries includes £4.9m (2020: £1.3m) that has arisen during the normal performance of the loan book. The other £11.6m (2020: £nil) relates to accounts that have been written off following a refinement to the write off criteria applied by the Group. Substantially all the accounts subject to write-off had entered a shortfall position prior to the current period, and largely relate to legacy accounts which had been repossessed a number of years previously. Accounts are classified as shortfall where the property has been repossessed and sold but an outstanding balance remains.

Impairment losses for the period

	30 June 2021	**30 June 2020**
Movements in impairment allowance, charged to income	**(18.0)**	(66.7)
Amounts released from deferred income	**(0.5)**	0.5
Write-offs net of recoveries	**—**	(0.7)
Gains/(losses) on derecognition of assets held at amortised cost as a result of refinancing impaired loans	**2.4**	—
Charged to the income statement	**(16.1)**	(66.9)

All amounts are stated in £m

11. Loans and advances to customers (continued)

Impairment losses for the period (continued)

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:

	2021			
Movements in gross carrying amounts	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Total**
Balance at beginning of year	**3,061.3**	**721.2**	**498.5**	**4,281.0**
Transfer to a 12-month ECL	**526.7**	**(524.8)**	**(1.9)**	**—**
Transfer to a lifetime ECL not credit impaired	**(1,239.7)**	**1,452.4**	**(212.7)**	**—**
Transfer to a lifetime ECL credit impaired	**(32.1)**	**(446.3)**	**478.4**	**—**
New financial assets originated	**967.0**	**102.9**	**2.7**	**1,072.6**
Changes on refinancing of impaired loans	**—**	**—**	**(0.7)**	**(0.7)**
Financial assets derecognised including write-offs	**(741.9)**	**(215.5)**	**(279.2)**	**(1,236.6)**
Balance at end of year	**2,541.3**	**1,089.9**	**485.1**	**4,116.3**

	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**

Stage 2 disaggregation

Days past due	**30 June 2021**		**30 June 2020**	
	Gross Exposure	**Impairment Allowance**	**Gross Exposure**	**Impairment Allowance**
> 30 days past due	**76.6**	**2.2**	164.9	7.7
< 30 days past due	**1,013.3**	**26.5**	556.3	13.3
Total	**1,089.9**	**28.7**	**721.2**	**21.0**

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 unweighted ECL when 100% probability was applied to each scenario as at 30 June 2021 and 30 June 2020.

	2021		2020	
Scenarios	**Probability of the scenario**	**Unweighted ECL**	**Probability of the scenario**	**Unweighted ECL**
Upside	**10%**	**49.8**	10%	57.2
Mild upside	**10%**	**56.0**	10%	66.3
Base case	**50%**	**75.4**	50%	88.0
Stagnation	**10%**	**137.5**	10%	150.2
Downside	**10%**	**174.9**	10%	192.7
Severe downside	**10%**	**248.9**	10%	281.5
Weighted average		**104.4**		**118.8**

All amounts are stated in £m

11. Loans and advances to customers (continued)

Macroeconomic scenarios (continued)

Utilising multiple economic scenarios reflects the non-linearity of the forward-looking expected credit loss approach.

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 applied in each scenario (ie a 10% cut applied to the index in each forecast future period), would result in an increase in the impairment allowance of £20.3m at 30 June 2021 (30 June 2020: £23.7m); conversely, a 10% increase would result in a decrease in the impairment allowance of £15.7m at 30 June 2021 (30 June 2020: £17.9m).

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 £7.3m at 30 June 2021 (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 £7.0m at 30 June 2021 (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 sensitivity below was performed by recalculating the impairment allowance by changing only the item stated, and with all other variables unchanged.

	Increase in allowance	
Sensitivities	**2021**	**2020**
Measure all loans in Stage 1 using a lifetime ECL	**16.6**	14.5

12. 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 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 and floors. The notional amounts of these derivatives are designated against a proportion of floating-rate notes funding fixed-rate mortgages, and decline over time in line with the expected repayment of the mortgages.

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

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

- Repayment of the notes faster than the decline in the notional amount of the derivative.
- For interest-rate swaps, the inclusion of a transaction cost in the fixed-rate leg.

All amounts are stated in £m

12. Derivatives held for risk management (continued)

- 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 June 2021		30 June 2020	
	Assets	Liabilities	Assets	Liabilities
Interest-rate swaps and floors	**0.6**	**(1.2)**	—	(2.9)
Interest-rate caps	**—**	**—**	—	—
Derivatives designated in cashflow hedges	**0.6**	**(1.2)**	**—**	**(2.9)**

All derivatives mature in under five years. The average fixed interest rate on swaps is 0.38%. The average strike rate on caps is 2.5%.

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

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

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	—	—

Notes to the financial statements (continued)
All amounts are stated in £m

12. 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				
Year ended 30 June 2021	**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 gains/(losses) on derivatives**	**Hedge ineffective-ness recognised in fair value gains/(losses) on derivatives**	**Reclassified from cashflow-hedging reserve to interest payable**
Interest-rate swaps and floors								
Borrowings	**298.6**	**0.6**	**(1.2)**	**0.9**	**0.8**	**1.0**	**0.1**	**—**
Discontinued hedges	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.3**
	298.6	**0.6**	**(1.2)**	**0.9**	**0.8**	**1.0**	**0.1**	**0.3**
Interest-rate caps								
Borrowings	**128.6**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Year ended 30 June 2020								
Interest-rate swaps								
Borrowings	244.9	—	(2.9)	(0.2)	(0.2)	0.1	—	0.1
Discounted hedges	—	—	—	—	(2.5)	(0.6)	—	—
	244.9	—	(2.9)	(0.2)	(2.7)	(0.5)	—	0.1
Interest-rate caps								
Borrowings	229.5	—	—	—	—	—	—	—

13. Other assets

Group	**2021**	**2020**
Amounts owed by related parties	**0.4**	1.0
Inventories	**0.6**	0.6
Investments	**0.1**	0.1
Other debtors	**0.7**	1.4
Prepayments and accrued income	**4.5**	3.9
	6.3	**7.0**

Company	**2021**	**2020**
Amounts owed by related parties	**1,393.8**	1,218.9
Prepayments and accrued income	**4.5**	0.8
	1,398.3	1,219.7

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 (2020: £0.2m) in relation to a director's loan. The loan is interest free and repayable on demand.

For Company, amounts owed by related parties are primarily balances with subsidiary companies and include £0.2m (2020: £nil) in respect of companies in which HN Moser is a director and shareholder.

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.

Notes to the financial statements (continued)
All amounts are stated in £m

14. Investments in subsidiaries

The Company held the following investments in subsidiary undertakings:

	2021	2020
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
FactFocus Limited	100%	Property investment
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
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 employee benefit 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
Together Asset Backed Securitisation 2020 – 1 PLC
Together Asset Backed Securitisation 2020 – 1 Holdings Limited
Together Asset Backed Securitisation 2021 – CRE1 PLC
Together Asset Backed Securitisation 2021 – CRE1 Holdings Limited
Together Asset Backed Securitisation 2021 – CRE2 PLC
Together Asset Backed Securitisation 2021 – CRE2 Holdings Limited

All amounts are stated in £m

15. Property plant and equipment

2021 Group	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost				
At beginning of year	**8.3**	**1.9**	**16.0**	**26.2**
Additions	**0.5**	**0.1**	**5.3**	**5.9**
Lease modifications	**—**	**—**	**14.4**	**14.4**
Disposals	**(0.7)**	**(0.4)**	**—**	**(1.1)**
Impairment	**—**	**—**	**(0.2)**	**(0.2)**
At end of year	**8.1**	**1.6**	**35.5**	**45.2**
Depreciation				
At beginning of year	**4.7**	**0.8**	**6.8**	**12.3**
Charge for the year	**1.0**	**0.2**	**1.0**	**2.2**
Disposals	**(0.7)**	**(0.2)**	**—**	**(0.9)**
At end of year	**5.0**	**0.8**	**7.8**	**13.6**
Net book value				
At 30 June 2021	**3.1**	**0.8**	**27.7**	**31.6**
At 30 June 2020	3.6	1.1	9.2	13.9

The Group occupies two head-office buildings. During the year, revisions were made to the terms of both leases resulting in a remeasurement of the Group's lease liability and a modification adjustment to the corresponding right-of-use asset.

2020 Group	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost				
At beginning of year	7.9	1.8	—	9.7
Adjustment on adoption of 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
Adjustment on adoption of 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

All amounts are stated in £m

15. Property plant and equipment (continued)

2021 Company	Fixtures, fittings and equipment	Motor vehicles	Right-of-use assets	Total
Cost				
At beginning of year	**—**	**—**	**16.0**	**16.0**
Transfer of assets	**7.9**	**1.4**	**1.0**	**10.3**
Additions	**0.2**	**0.2**	**4.3**	**4.7**
Lease modifications	**—**	**—**	**14.4**	**14.4**
Impairment	**—**	**—**	**(0.2)**	**(0.2)**
At end of year	**8.1**	**1.6**	**35.5**	**45.2**
Depreciation				
At beginning of year	**—**	**—**	**6.8**	**6.8**
Transfer of assets	**4.8**	**0.6**	**—**	**5.4**
Charge for the year	**0.2**	**0.2**	**1.0**	**1.4**
At end of year	**5.0**	**0.8**	**7.8**	**13.6**
Net book value				
At 30 June 2021	**3.1**	**0.8**	**27.7**	**31.6**
At 30 June 2020	—	—	9.2	9.2

The transfer of assets relates to an intragroup transaction during the year. For further details on the transactions, see Note 2.

2020 Company	Right-of-use assets
Cost	
At beginning of year	—
Adjustment on adoption of IFRS 16	13.7
At the beginning of the year (adjusted)	13.7
Additions	0.9
Reclassification of lease liabilities	1.4
At end of year	16.0
Amortisation	
At beginning of year	—
Adjustment on adoption of IFRS 16	5.1
At the beginning of the year (adjusted)	5.1
Charge for the year	1.0
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	—

All amounts are stated in £m

16. Intangible assets

Group	Computer software 2021	Computer software 2020
Cost		
At beginning of year	**18.0**	14.5
Additions	**2.0**	3.5
At end of year	**20.0**	18.0
Amortisation		
At beginning of year	**9.9**	5.7
Charge for the year	**3.1**	4.2
At end of year	**13.0**	9.9
Net book value		
At end of year	**7.0**	8.1
At beginning of year	**8.1**	8.8

Company	Computer software 2021	Computer software 2020
Cost		
At beginning of year	**—**	—
Transfer of assets	**19.9**	—
Additions	**0.4**	—
At end of year	**20.3**	**—**
Amortisation		
At beginning of year	**—**	—
Transfer of assets	**12.8**	—
Charge for the year	**0.5**	—
At end of year	**13.3**	**—**
Net book value		
At end of year	**7.0**	**—**
At beginning of year	**—**	—

The transfer of assets relates to an intragroup transaction during the year. For further details on the transaction, see Note 2.

All amounts are stated in £m

17. Deferred tax asset

2021 Group	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	**(0.8)**	**8.4**	**7.6**
Charge to income statement	**0.2**	**0.2**	**0.4**
Adjustment in respect of prior years	**0.2**	**1.1**	**1.3**
Effect of changes in tax rates	**—**	**1.7**	**1.7**
At end of year	**(0.4)**	**11.4**	**11.0**

2020 Group	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.9)	8.4	7.5
Adjustment on adoption of IFRS 16	—	0.3	0.3
Charge to income statement	0.1	(1.2)	(1.1)
Adjustment in respect of prior years	—	0.9	0.9
At end of year	(0.8)	8.4	7.6

2021 Company	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	**—**	**0.3**	**0.3**
Charge to income statement	**(0.5)**	**1.3**	**0.8**
Effect of changes in tax rates	**—**	**0.2**	**0.2**
At end of year	**(0.5)**	**1.8**	**1.3**

2020 Company	Short-term timing differences	Total
At beginning of year	—	—
Adjustment on adoption of IFRS 16	0.3	0.3
At end of year	0.3	0.3

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future tax charge accordingly. The deferred tax asset at 30 June 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary differences, which led to a £1.7m increase in the value of the deferred tax asset at a Group level and an increase of £0.2m at a Company level.

18. Borrowings

Group	2021	2020
Bank facilities	**—**	10.0
Loan notes	**2,327.7**	2,729.8
Senior secured notes	**935.0**	786.1
Subordinated shareholder loans	**29.3**	28.4
Lease liabilities	**29.9**	11.5
	3,321.9	3,565.8
Debt issue costs	**(17.9)**	(15.7)
Total borrowings	**3,304.0**	3,550.1
Of which:		
Due for settlement within 12 months	**345.8**	93.6
Due for settlement after 12 months	**2,958.2**	3,456.5
	3,304.0	3,550.1

18. Borrowings (continued)

Company	2021	2020
Bank facilities	**—**	10.0
Subordinated shareholder loans	**29.3**	28.4
Lease liabilities	**29.9**	10.5
	59.2	48.9
Debt issue costs	**(0.2)**	(0.1)
Total borrowings	**59.0**	48.8
Of which:		
Due for settlement within 12 months	**0.7**	10.8
Due for settlement after 12 months	**58.3**	38.0
	59.0	48.8

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	96.4	Sept 2021
Together ABS 2	2018	Amortising	144.7	Nov 2022
Together ABS 3	2019	Amortising	234.3	Sep 2023
Together ABS 4	2020	Amortising	303.4	Jun 2024
Together CRE1	2021	Amortising	190.4	Feb 2025
Together CRE2	2021	Amortising	241.6	Feb 2026

* The HABS facility was revolving up until June 2021 at which point it became an amortising facility. For further details, see Note 31.

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 dates for revolving facilities include an amortisation period of one year except for Lakeside ABS.

Refer to notes 2 and 31 for more details in relation to loan notes.

In 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 had an initial 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 refinanced assets forming part of the Group’s AA rated £1.25bn Charles Street facility.

In September 2020, the maturity date on the undrawn £71.9m revolving credit facility was extended from June 2021 to June 2023.

Subordinated shareholder loans were originally issued on 2 November 2016. They are interest-free loans totalling £68.1m, which comprised £25.1m due in 2026, after maturity extensions, and £43.0m due in 2036. In January 2021, the 2026 loans were extended to 2027. The difference between the nominal value and the initial fair value represents a capital contribution, and the extension of the 2026 notes resulted in a net decrease in the carrying value of the loans of £1.0m, and a corresponding modification gain through income which was then transferred to non-distributable reserves. The difference between the total nominal value of £68.1m and the initial fair values on origination or extension of £22.2m represents a cumulative non-distributable capital contribution of £47.9m, £9.2m of which has amortised by 30 June 2021 (30 June 2020: £7.2m). The remainder of the reserve will be released over the life of the instruments.

All amounts are stated in £m

18. Borrowings (continued)

In January 2021, the Group announced the issuance of £500m of senior secured notes at a coupon of 5.25%. The proceeds from the issuance have been used to repay £350m of senior secured notes which were due to mature in 2024 and paid a coupon of 6.125%, and to buy back loan assets held in private securitisations and for general corporate purposes. The early redemption of the notes due in 2024 has resulted in the payment of a call penalty of £5.4m, the write-off of deferred up-front fees of £1.2m and a release of £0.7m relating to the associated issue premium. The Group also has a second tranche of senior secured notes in issue of £435m, due to mature by 2026. Further details can be found within Note 5.

In March 2021, Together successfully completed its first public securitisation backed by commercial-real-estate mortgages, the Together Asset Backed Securitisation CRE 2021-1 PLC (CRE1). The issuance resulted in £193.8m of additional funding being raised. CRE1 is supported by a portfolio of largely first-charge mortgages secured on commercial, residential and mixed-use properties in England, Wales and Scotland, and refinanced assets forming part of the Group's Highfield and Lakeside facilities.

As a result of the demand arising from the launch of CRE1, the Group completed a second such transaction in June 2021, successfully completing the Together Asset Backed Securitisation CRE 2021-2 PLC. The issuance raised external funding of £241.6m with 80% of the notes AAA rated.

Refer to Note 25 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 2021:

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

Company	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Subordinated shareholder loans	**—**	**—**	**—**	**29.3**	**29.3**
Lease liabilities	**0.9**	**0.8**	**2.1**	**26.1**	**29.9**
	0.9	**0.8**	**2.1**	**55.4**	**59.2**
Debt-issue costs	**(0.2)**	**—**	**—**	**—**	**(0.2)**
	0.7	**0.8**	**2.1**	**55.4**	**59.0**

All amounts are stated in £m

18. Borrowings (continued)

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
Subordinated shareholder loans	—	—	—	28.4	28.4
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

Company	<1 year	1-2 years	2-5 years	>5 years	Total
Bank facilities	10.0	—	—	—	10.0
Subordinated shareholder loans	—	—	—	28.4	28.4
Lease liabilities	0.9	0.9	3.1	5.6	10.5
	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

19. Provisions and contingent liabilities

Provisions

	Customer provisions	Other provisions	Total
Balance at beginning of year	20.9	1.4	22.3
Charge for the year	0.2	11.7	11.9
Provisions utilised	(7.8)	(1.3)	(9.1)
Balance at end of year	**13.3**	**11.8**	**25.1**

As at 30 June 2021, the Group has recognised provisions of £25.1m (30 June 2020: £22.3m). Estimating the amount of provisions requires the exercising of significant levels of judgement, with the amounts representing the best estimate of the amount required to settle or transfer the obligation at the reporting date. It is possible that the ultimate outcome could differ from amounts currently provided.

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, and has now completed remediation for all live customer accounts and have processed remediation for redeemed customers where contact and payment details have been validated. A process is ongoing to continue to contact the remaining customers.

Amounts of £3.0m relating to forbearance and customer communication remediation remain within provisions at 30 June 2021. This substantially relates to amounts remaining to be paid to customers whose loans have redeemed where the Group continues to seek to establish contact and to the costs of finalising the programme.

The Group continually focuses on improving its customer processes and responding to changes in customer needs. During the year, the regulated division continued to identify ways to improve customer experience and outcomes, including the development of a framework aimed at ensuring consistency of customer

All amounts are stated in £m

19. Provisions and contingent liabilities (continued)

Provisions (continued)

outcomes, which seeks to build upon and enhance existing practices, policies and procedures. In addition, a number of customer rate reductions were implemented during the period, including to long-standing customers, in order to offer support to them. A process is underway to assess the way that customer rates are set and reviewed, and considering those that have historically been charged to certain customers, which includes continued engagement with the regulator following their thematic review in this area.

Upon the development of the framework, the Group may make payments to certain customer populations or process reductions to loan balances. The development of the scope and definition of the parameters of the framework remains in progress and therefore there is a high degree of uncertainty pertaining to any estimated financial impact upon the Group. Uncertainty remains in relation to: the scope of application and customer populations which could possibly be included; the period which may be covered by the framework; the timeline for implementation of the framework; any amounts which may be ultimately payable under the framework; and the timing of any such payments.

The current best estimate is that the Group may incur costs of £8.5m. This represents management's best estimate at the balance sheet date, derived by considering potential scenarios which could impact upon live and redeemed loans and also comprises £1.0m which relates to estimated operational expenditure associated with these activities. However, this estimate is subject to considerable judgement and it is possible that the ultimate outcome could be materially different for the Group due to the sensitivity of the selection of certain judgements and assumptions. One scenario which was considered in deriving the overall estimate includes a larger population of customers and higher assumed levels of payments and could result in an estimated financial impact of £12.0m, which is an increase of £3.5m from the estimated provision. However, in the event that the population of customers was smaller than under the current scenario, or levels of payments were lower, the financial impact could be below the current best estimate. It is also possible that the final outcome may fall outside this range contemplated by the scenarios.

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

Other provisions substantially represents a provision for such legal claims, which includes both legal claims already received but not yet concluded, and an expectation for future claims which are yet to be received, but relate to events which have already occurred, and the anticipated costs of undertaking these processes for claims which are received by the Group. An increase in the time period we are forecasting to receive claims over of 50% would result in an increase in the provision of £3.4m (50% decrease: reduction of £3.4m).

Contingent liabilities – fixed and floating charges

As at 30 June 2021, the Group's assets were subject to a fixed and floating charge in respect of £935m senior secured notes (30 June 2020: £785m) and £nil in respect of bank borrowings (30 June 2020: £10m).

20. Other liabilities

Group	**2021**	**2020**
Amounts owed to related parties	**1.4**	—
Trade creditors	**1.1**	1.1
Other creditors	**1.9**	1.5
Other taxation and social security	**0.7**	0.7
Accruals and deferred income	**52.0**	47.9
	57.1	51.2

All amounts are stated in £m

20. Other liabilities (continued)

Company	2021	2020
Amounts owed to related parties	**955.6**	802.9
Trade creditors	**0.6**	—
Other creditors	**1.5**	—
Other taxation and social security	**0.7**	—
Accruals and deferred income	**25.2**	2.2
	983.6	805.1

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

Amounts owed to other related parties of the Company are primarily balances with subsidiary companies.

21. Share capital

Authorised	2021	2020
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	2021	2020
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 not been issued, and the Company's directors are authorised to allot up to 10,000 E ordinary shares to holders of D ordinary shares.

22. 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.

All amounts are stated in £m

22. Financial instruments and fair values (continued)

Financial instruments measured at fair value

The following table analyses 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 (liabilities)/assets held for risk management	Level 1	Level 2	Level 3	Fair value	Carrying value
2021					
Interest-rate risk					
Derivative assets	**—**	**0.6**	**—**	**0.6**	**0.6**
Derivative liabilities	**—**	**(1.2)**	**—**	**(1.2)**	**(1.2)**
2020					
Interest-rate risk					
Derivative liabilities	—	(2.9)	—	(2.9)	(2.9)

The Group's derivative assets are interest-rate swaps and caps and its derivative liability is an interest-rate swap and related floor. The valuations of these instruments are level 2, being derived from generally accepted valuation models that use forecast future interest-rate curves derived from market data.

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:

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

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

At the onset of the pandemic, the fair value of a loan portfolio was considered to be especially uncertain and estimating its market price was deemed to be challenging. As such, for 30 June 2020 reporting, fair values were taken to be the lower of the carrying value and the modelled fair value of each individual loan. This resulted in the overall fair value of loans and advances to customers being lower than the carrying value. Given the improving economic outlook, and the prevailing conditions, we have reverted to solely using the

All amounts are stated in £m

22. Financial instruments and fair values (continued)

Financial instruments not measured at fair value (continued)

outputs of our fair-value models for 30 June 2021 reporting. This has resulted in a fair value greater than the carrying value, reflecting the volatility in the market experienced during the year, and the improved outlook at 30 June 2021 compared to the previous period.

For borrowings, the fair value of senior secured notes is considered to be level 1, reflecting quoted prices. The fair value is now higher than the carrying value following improvement in the economic outlook at 30 June 2021.

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

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

23. Notes to the cash flow statement

Group	2021	2020
Adjustments for non-cash items in profit after tax:		
Net interest income	**(247.4)**	(251.3)
Changes in expected credit losses charged to income statement	**18.0**	66.7
Taxation	**19.2**	10.5
Provisions for liabilities and charges	**11.9**	21.4
Depreciation and amortisation	**5.3**	6.7
Net (gains)/losses on financial instruments	**(1.1)**	0.5
Impairment of right-of-use asset	**0.2**	—
(Gains)/losses on disposal of fixed assets	**—**	(0.1)
	(193.9)	(145.6)

	2021	2020
Changes in operating assets and liabilities		
(Increase)/decrease in loans and advances to customers	**132.3**	(534.4)
(Increase)/decrease in other assets	**0.7**	(1.5)
(Decrease) in other liabilities	**(6.6)**	(4.4)
	126.4	(540.3)

Company	2021	2020
Adjustments for non-cash items in profit after tax:		
Net interest income	**60.7**	59.6
Taxation	**(1.0)**	—
Impairment of right-of-use asset	**0.2**	—
	59.9	59.6

	2021	2020
Changes in operating assets and liabilities		
Intergroup recharges and treasury transfers	**(22.2)**	137.8
Increase/(decrease) in accruals	**16.4**	1.5
Increase in other assets	**(3.7)**	(1.1)
	(9.5)	138.2

Notes to the financial statements (continued)
All amounts are stated in £m

23. Notes to the cash flow statement (continued)

Reconciliation of changes in liabilities arising from financing activities

As at 30 June 2021:

Group	At beginning of year	Net cash Flows	Lease additions	Prepaid fees	Non-cash changes Amortisation of premiums and discounts	Modification of subordinated debt	Net other movements	At end of year
Bank facilities	**10.0**	**(10.0)**	**—**	**—**	**—**	**—**	**—**	**—**
Loan notes	**2,729.8**	**(402.1)**	**—**	**—**	**—**	**—**	**—**	**2,327.7**
Senior secured notes	**786.1**	**150.0**	**—**	**—**	**(1.1)**	**—**	**—**	**935.0**
Subordinated shareholder loans	**28.4**	**—**	**—**	**—**	**2.1**	**(1.0)**	**(0.2)**	**29.3**
Lease liabilities	**11.5**	**(2.2)**	**20.6**	**—**	**—**	**—**	**—**	**29.9**
	3,565.8	**(264.3)**	**20.6**	**—**	**1.0**	**(1.0)**	**(0.2)**	**3,321.9**
Net debt issue costs	**(15.7)**	**—**	**—**	**(2.2)**	**—**	**—**	**—**	**(17.9)**
Total borrowings	**3,550.1**	**(264.3)**	**20.6**	**(2.2)**	**1.0**	**(1.0)**	**(0.2)**	**3,304.0**

As at June 2020:

Group	At beginning of year	Net cash flows	IFRS 16 adjustment	Lease additions	Prepaid fees	Non-cash changes Amortisation of premiums and discounts	Modification of subordinated loan	Reclassification of leases	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
Subordinated shareholder loans	27.1	—	—	—	—	2.1	(0.8)	—	28.4
Lease liabilities	0.8	(1.6)	10.2	1.4	—	—	—	0.7	11.5
	3,031.2	521.7	10.2	1.4	—	1.4	(0.8)	0.7	3,565.8
Net debt issue costs	(15.5)	—	—	—	(0.2)	—	—	—	(15.7)
Total borrowings	3,015.7	521.7	10.2	1.4	(0.2)	1.4	(0.8)	0.7	3,550.1

All amounts are stated in £m

23. Notes to the cash flow statement (continued)

Reconciliation of changes in liabilities arising from financing activities (continued)

As at 30 June 2021:

Company	At beginning of year	Net cash flows	Lease additions	Prepaid fees	Non-cash changes Amortisation of premiums and discounts	Modification of subordinated loan	Net other movements	At end of year
Bank facilities	**10.0**	**(10.0)**	**—**	**—**	**—**	**—**	**—**	**—**
Subordinated shareholder loans	**28.4**	**—**	**—**	**—**	**2.1**	**(1.0)**	**(0.2)**	**29.3**
Lease liabilities	**10.5**	**—**	**19.7**	**—**	**—**	**—**	**(0.3)**	**29.9**
	48.9	**(10.0)**	**19.7**	**—**	**2.1**	**(1.0)**	**(0.5)**	**59.2**
Net debt issue costs	**(0.1)**	**—**	**—**	**(0.1)**	**—**	**—**	**—**	**(0.2)**
Total borrowings	**48.8**	**(10.0)**	**19.7**	**(0.1)**	**2.1**	**(1.0)**	**(0.5)**	**59.0**

As at 30 June 2020:

Company	At beginning of year	Net cash flows	Lease additions	Prepaid fees	Non-cash changes Amortisation of premiums and discounts	Modification of subordinated loan	Net other movements	At end of year
Bank facilities	55.0	(45.0)	—	—	—	—	—	10.0
Subordinated shareholder loans	27.1	—	—	—	2.1	(0.8)	—	28.4
Lease liabilities	—	—	10.2	—	—	—	0.3	10.5
	82.1	(45.0)	10.2	—	2.1	(0.8)	0.3	48.9
Net debt issue costs	(0.3)	—	—	0.2	—	—	—	(0.1)
Total borrowings	81.8	(45.0)	10.2	0.2	2.1	(0.8)	0.3	48.8

24. 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.

24. Related party transactions (continued)

Relationships (continued)

a) Controlling party (continued)

Besides the companies owned by Redhill Famco Limited, other entities owned 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	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 18. 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 Group pays dividends to its parent company Bracken Midco2 Limited.

c) Subsidiaries

Details of the Company's interest in its subsidiaries are listed in Note 14. The Company utilises its bank and subordinated shareholder funding, and bonds raised by a subsidiary company, to provide treasury funding to its lending subsidiaries. Interest is recharged among Group companies based on the Group's external cost of borrowings and the risk of the assets funded. The cost of equity funding is not charged. All amounts are repayable on demand.

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than the director's loan disclosed in Note 13 and remuneration in the ordinary course of business disclosed in Note 7.

24. Related party transactions (continued)

Transactions

The amounts receivable from and payable to related parties by the Group and Company are disclosed in Notes 13 and 20 to the Financial statements. The Group and Company had the following transactions with related parties during the year:

	2021		2020	
Group	**Charge/ (credit) to income or equity**	**Paid**	**Charge/ (credit) to income or equity**	**Paid**
Lease and insurance costs	**1.5**	**1.2**	1.4	1.8
Accounts payable transactions	**—**	**1.0**	—	1.2
Impairment of related party loans	**0.1**	**—**	1.9	—
Interest on related party loans	**(0.2)**	**—**	(0.6)	
Net provision of treasury funding	**—**	**(2.7)**		
Related parties of HN Moser	**1.4**	**(0.5)**	2.7	3.0
Interest expense	**1.0**	**—**	2.1	—
Dividends paid	**52.7**	**52.7**	15.6	15.6
Parent companies	**53.7**	**52.7**	17.7	15.6
Total related parties	**55.1**	**52.2**	20.4	18.6

	2021		2020	
Company	**Charge/ (credit) to income or equity**	**Paid/ (received)**	**Charge/ (credit) to income or equity**	**Paid**
Interest expense	**1.0**	**—**	2.1	—
Dividends paid	**52.7**	**52.7**	15.6	15.6
Parent companies	**53.7**	**52.7**	17.7	15.6
Depreciation expense of right-of-use assets	**1.0**	**—**	1.0	—
Interest expense on lease liabilities	**0.6**	**—**	0.5	—
Interest recharges	**(6.0)**	**—**	(5.5)	—
Net provision of treasury funding	**—**	**10.7**	—	(140.5)
Subsidiary companies	**(4.4)**	**10.7**	(4.0)	(140.5)
Total related parties	**49.3**	**63.4**	13.7	(124.9)

25. Leases

The Group occupies two head-office buildings. During the year, revisions were made to the terms of both leases resulting in a remeasurement of the Group's lease liability and a modification adjustment to the corresponding right-of-use asset.

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 2021 and year ended 30 June 2020:

2021	**Administrative expenses £m**	**Interest expense £m**	**Total £m**
Depreciation expense of right-of-use assets	1.0	—	1.0
Interest expense on lease liabilities	—	0.6	0.6
Total recognised in the income statement	**1.0**	**0.6**	**1.6**

25. Leases (continued)

2020	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 2021 and the year ended 30 June 2020.

Group	2021 Right-of-use assets – leasehold property £m	Lease liabilities £m	2020 Right-of-use assets – leasehold property £m	Lease liabilities £m
As at beginning of year	9.2	(11.5)	8.6	(11.0)
Additions	5.3	(5.6)	0.9	(1.4)
Modifications	14.4	(14.4)	—	—
Depreciation expense	(1.0)	—	(1.0)	—
Interest expense on lease liabilities	—	(0.6)	—	(0.5)
Payments	—	2.2	—	2.1
Reclassification	—	—	0.7	(0.7)
Impairment	(0.2)	—	—	—
As at end of year	**27.7**	**(29.9)**	**9.2**	**(11.5)**

The lease liabilities analysis includes hire purchase obligations for motor vehicles. The Group had total cash outflows for leases of £2.2m during the year ended 30 June 2021 (2020: £2.1m).

Company	2021 Right-of-use assets – leasehold property £m	Lease liabilities £m	2020 Right-of-use assets – leasehold property £m	Lease liabilities £m
As at beginning of year	9.2	(10.5)	8.6	(10.2)
Additions/transfers	5.3	(6.6)	0.9	(0.6)
Modifications	14.4	(14.4)	—	—
Depreciation expense	(1.0)	—	(1.0)	—
Interest expense on lease liabilities	—	(0.6)	—	(0.5)
Payments	—	2.2	—	1.5
Reclassification	—	—	0.7	(0.7)
Impairment	(0.2)	—	—	—
As at end of year	**27.7**	**(29.9)**	**9.2**	**(10.5)**

26. Pension arrangements

During the year the Group contributed to employees' personal pension plans. The total cost for the year amounted to £1.3m (2020: £1.4m).

27. 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.

28. Commitments

The Group has commitments to extend credit which are not recorded on the balance sheet. This includes both the undrawn element of existing facilities and new commitments to lend.

As 30 June 2021, the Group had undrawn commitments to lend of £106.2m (30 June 2020: £88.4m). These relate mostly to lines of credit granted to existing customers for property development. The amounts do not represent the amounts at risk at the reporting date but the amounts that would be at risk should the facilities be fully drawn upon and should the customer default.

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 £0.2m (2020: £nil), and is classified within other liabilities.

29. Reforms of benchmark interest rates

The Group is exposed to sterling Libor which, for the Group's instruments, is expected to be discontinued on 31 December 2021 due to interest-rate benchmark reform. The exposures arise on derivatives and non-derivative financial liabilities. It will be necessary to transition to an alternative benchmark rate, also referred to as near-risk-free rates or RFRs. The RFR for sterling Libor will be the reformed sterling overnight index average (Sonia).

Progress towards implementation of alternative benchmark interest rates

The Group's mortgage loans do not directly reference Libor, and its only significant use is as a reference rate for some of the Group's floating-rate borrowings and, in two cases, their related hedging arrangements. The Group's preparations for the discontinuance of sterling Libor are under close management by the treasury department to minimise the risk to the business's performance and activities. The Group has been progressing the transition to Sonia with its banks and advisors. Subsequent to the year end arrangements have been completed for two of its sterling-Libor facilities, as set out below. For the remaining facilities discussions are at an advanced stage and on track for resolution in good time for 31 December 2021.

Risks arising from the interest-rate benchmark reform

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

- Interest-rate basis risk: this risk arises if negotiations with counterparties are not successfully concluded before the cessation of Libor, or if negotiations result in derivative and non-derivative instruments in a hedging relationship transitioning at different times, with different adjustment spreads or to different calculation methodologies. Group management is working with all counterparties to avoid this from occurring and, on the basis of the discussions so far, believes the likelihood of such a risk crystallising is very low.
- Accounting: if transition to Sonia is executed such that it does not permit the application of the reliefs in the Phase 2 amendments to IFRS 9, this could lead to volatility in the income statement as a result of the discontinuation of hedge-accounting relationships or if non-derivative financial instruments are modified or derecognised. However, the Group is aiming to agree changes to contracts that would allow IFRS 9 reliefs to apply, and any risk is considered very low.
- Operational risk: the implementation of alternative benchmark rates will require changes which potentially give rise to operational risks. The Group has plans in place to control the implementation of these changes to minimise the risk of such issues arising.

Interest-rate benchmark transition for non-derivative financial liabilities

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

Notes to the financial statements (continued)

All amounts are stated in £m

29. Reforms of benchmark interest rates (continued)

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

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

Non-derivative financial liability	Maturing in	Total facility	Hedge accounting	Transition progress
Revolving credit facility	June 2023	71.9	N/a	On track to finalise by December 2021
Private securitisation loan notes				
Charles Street ABS	September 2023	1,255.0	Partially designated in cashflow hedge	On track to finalise by December 2021
Lakeside ABS	November 2023	500.0	N/a	On track to finalise by December 2021
Highfield ABS	June 2022	525.0	N/a	Transitioned to Sonia subsequent to 30 June 2021
Delta ABS2	March 2023	200.0	N/a	On track to finalise by December 2021
Public securitisation loan notes*				
Together ABS1	September 2021	96.4	N/a	Facility extinguished subsequent to 30 June 2021
Together ABS2	November 2022	144.7	Partially designated in cashflow hedge	On track to finalise by December 2021

* The stated maturity dates for the public securitisations are aligned to the maturity/call dates disclosed in Note 18. The stated nominal amounts represent the amounts outstanding at the end of the period.

To ensure the timely transition to Sonia, the Group will refinance its facilities in line with its funding plans in accordance with its strategy of refinancing facilities ahead of their maturities; where such refinancing activities will occur after the December 2021 transition date the Group plans to agree contact amendments with counterparties.

Interest-rate benchmark transition for derivatives and hedge relationships

The Group uses sterling-Libor derivatives for hedging purposes in only two of its securitisations, Charles Street ABS (CABS) and Together ABS2 (TABS 2). CABS uses a combined interest-rate swap and floor and TABS 2 uses a cap. All derivatives are subject to reform and the notional amounts can be found within Note 12. The Group's discussions with its investors and banks are at an advanced stage and on track for finalisation in good time for December 2021.

30. 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.

31. Events after the reporting date

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

In September 2021 the Group refinanced its £525m Highfield ABS facility, extending its maturity date from June 2022 to September 2025 and improving commercial terms.

In early September 2021 the Group announced the pricing of its inaugural 1st charge only RMBS, the £318m Together Asset Backed Securitisation 2021 – 1ST1 PLC RMBS ('TABS 5'). The £318m facility is expected to have 89% of its notes rated AAA.

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

Glossary

2026 Senior Secured Notes (SSNs 2026)	£435m senior secured notes issued by a subsidiary of the Group, Jerrold Finco PLC.
2026 Senior Secured Notes (SSNs 2027)	£500m 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.
Brooks ABS 1	Brooks Asset Backed Securitisation 1 Limited – this is an amortising facility, which raised £71.0m against a loan portfolio of £96.2m with a contractual maturity of January 2026 and an option to call the facility in July 2025. The facility is secured on loans with some degree of arrears or imperfect credit histories.
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 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.
ESG	Environment, Society and Governance.
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.
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 as of 30 June 2021, subsequently refinanced with a maturity date of September 2025.
IFRS	International Financial Reporting Standards.
IFRS 16	International Financial Reporting Standard 16 – Leases. This standard replaced International Accounting Standard 17 – Leases. The Group adopted this standard from 1 July 2019.
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 at an acceptable cost.
Loan book	This refers to the gross 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 carrying amount of a mortgage loan to the appraised value of the property securing the loan. The carrying amount is calculated as 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. less allowances for impairments, and v. other accounting adjustments (including adjustments to recognise income at the effective interest rate). The appraised value is typically: i. the assessed value of real property in the opinion of a qualified appraiser or valuer, or ii. derived from an automated valuation model during the mortgage origination process, or iii. the revised valuation of the property if a later valuation has been undertaken.

Glossary (continued)

Market risk	The risk arising from the Group's exposure to movements in market values, including movements in interest rates.
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.
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 its securitisation vehicles listed in Note 14 to the Financial Statements.
Shareholder funds	Equity and subordinated shareholder loans. 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, or from an inability to adapt to the external environment.
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 against a loan portfolio of £366.0m with a contractual maturity of December 2061 and an option to call the facility in June 2024.
Together CRE1	Together Asset Backed Securitisation 2021 – CRE1 PLC – this is an amortising facility which raised £194.3m against a loan portfolio of £200.0m with a contractual maturity of January 2055 and an option to call the facility in February 2025.

Glossary (continued)

Together CRE2	Together Asset Backed Securitisation 2021 – CRE2 PLC – this is an amortising facility which raised £241.6m against a loan portfolio of £249.0m with a contractual maturity of August 2052 and an option to call the facility in February 2026.
Underlying profit before tax	Underlying profit before tax (PBT) is the Group's statutory profit before tax adjusted for one-off exceptional items. In 2021, underlying PBT excluded one-off refinancing and transaction costs of £5.9m as well as a release of £6.5m relating to redundancy costs and certain customer provisions. In 2020 underlying PBT excluded one-off refinancing and transactions costs of £6.7m and customer-related provisions 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. In 2021, underlying PAT excluded one-off refinancing and transaction costs of £5.9m as well as a release of £6.5m relating to redundancy costs and certain customer provisions. In 2020 underlying PAT excluded one-off refinancing and transactions costs of £6.7m and customer-related provisions of £17.2m.
Weighted average LTV of originations	The average LTV on originations is calculated on a weighted-average basis, by multiplying the LTV of each origination by the respective principal loan amount and then dividing by the total of the originations' principal amounts.
Weighted average indexed LTV of portfolio	The average LTV of our loan portfolio is calculated on a weighted-average basis, by multiplying each loan's LTV by the respective loan amount and then dividing the sum 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 values 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

In the reporting of financial information, we use certain measures that are not required under IFRS, the generally accepted accounting principles 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.

	2021 £m	2020 £m
Impairment charge	**16.1**	66.9
Average net loans and advances to customers	**4,087.0**	3,928.3
	0.4%	1.7%

Cost/income ratio

Administrative expenses including depreciation and amortisation divided by operating income

	2021 £m	2020 £m
Administrative expenses	**86.2**	92.8
Operating income	**252.6**	254.3
	34.1%	36.5%

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 cost relating to 2021 senior secured notes.

	2021 £m	2020 £m
Administrative expenses	**86.2**	92.8
Less redundancy costs	**(1.7)**	—
Plus forbearance and customer communication provision releases	**8.2**	(17.2)
Administrative expenses excluding exceptional	**92.7**	75.6
Operating income	**252.6**	254.3
Add back refinance cost	**5.9**	6.7
Operating income excluding exceptional	**258.5**	261.0
Underlying cost/income ratio	**35.9%**	29.0%

Earnings before interest, tax, depreciation and amortisation (EBITDA)

Profit before taxation adding back interest payable and similar charges and depreciation and amortisation.

	2021 £m	2020 £m
Profit before tax	**150.3**	94.6
Add back:		
Interest payable and similar charges	**123.5**	137.1
Depreciation and amortisation	**5.3**	6.7
	279.1	238.4

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.

	2021 £m	2020 £m
EBITDA	**279.1**	238.4
Add back:		
Redundancy costs	**1.7**	—
(Less forbearance and customer communication provision releases)/plus additional forbearance and customer communication provisions	**(8.2)**	17.2
Underlying EBITDA	**272.6**	255.6

Interest cover ratio

The ratio of EBITDA to interest payable and similar charges.

	2021 £m	2020 £m
EBITDA	**279.1**	238.4
Interest payable and similar charges	**123.5**	137.1
	2.26:1	1.74:1

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.

	2021 £m	2020 £m
Underlying EBITDA	**272.6**	255.6
Interest payable and similar charges	**123.5**	137.1
Add back:		
Refinancing cost	**(5.9)**	(6.7)
	117.6	130.4
Underlying interest cover ratio	**2.32:1**	1.96:1

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.

	2021 £m	2020 £m
Loan notes	**2,327.7**	2,729.8
Senior secured notes	**935.0**	786.1
Bank facilities	**—**	10.0
Less senior secured notes premium	**—**	(1.1)
Less cash and cash equivalents	**(228.6)**	(252.5)
Net debt	**3,034.1**	3,272.3
Loans and advances to customers	**4,011.9**	4,162.2
	75.6%	78.6%

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.

	2021 £m	2020 £m
Net interest income	**247.4**	251.3
Average loans and advances to customers	**4,087.0**	3,928.3
	6.1%	6.4%

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.

	2021 £m	2020 £m
Net interest income	**247.4**	251.3
Add back:		
Refinancing cost	**5.9**	6.7
Adjusted net interest income	**253.3**	258.0
Average loans and advances to customers	**4,087.0**	3,928.3
	6.2%	6.6%

Underlying profit before tax

Calculated as Group's statutory profit before tax adjusted for one-off exceptional items.

	2021 £m	2020 £m
Profit before tax	**150.3**	94.6
Add back:		
Refinancing cost	**5.9**	6.7
Redundancy costs	**1.7**	—
(Less forbearance and customer communication provision releases)/plus additional forbearance and customer communication provisions	**(8.2)**	17.2
	149.7	118.5

Return on equity (ROE)

Calculated as profit after tax adding back shareholder loan interest net of associated tax using the effective tax rate, expressed as a percentage of the average of the opening and closing shareholder funds (which include shareholder loans of £29.3m (2020: £28.4m)).

	2021 £m	2020 £m
Profit after tax	**131.1**	84.1
Add back shareholder loan interest	**1.0**	2.1
Less tax on shareholder loan interest	**(0.1)**	(0.2)
Total return to shareholder funds	**132.0**	86.0
Average shareholder funds	**896.7**	825.2
	14.7%	10.4%

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 £29.3m (2020: £28.4m) adjusted for exceptional items during the period).

	2021 £m	2020 £m
Total return to shareholder funds	**132.0**	86.0
Add back exceptional items:		
Redundancy costs	**1.7**	—
(Less forbearance and customer communication provision releases)/plus additional forbearance and customer communication provisions	**(8.2)**	17.2
Refinancing cost	**5.9**	6.7
	(0.6)	23.9
Less tax on exceptional costs using effective tax rate	**0.1**	(2.7)
	(0.5)	21.2
Underlying return to shareholder funds	**131.5**	107.2
Underlying average shareholder funds	**908.5**	835.8
	14.5%	12.8%

Cost/asset ratio

Administrative expenses including depreciation and amortisation expressed as a percentage of the average of the opening and closing total assets.

	2021 £m	2020 £m
Administrative expenses	**86.2**	92.8
Average total assets	**4,375.8**	4,148.2
	1.97%	2.24%

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.

	2021 £m	2020 £m
Administrative expenses	**86.2**	92.8
Less redundancy costs	**(1.7)**	—
Plus forbearance and customer communications provision releases/(less additional forbearance and customer communications provisions)	**8.2**	(17.2)
Adjusted administrative expenses	**92.7**	75.6
Average total assets	**4,375.8**	4,148.2
	2.12%	1.82%

Shareholder funds

Equity plus subordinated shareholder loans of £29.3m (2020: £28.4m).

	2021 £m	2020 £m
Equity	**907.7**	828.0
Shareholder loans	**29.3**	28.4
	937.0	856.4

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.

Loss allowance	2020 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)**

Loss allowance	2019 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.

Scenarios	2020 Probability of the scenario	2020 Unweighted ECL	2019 Probability of the scenario	2019 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

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

Notes to the financial statements (continued)
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.

Notes to the financial statements (continued)
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**

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	Non-cash changes Prepaid fees	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

Notes to the financial statements (continued)
All amounts are stated in £m

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.

[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

12. Income tax

	2019	2018
Current tax		
Corporation tax	**17.7**	16.1
Adjustment in respect of prior years	**0.5**	(1.8)
	18.2	14.3
Deferred tax		
Origination and reversal of temporary differences	**0.2**	1.2
Adjustment in respect of prior years	**0.2**	(0.2)
	0.4	1.0
Total tax on profit	**18.6**	15.3

Corporation tax is calculated at 19.00% (2018: 19.00%) of the estimated taxable profit for the year.

The differences between the Group tax charge for the year and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2019	2018
Profit before tax	**130.3**	**121.7**
Tax on profit at standard UK corporation tax rate of 19.00% (2018: 19.00%)	**24.8**	23.1
Effects of:		
Expenses not deductible for tax purposes	**2.8**	2.5
Income not taxable	**(2.4)**	(1.8)
Group relief*	**(7.1)**	(6.5)
Adjustment in respect of prior years	**0.5**	(2.0)
Group tax charge for year	**18.6**	15.3

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

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2018) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the Group's current tax charge accordingly. The deferred tax asset at 30 June 2019 has been calculated based on these rates.

13. Cash and cash equivalents

	2019	2018
Unrestricted cash	**22.6**	**—**
Restricted cash	**97.6**	**74.3**
Total cash and cash equivalents	**120.2**	**74.3**

During the year, cash which is restricted within securitisation vehicles of £97.6m (2018: £74.3m, 2017: £72.1m) has been reclassified from borrowings to cash and cash equivalents. As such, prior year comparatives have been reclassified throughout these financial statements.

Restricted cash is ring-fenced and held in securitisation vehicles for use in managing the Group's securitisation facilities under terms of the agreements. Within restricted cash £32.4m (2018: £ 26.6m, 2017: £44.7m) represents amounts which are not considered readily available, but can be accessed by the Group, for example by allocating additional eligible assets into the private securitisations.

All cash and cash equivalents held by the Group are denominated in pounds sterling.

14. Loans and advances to customers

	2019 IFRS 9 Stage 1	Stage 2	Stage 3	Total	2018 IAS 39
Gross loans and advances	**3,025.3**	**419.5**	**316.7**	**3,761.5**	3,020.0
Loss allowance	**(11.2)**	**(9.6)**	**(46.2)**	**(67.0)**	(61.8)
	3,014.1	**409.9**	**270.5**	**3,694.5**	2,958.2

Financial assets which are credit-impaired on purchase or origination are not material. Comparative amounts for 2018 reflect the measurement basis under IAS 39.

Loans and advances to customers include total gross amounts of £10.9m (2018: £12.5m), equivalent to £8.0m (2018: £10.2m) net of allowances, loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies of which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of those companies.

Gross loans and advances are repayable:

	IFRS 9 2019	IAS 39 2018
Due within one year	**1,453.1**	1,288.9
Due within 1-5 years	**1,104.7**	901.8
Due after five years	**1,203.7**	829.3
	3,761.5	3,020.0

Measurement of expected credit losses (ECL)

ECL model

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

- It becomes 90 days or more past due
- Its security has been taken into possession
- The appointment of receivers
- There is evidence of fraud

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

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

ECL is calculated at an individual loan level as the product of PD, LGD and EAD, discounted at the original effective rate to the reporting date. It is measured using the risk of default over the maximum contractual period adjusted for expected customer prepayment behaviour.

14. Loans and advances to customers (continued)

Measurement of expected credit losses (ECL) (continued)

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

- A financial instrument not credit-impaired on initial recognition is classified in stage 1. The loss allowance for such instruments is calculated as the portion of lifetime ECL of those default events expected to occur within 12 months of the reporting date, weighted by the probability of that default occurring.
- An instrument moves to stage 2 if there is an increase in its credit risk that is significant but not such that the instrument is considered credit impaired. The loss allowance for stage 2 instruments is calculated as the lifetime ECL. The determination of significant increases in credit risk is explained further, later in this section.
- Stage 3 instruments are credit impaired and the loss allowance calculated as the lifetime ECL.

Improvements in credit quality may result in instruments moving categorisation, from stage 3 to stage 2 where they are no longer considered credit impaired or to stage 1 where the credit risk is no longer significantly increased compared with initial recognition. Such transitions occur only after the completion of probationary periods.

Forbearance

The Group offers forbearance to assist customers who are experiencing financial distress and considers an account as forborne at the time a customer in financial difficulty is granted a concession. For accounting purposes under IFRS 9, any gains or losses arising upon granting forbearance are usually not material because losses are already included in ECLs. Subsequently, the Group may determine after a probationary period that a restructuring has significantly improved credit risk such that the asset is moved back to stage 1.

Incorporation of forward-looking information

The Group uses forward-looking information in its measurement of ECL and in identifying significant increases in credit risk, which is discussed in the next section. The Group's statistical analysis of historical data has confirmed that the key economic variables that drive credit risk, and the ECL for the Group's financial instruments, are unemployment, Bank Rate, economic activity as measured by Gross Domestic Product (GDP), and changes in house prices. The Group uses a range of forecast economic scenarios, drawing on external forecasts where appropriate, and calculates ECL using a base case, an upside and a downside scenario, weighted 40%, 30% and 30% respectively. The base case is aligned to the Group's internal planning assumptions.

The most significant assumptions used for the ECL estimate as at 1 July 2018 and 30 June 2019 are in the following ranges for the next ten years:

At 30 June 2019	**Minimum**	**Average**	**Maximum**
Annual GDP growth (%)	**(1.1)**	**1.6**	**3.6**
Bank Rate (%)	**0.00**	**1.50**	**2.75**
Unemployment rate (%)	**3.2**	**4.1**	**6.2**
Annual change in house-price index (%)	**(8.7)**	**2.6**	**10.4**

At 1 July 2018	**Minimum**	**Average**	**Maximum**
Annual GDP growth (%)	(0.6)	1.7	3.3
Bank Rate (%)	0.25	2.00	3.50
Unemployment rate (%)	3.0	4.3	6.0
Annual change in house-price index (%)	(6.2)	3.0	8.7

To project the economic variables for the remaining term of each instrument, it is assumed that the forecasts used in all scenarios revert to our long-term base case forecast beyond a ten-year horizon.

Notes to the financial statements (continued)

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)

Notes to the financial statements (continued)

14. Loans and advances to customers (continued)

Movements in gross carrying amounts

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

Loans and advances to customers at amortised cost on an IFRS 9 basis	Stage 1	Stage 2	Stage 3	2019
Gross loans and advances at beginning of year	**2,305.5**	**358.5**	**356.0**	**3,020.0**
Transfer to 12-month ECL	**257.3**	**(254.7)**	**(2.6)**	**—**
Transfer to lifetime ECL not credit impaired	**(467.9)**	**552.2**	**(84.3)**	**—**
Transfer to lifetime ECL credit impaired	**(33.5)**	**(164.5)**	**198.0**	**—**
New financial assets originated, net of fees and adjustments	**1,907.0**	**24.9**	**(0.9)**	**1,931.0**
Financial assets derecognised including write-offs	**(943.1)**	**(96.9)**	**(149.5)**	**(1,189.5)**
Gross loans and advances at end of year	**3,025.3**	**419.5**	**316.7**	**3,761.5**

New mortgage loans originated during the year resulted in an increase of £7.1m in the loss allowance. The Group's highly cash-generative business model, with around half of all loans redeeming within two years, resulted in a release of ECLs totalling £20.2m. The ECL charge was adversely impacted by £0.9m due to a changing macroeconomic outlook during the year, primarily due to a reduction in forecast house price growth, when compared to the forecast at 1 July 2018.

The contractual amount outstanding on financial assets that were written off during the year and are still subject to enforcement activity at the year-end is £nil (2018: £nil). The gross loss on modifications resulting from forbearance was already materially reflected in the ECL allowance and therefore there was no additional impact recognised in the income statement for such loans.

Impairment losses for the year

	IFRS 9 2019	IAS 39 2018
Movements in impairment allowance, charged to income	**(13.4)**	(9.1)
Amounts released from deferred income	**1.7**	2.3
Write-offs net of recoveries	**(3.7)**	(4.6)
Charged to the income statement	**(15.4)**	(11.4)

15. Derivative assets held for risk management

	Notional amount 2019	Fair value 2019	Notional amount 2018	Fair value 2018
Interest-rate options	**98.9**	**0.1**	—	—

In order to cap any exposure to changes in cash flows from interest-rate movements in its Together ABS 2 securitisation, in November 2018 the Group purchased an option under which it will receive interest to the extent that libor exceeds a strike rate. The initial notional amount of the cap was for £100.6m, reducing to nil within five years. The fair value of the instrument at origination was £0.3m. The Group held no derivative instruments in previous years.

16. Inventories

	2019	2018
Properties held for resale	**0.6**	0.6

17. Other assets

Group	2019	2018
Amounts owed by related parties	**0.7**	0.5
Other debtors	**0.9**	0.9
Prepayments and accrued income	**3.2**	2.9
	4.8	4.3

Company	2019	2018
Amounts owed by subsidiaries	**1,291.9**	1,326.0
Prepayments and accrued income	**0.1**	0.1
	1,292.0	1,326.1

Amounts owed by related parties of the Group are in respect of companies in which HN Moser is a director and shareholder. Also included within amounts owed by the related parties is £0.3m (2018: £0.2m) in relation to a director's loan. The loan is interest free and repayable on demand.

The Company regularly assesses whether there is evidence that financial assets are impaired. The Group has continued to report substantial, increasing profits and the directors do not consider that there has been a significant increase in credit risk; accordingly an ECL for the amounts owed by subsidiaries is considered to be immaterial.

18. Investments in subsidiaries

The Company held the following investments in subsidiary undertakings:

	2019	2018
Investments in subsidiaries	**25.3**	25.3

The Company has the following subsidiaries, all of which are incorporated in Great Britain and are registered in England and Wales and operate throughout the United Kingdom:

	Shares and voting rights	Principal activities
Auction Finance Limited	100%	Commercial lending
Blemain Finance Limited	100%	Retail lending
Bridging Finance Limited	100%	Commercial lending
Harpmanor Limited	100%	Commercial lending
Jerrold Finco PLC	100%	Financier
Spot Finance Limited	100%	Retail lending
Together Commercial Finance Limited	100%	Commercial lending
Together Personal Finance Limited	100%	Retail lending
FactFocus Limited	100%	Property investment
General Allied Properties Limited	100%	Non-trading
Heywood Finance Limited	100%	Non-trading
Heywood Leasing Limited	100%	Non-trading
Jerrold Mortgage Corporation Limited	100%	Non-trading
Phone-a-Loan Limited	100%	Non-trading
Supashow Limited	100%	Non-trading
BridgingFinance.co.uk Limited (Company registration number 04159852)	100%	Dormant
Classic Car Finance Limited (Company registration number 03237779)	100%	Dormant
Jerrold Holdings Limited (Company registration number 04950229)	100%	Dormant
Together123 Limited (Company registration number 10758537)	100%	Dormant

The above are all direct holdings of the ordinary share capital of the companies, with the exception of Spot Finance Limited which is held by Blemain Finance Limited. The dormant subsidiaries have taken advantage

18. Investments in subsidiaries (continued)

of the exemption from audit under section 479A of the Companies Act 2006. The registered address of all subsidiaries is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

The results of the following securitisation vehicles and trusts are also consolidated in the Group accounts:

Charles Street Conduit Asset Backed Securitisation 1 Limited
Delta Asset Backed Securitisation 1 Limited
Delta Asset Backed Securitisation 2 Limited
Highfield Asset Backed Securitisation 1 Limited
Jerrold Holdings Employee Benefit Trust
Lakeside Asset Backed Securitisation 1 Limited
Together Asset Backed Securitisation 1 Holdings Limited
Together Asset Backed Securitisation 1 PLC
Together Asset Backed Securitisation 2018 – 1 Holdings Limited
Together Asset Backed Securitisation 2018 – 1 PLC

19. Property plant and equipment

2019 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	**8.5**	**1.8**	**10.3**
Additions	**0.8**	**0.2**	**1.0**
Disposals	**(1.4)**	**(0.2)**	**(1.6)**
At end of year	**7.9**	**1.8**	**9.7**
Depreciation			
At beginning of year	**3.5**	**0.5**	**4.0**
Charge for the year	**1.4**	**0.3**	**1.7**
Disposals	**(1.4)**	**—**	**(1.4)**
At end of year	**3.5**	**0.8**	**4.3**
Net book value			
At 30 June 2019	**4.4**	**1.0**	**5.4**
At 30 June 2018	**5.0**	**1.3**	**6.3**

2018 Group	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of year	6.5	1.6	8.1
Additions	2.8	0.5	3.3
Disposals	(0.8)	(0.3)	(1.1)
At end of year	8.5	1.8	10.3
Depreciation			
At beginning of year	3.2	0.5	3.7
Charge for the year	1.1	0.3	1.4
Disposals	(0.8)	(0.3)	(1.1)
At end of year	3.5	0.5	4.0
Net book value			
At 30 June 2018	5.0	1.3	6.3
At 30 June 2017	3.3	1.1	4.4

20. Intangible assets

Group	Computer software 2019	Computer software 2018
Cost		
At beginning of year	**11.4**	7.2
Additions	**3.2**	5.9
Disposals	**(0.1)**	(1.7)
At end of year	**14.5**	11.4
Amortisation		
At beginning of year	**3.1**	1.5
Charge for the year	**2.7**	3.3
Disposals	**(0.1)**	(1.7)
At end of year	**5.7**	3.1
Net book value		
At end of year	**8.8**	8.3
At beginning of year	**8.3**	5.7

21. Deferred tax asset

2019	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	**(0.7)**	**2.1**	**1.4**
IFRS 9 adjustment	**—**	**6.4**	**6.4**
Charge to income statement	**(0.1)**	**(0.1)**	**(0.2)**
Adjustment in respect of prior years	**(0.1)**	**—**	**(0.1)**
At end of year	**(0.9)**	**8.4**	**7.5**

2018	Accelerated capital allowances	Short-term timing differences	Total
At beginning of year	(0.1)	2.5	2.4
Charge to income statement	(0.1)	(1.1)	(1.2)
Adjustment in respect of prior years	(0.6)	0.8	0.2
At end of year	**(0.8)**	**2.2**	**1.4**

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

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**

26. Notes to the cash flow statement (continued)

Reconciliation of changes in liabilities arising from financing activities (continued)

As at 30 June 2018:

			Non-cash changes		
Group	**At beginning of year**	**Net cash flows**	**Prepaid fees**	**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:

			Non-cash changes		
Company	**At beginning of year**	**Net cash flows**	**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**

As at 30 June 2018:

			Non-cash changes		
Company	**At beginning of year**	**Net cash flows**	**Prepaid fees**	**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

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Bracken Midco1 plc

£380,000,000 6¾% / 7½% Senior PIK Toggle Notes due 2027

OFFERING MEMORANDUM

Global Coordinators and Joint Bookrunners

Citigroup **HSBC**

Joint Bookrunners

Barclays **Credit Suisse** **Goldman Sachs International** **J.P. Morgan**

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End of Document

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