Together Financial Services Limited

Full Year 2017 Results

Company Registration No. 02939389

Contents

Highlights

- **Strong growth in underlying EBITDA and profit before tax**
  - Underlying EBITDA up 21.4% to £193.4m (2016: £159.3m)
  - Underlying PBT increased by 29.7% to £117.1m (2016: £90.3m)
  - Statutory PBT increased to £94.1m (2016: £90.3m)
- **Loan book grown to £2.24bn with robust lending volumes, conservative LTVs and low impairments**
  - Loan book £2.24bn at 30 June 2017, up 24.4% (2016: £1.80bn)
  - Average monthly loans £98.8m, up 17.2% (2016: £84.3m)
  - Group weighted average LTV of new originations has remained conservative at 57.1% (2016: 57.1%)
  - Net impairment charge 46.4% lower at £7.4m (2016: £13.8m), representing 0.33% of the loan book value at 30 June 2017 (2016: 0.77% of the loan book value)
- **Increased interest receivable and high cash generation**
  - Interest receivable and similar income increased by 16.9% to £246.5m (2016: £210.8m), driven by interest earned on increased loan book levels
  - Group remains highly cash generative with net cash receipts of £1,001m (2016: £833m)
- **Significant additional liquidity raised to support lending growth**
  - Issue of £575m of senior secured notes to replace £300m of existing notes
  - New £90m Delta asset backed facility (runs to January 2021)
  - Increase and extension of revolving credit facility to £57.5m (2016: £29m) due in 2021
- **Increased equity ownership by existing shareholders**
  - Buy-out of minority 30% equity stake held by Equistone Partners and Standard Life Investments, increasing existing shareholders' ultimate voting interest in Together to 100%
- **Continued significant investment to support growth objectives**
  - New governance structure with separate subsidiary boards to manage our Personal Finance and Commercial Finance businesses including appointment of Pete Ball as CEO of the Personal Finance business and to the Group Board
  - Distribution channels further extended including opening up our first-charge residential mortgage range to broker networks and mortgage clubs across the UK
  - Continued enhancement of core IT platforms and processes, including our systems security, providing greater protection against cyber attacks.

	2017	2016
Underlying profit before taxation (£m)(1)	117.1	90.3
Statutory profit before taxation (£m)	94.1	90.3
Impairment charge (£m)	7.4	13.8
Loans and advances to customers (£m)	2,240.9	1,800.7
Shareholder funds (£m)(2)	651.6	575.0
Underlying return on equity (%)(3)	15.8	13.6

(1) Underlying PBT excludes one-off refinancing and transaction costs of £23.0m
(2) Includes shareholder loans and notes of £23.2m (2016: £60.0m)
(3) Return on equity is adjusted to include shareholder loans and notes within equity and for one-off refinancing and transaction costs.

Commenting on the results, Mike McTighe, Group Chairman of Together, said:

"Together delivered another record performance in the year to 30 June 2017, with sustained growth in lending volumes and profitability underpinned by continued investment for future growth and a corresponding increase in the scale, depth and diversity of our funding structure."

"We further enhanced our position as one of the UK's leading specialist secured lenders, growing the loan book by 24.4% to £2.24bn, with originations averaging over £98.8m per month and our weighted average loan-to-value of new originations remaining conservative at 57.1%. We also increased underlying profit before tax by 29.7% to £117.1m while accelerating our programme of significant investment across the business to support our future growth ambitions."

"The Group raised significant additional liquidity to support future growth, issuing £575m of senior secured notes and repaying £300m of existing notes, introducing a new £90m asset-backed facility and increasing and extending our revolving credit facility."

"During the year, the existing majority shareholders acquired the remaining shares from Equistone Partners and Standard Life Investments, clearly demonstrating their belief in the Group's growth strategy and prospects. While the performance of the UK economy has been mixed and Brexit uncertainties remain, with 86our proven business model, 43-year track record of profitability and significant growth opportunities, we believe that Together has an exciting future."

An Introduction to Together Financial Services Limited

We are a specialist UK secured lender, established in 1974 and have successfully operated throughout our 43-year history. We focus on low loan-to-value (LTV) lending and offer retail and commercial-purpose mortgage loans. Our loans include secured first and second-lien loans, of which 74.8% are secured by residential properties, with the balance secured by commercial and semi-commercial properties, almost all within the United Kingdom. We specialise in offering individually underwritten loans to underserved market segments, thereby minimising competition from retail ("high street") banks and other lenders. We offer our loans through one consistent brand 'Together' and distribute them through broker networks across the United Kingdom (which we refer to as the "broker network"), networks, mortgage clubs, professional firms, auction houses and through our direct sales team. We originate and service all our mortgage loans directly.

As of June 30, 2017, 33.4% of our loan portfolio was classified as retail purpose, 62.1% as commercial purpose, (of which 23.2% of the commercial purpose was buy to let) and 4.5% of the loan portfolio was classified as development funding, calculated by value. We classify mortgages as retail purpose lending when the mortgage is regulated by the Financial Conduct Authority ("FCA") as well as certain loans written prior to the introduction of the relevant regulation which we consider would have been subject to regulation if underwritten as of the date of this report. Retail-purpose loans include loans for purchasing a new home, making home improvements, debt consolidation and large personal purchases and since June 2016 also includes "consumer buy-to-let" loans ("CBTL") written post this date. We classify mortgages as "commercial purpose" where a loan is not defined as retail purpose or a development loan. Commercial-purpose loans include loans on which the proceeds of the loan or the property securing the loan is used for business purposes. Our classification of a mortgage as either retail or commercial-purpose is unrelated to the collateral securing it.

Our underwriting process consists of a detailed and individualised credit, affordability and repayment assessment, as well as a security assessment which includes an independent valuation, which we believe provides us with a thorough understanding of each loan application. In the underwriting process we primarily focus on affordability, being the ability of the loan applicant to make loan payments in line with agreed terms ("affordability"), and the repayment strategy, where the loan will not be repaid from instalments and security, being the adequacy of the property which will serve as security for the loan ("security"). To ensure strict compliance with our underwriting guidelines, we have in place mandate and authorisation controls, a staff training and competency program and quality-assurance sampling procedures.

The LTV of our loan portfolio on a weighted average indexed basis as of June 30, 2017, was 53.4% and the LTV on a weighted-average basis of new loans underwritten by us in the year ended June 30, 2017 was 57.1%. As of June 30, 2017, 93.2% of our total loan portfolio and 88.3% of the Borrower Group loan portfolio, calculated by value, consisted of loans with LTVs at origination equal to or less than 75%. This fundamental, long-standing principle of lending at conservative LTV levels, has provided us with significant protection in times of falling house prices and economic downturns, thereby minimising our levels of provisions and losses.

Presentation of Financial and Other Information

Financial Statements

This annual report presents the audited consolidated financial statements of Together Financial Services Limited as of and for the year ended June 30, 2017 with comparatives to June 30, 2016. The consolidated financial statements of Together Financial Services have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), are audited and are derived from internal management reporting.

As at June 30, 2017 the Company's assets were subject to a fixed and floating charge in respect of £575m senior secured notes (2016: £300m) and £nil in respect of bank borrowings (£57.5m facility, £nil drawn) of the Group (2016: £29m).

The only notable commitment, not recognised within our statements of financial position, is the operating lease we hold for our head office building.

During the period, the Group had transactions with affiliated companies. Details of these transactions can be found in note 25 of the consolidated financial statements in this report.

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

Charles Street Conduit Asset Backed Securitisation 1 Limited ("Charles Street ABS"), Lakeside Asset Backed Securitisation 1 Limited ("Lakeside ABS"), and Delta Asset Backed Securitisation 1 Limited ("Delta ABS"), the bankruptcy-remote special purpose vehicles established for purposes of our Securitisations, are consolidated into our consolidated financial statements in accordance with IFRS. Mortgage loans sold to Charles Street ABS, Lakeside ABS and Delta ABS are maintained on our consolidated statement of financial position as assets, within loans and advances to customers and the associated interest receivable credited to our income statement. The loan notes issued by Charles Street ABS, Lakeside ABS and Delta ABS 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 our statement of financial position as liabilities due to creditors with interest and debt issuance costs expensed through our income statement.

The subordinated shareholder loans have been initially recognised at fair value. As the instruments are interest-free rather than at market rates, their fair values differ from their nominal amounts and are 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 receipt of an interest-free loan is an economic benefit and, because this benefit has been provided by the Company's parent, it is initially credited to non-distributable reserves as a capital contribution. As the loan approaches maturity the increase in its amortised cost is charged to income with a corresponding transfer to reduce the related non-distributable reserve.

Other Financial Information (Non-IFRS)

We have included in this annual report and related presentation, certain financial measures and ratios, including EBITDA, EBITDA margin and certain leverage and coverage ratios that are not presented in accordance with IFRS.

In this annual report and related presentation, references to EBITDA for the year ended June 30, 2016 and 2017 for Together Financial Services, can be extracted from the audited consolidated financial statements of Together Financial Services, by taking profit after taxation and adding back interest payable and similar charges, tax on profit, depreciation and amortisation. EBITDA margin is calculated as EBITDA divided by the sum of interest receivable and similar income, fee and commission income and other income.

We are not presenting EBITDA-based measures as measures of our results of operations. EBITDA-based measures have important limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results of operations. Our management believes that the presentation of EBITDA-based measures 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.

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

Terms Relating to Our Loan Analysis

With the exception of the application of certain limited forbearance measures, we do not reschedule our loans by capitalising arrears. In this annual report and related presentation, 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.

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

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

Development loans are commercial-purpose loans that we extend to finance the development of land or property, primarily into residential units, with repayments typically being made out of the sale of property units. We underwrite relatively few new development loans each year and continue to support a small number of historical funding commitments already agreed or required to complete existing developments. Development loans are reported as a separate category of loans within this analysis.

In this annual report and related presentation, data referring to our loan portfolio analysis is in reference to our core operating subsidiaries: Auction Finance Limited, Blemain Finance Limited, Bridging Finance Limited, Harpmanor Limited, Together Personal Finance Limited and Together Commercial Finance Limited, and, which represent 99.9% of our total loan book balances by value as of June 30, 2017. Data referring to our loan portfolio analysis are presented after allowances for impairments and before certain accounting adjustments required to comply with the income recognition requirements of IFRS. Loan analysis presented in the Risk Management Report contained within the Annual Report and Consolidated Financial Statements is presented for all secured loans and before impairment.

In this annual report and related presentation, a loan is considered performing (or a "performing loan") if it has (i) nil arrears or arrears less than or equal to one month's contractual instalment or where no contractual instalment is due (ii) "performing arrears loans," being loans with arrears greater than one month's but less than or equal to three months' contractual instalments, or where cash receipts collected in the prior three months are equal to or greater than 90% of the contractual instalments due. The balance of loans are classified as (i) non-performing arrears loans, where such loans have arrears of greater than three months' contractual instalments due and where receipts collected in the prior three months are less than 90% of contractual instalments due, (ii) loans for which the security is subject to a repossession order or for which an LPA receiver has been appointed and is under sale status and (iii) development loans.

In this annual report and related presentation, the term "performing loans" refers to the aggregate of (i) the principal amount of performing loans outstanding, (ii) accrued interest and fees and (iii) net of any allowances for impairments, in respect of such loans, as of the date presented. The term "non-performing arrears loans" refers to the aggregate of (i) the principal amount of non-performing arrears loans outstanding, (ii) accrued interest and fees and (iii) net of any allowances for impairments, in respect of such loans, as of the date presented. Non-performing arrears loans do not take into account loans for which the security is subject to a repossession order or for which an LPA receiver has been appointed and is under sale status 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 impairments, in respect of such loans. Our loan analysis excludes loans with carrying values of nil for which full provisions are in place. Our provisions analysis also excludes allowances for impairment in respect of loans for which the carrying value is nil after impairment.

In this annual report and related presentation, the term "total loan assets" refers to the total balance of loans provided to our customers as included within our statement of financial position, stated after provisions for impairments and fees and commissions spread over the behavioural life of the loan.

In this annual report and related presentation, the term "second-lien loans" includes second-lien loans and also subsequent-lien loans.

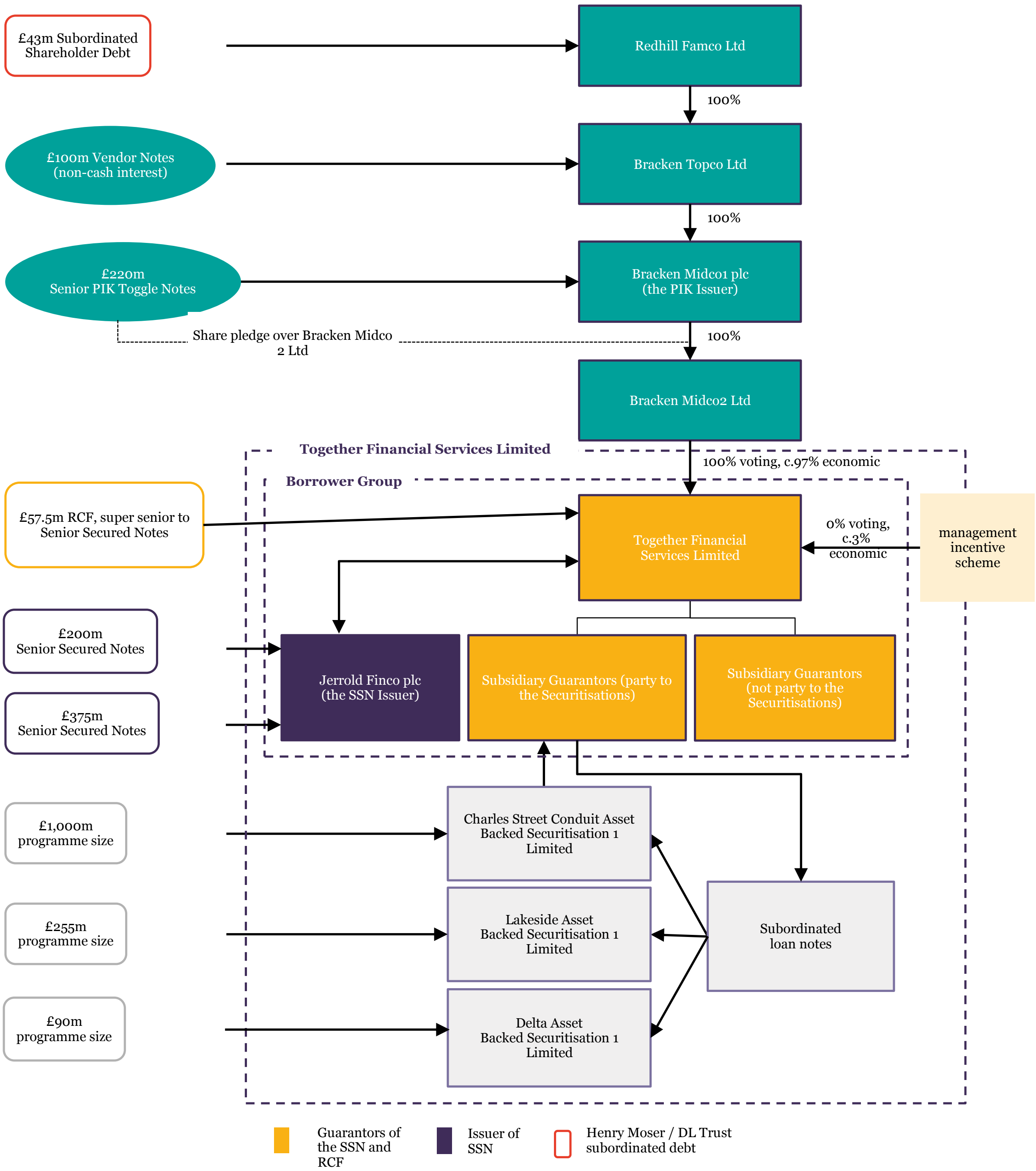
The LTV ratio is a ratio (reflected as a percentage) of the aggregate of (i) the principal amount of a mortgage loan, (ii) any higher ranking charge mortgage loans secured on the same property, (iii) the accrued interest and fees thereon and (iv) net of allowances for impairments compared with the latest appraised value of the property securing the loan. The appraised value of real property in the opinion of a qualified appraiser, valuer or from an automated valuation model during the mortgage origination process or the reappraised valuation of the property if a later valuation has been undertaken.

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

Summary Corporate and Financing Structure

The diagram below provides a simplified overview of our corporate and financing structure on a consolidated basis as at June 30, 2017.

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



Key Performance Indicators

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

(£m, except for percentages and ratios or unless otherwise noted)	12 months ended or as at June 30, 2017	2016
Group		
Interest receivable and similar income	246.5	210.8
Fee and commission income	4.2	4.2
Other income	0.1	0.2
	250.8	215.8
Impairment charge	(7.4)	(13.8)
EBITDA	185.2	159.3
EBITDA margin	73.8%	74.0%
Profit on ordinary activities before tax	94.1	90.3
Underlying profit before tax (1)	117.1	90.3
Underlying EBITDA (2)	193.4	159.3
Underlying EBITDA margin (2)	77.1%	74.0%
Supplemental cash flow information:		
Cash receipts	1,000.8	833.0
New advances	1,185.4	1,011.5
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)	57.1%	57.4%
LTV of loan portfolio (on a weighted average indexed basis)	53.4%	52.6%
Borrower Group		
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)	58.3%	60.9
LTV of loan portfolio (on a weighted average indexed basis)	57.1%	58.4%

(1) Calculated on an underlying basis, which excludes £14.8m incurred in relation to refinancing senior secured notes and £8.2m relating to the Exit Transactions.

(2) Calculated on an underlying basis, which excludes £8.2m relating to the Exit Transactions.

For definitions please see sections: "Terms Relating to our Loan Analysis" and "Key definitions".

The key performance indicators above for the year ended June 30, 2017 have been derived from audited financial statements and management information. In the opinion of management, such financial data reflect all adjustments necessary for a fair presentation of the results for those periods and have been prepared in accordance with IFRS. The financial information should be read in conjunction with the annual report and audited financial statements of Together Financial Services Limited and the accounting policies described therein as at June 30, 2017.

Operating Review

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

Continued focus on prudent underwriting policies, LTVs and traditional security

During the period to June 30, 2017 the Group has continued to focus on prudent underwriting policies and LTVs, as well as traditional security such as residential housing stock, in providing its mortgage loans. We continue to target an average of origination LTVs of between 50% and 60% for new loans and continue to focus principally on residential security. The average LTV of new mortgage loans funded in the year was 57.1%, compared to 57.1% in the year June 30, 2016.

The Group has continued to use affordability and repayment assessments to ensure our customers are able to service and repay their loans. The proportion of loans experiencing arrears greater than three months contractual installments within 12 months of funding is at 0.5% for loans funded in the year ended June 30, 2016. We expect that a continued focus on such policies will help us maintain delinquency rates at these levels.

An analysis of our loan portfolio as at June 30, 2017, and June 30, 2016 by arrears banding, for the Group and borrower Group is as follows:

	Group Loan Portfolio Arrears Analysis		Borrower Group Loan Portfolio Arrears Analysis	
	June 30, 2017	**June 30, 2016**	**June 30, 2017**	**June 30, 2016**
Nil Arrears & Arrears ≤ 1 month	**85.7%**	**84.6%**	**69.3%**	**60.1%**
Performing Arrears				
1-3 months	4.0%	3.9%	4.7%	5.8%
3-6 months	0.1%	1.0%	0.2%	2.8%
>6 months	0.1%	0.9%	0.4%	2.6%
Total Performing Arrears	**4.2%**	**5.8%**	**5.3%**	**11.2%**
Non-Performing Arrears				
3-6 months	1.6%	1.3%	3.3%	3.2%
>6 months	1.6%	1.6%	4.2%	4.9%
Past due (term loans)	0.7%	0.9%	1.8%	2.6%
LPA Rent	0.1%	0.2%	0.1%	0.8%
Total Non-Performing Arrears	**4.0%**	**4.0%**	**9.4%**	**11.5%**
Development Loans	**4.5%**	**4.2%**	**11.9%**	**12.8%**
Repossessions	**1.6%**	**1.4%**	**4.1%**	**4.4%**
Total	**100%**	**100%**	**100%**	**100%**

An analysis of our loan portfolio as at June 30, 2017, by indexed and origination LTV banding, for the Group and borrower Group is as follows:

Group Loan Portfolio Indexed LTV Analysis £m	Performing Loans	Non - Performing Loans	Development Loans	Repossessions	Total Loan Portfolio
<=60%	1,347.9	54.2	30.6	10.4	1,443.1
>60% <=85%	650.8	28.5	45.9	19.6	744.8
>85% <=100%	15.2	4.4	21.9	5.2	46.7
>100%	8.3	0.7	3.4	1.3	13.7
Total	2,022.2	87.8	101.8	36.5	2,248.3

Borrower Group Loan Portfolio Indexed LTV Analysis £m	Performing Loans	Non - Performing Loans	Development Loans	Repossessions	Total Loan Portfolio
<=60%	391.5	47.1	30.7	9.8	479.1
>60% <=85%	224.3	27.9	45.9	19.0	317.1
>85% <=100%	13.6	4.4	21.8	5.2	45.0
>100%	8.1	0.6	3.3	1.6	13.6
Total	637.5	80.0	101.7	35.6	854.8

Group Loan Portfolio Origination LTV Analysis £m	Performing Loans	Non - Performing Loans	Development Loans	Repossessions	Total Loan Portfolio
<=60%	1,107.2	39.9	57.0	14.5	1,218.6
>60%<=85%	894.9	42.2	31.1	18.1	986.3
>85%<=100%	12.8	1.9	8.6	3.4	26.7
>100%	7.3	3.9	5.1	0.4	16.7
Total	2,022.2	87.9	101.8	36.4	2,248.3

Borrower Group Loan Portfolio Origination LTV Analysis £m	Performing Loans	Non - Performing Loans	Development Loans	Repossessions	Total Loan Portfolio
<=60%	349.3	34.3	57.0	13.9	454.5
>60%<=85%	269.0	40.0	31.1	17.6	357.7
>85%<=100%	12.0	1.9	8.6	3.4	25.9
>100%	7.2	3.8	5.0	0.7	16.7
Total	637.5	80.0	101.7	35.6	854.8

The indexed weighted-average LTV of the loan portfolio for the total Group at June 30, 2017 is 53.4% compared with the prior year of 52.6% at June 30, 2016.

The indexed weighted-average LTV of the loan portfolio for the borrower group at June 30, 2017 is 57.1% compared to the prior year of 58.4% at June 30, 2016.

Maintenance of loan portfolio mix and continued differentiation of our offerings

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

As at June 30, 2017 33.4% of our loan portfolio was classified as retail-purpose, 62.1% of our loan portfolio was classified as commercial-purpose and 4.5% of our loan portfolio was classified as development funding, calculated by value. At June 30, 2016, 33.8% of our loan portfolio was classified as retail purpose, 62.0% of our loan portfolio was classified as commercial purpose and 4.2% of our loan portfolio was classified as development funding.

The proportion of our loan portfolio secured by residential security by value has decreased slightly to 74.8% as at June 30, 2017, when compared to 80.8% as at June 30, 2016.

The proportion of our loan portfolio secured on first charges has increased to 61.2% as at June 30, 2017, compared with 58.6% as at June 30, 2016.

Controlled growth of our loan portfolio

We have continued to grow our loan portfolio using our well established distribution channels across the United Kingdom. We continue to focus on niche markets where we can offer products by identifying customer groups that are underserved by mainstream lenders.

In the year to June 30, 2017, including further advances, we have funded an average of £98.8m per month compared with £84.3m per month in the year to June 30, 2016.

Our total loan portfolio stands at £2,240.9m as at June 30, 2017, compared to £1,800.7m as at June 30, 2016, representing less than 1.0% of the total mortgage market.

We intend to continue to grow our loan portfolio in a controlled manner, ensuring the quality of new loans is of an acceptable standard.

Ownership update

During the year the existing majority shareholders completed a buyout of the 30% voting interest in the Group formerly held by Equistone Partners and Standard Life Investments (the Funds).

The Funds have been supportive partners of Together since they made their minority investment in 2006. Given the continued strong performance of the Group, and in line with the typical tenor of such investments, the Funds approached the Group and its shareholders to seek assistance in exiting their investment (the Exit Transactions). On November 2, 2016 the existing majority shareholders acquired the Funds' interests, increasing their ultimate voting interest in Together to 100%.

In connection with the Exit Transactions, all the voting shares of Together Financial Services Limited (including the shares held by the Funds) were acquired by Bracken Midco2 Limited, a company whose ultimate parent is Redhill Famco Limited. Redhill Famco Limited is wholly controlled by the Moser Shareholders. To support the Exit Transactions, £220m of senior secured notes were issued by Bracken Midco1 PLC, a direct parent of Bracken Midco2 Limited, and £100m of vendor notes were issued to the Funds by Bracken Topco Limited, the direct parent of Bracken Midco1 PLC and direct subsidiary of Redhill Famco Limited.

As a consequence, from November 2, 2016 the Company has been a member of a group headed by Redhill Famco Limited, whose principal place of business is Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW.

As part of the Exit, of the £60.0m of shareholder loan notes previously issued by Together Financial Services Limited, £17.0m was repaid and £43.0m was novated via the new intermediate holding companies to Redhill Famco Limited. Together Financial Services Limited replaced this funding with interest-free intercompany loans totalling £60.0m due to Bracken Midco2 Limited, which comprised a £43.0m loan with a maturity date of November 2, 2036 and £17.0m with a maturity of November 2, 2022. In addition a further interest-free intercompany loan of £8.1m with a maturity of November 2, 2022 was provided to Together Financial Services Limited by Bracken Midco2 Limited. On February 22, 2017 the loans with a maturity date of November 2, 2022 totalling £25.1m had their maturity dates extended to September 30, 2024.

Financial Review

Interest income has increased 16.9% to £246.5m for the current year to June 30, 2017 compared to £210.8m in the prior year to June 30, 2016. This increase primarily results from higher interest and loan set-up income, recognised as part of the effective interest rate, earned from growth in the size of the loan book.

The net impairment charge of £7.4m for the year to June 30, 2017, represents 0.33% of the loan book at June 30, 2017. The charge was an improvement of 46.4% on the charge of £13.8m in the year to June 30, 2016, which represented 0.77% of the loan book at June 30, 2016. This reflected the long-term trend of improving quality in our loan book.

The Group continues to be highly profitable, with EBITDA of £185.2m for the year to June 30, 2017 compared to £159.3m in the prior year to June 30, 2016. EBITDA margin was 73.8% for the year to June 30, 2017 compared to 74.0% for the prior year to June 30, 2016.

Profit before tax has increased to £94.1m for the year to June 30, 2017 compared with £90.3m in the year to June 30, 2016. This result includes £14.8m of one-off costs that arose on the refinancing of our senior secured notes and £8.2m of one-off costs arising on the Exit Transactions.

Adjusting for the exceptional costs noted above, underlying EBITDA, underlying EBITDA margin and profit before tax for the year to June 30, 2017 was £193.4m, 77.1% and £117.1m respectively.

The Group continues to be highly cash generative, with cash receipts of £1,000.8m compared with cash debt service of £78.6m and other cash expense payments of £88.8m for the year to June 30, 2017. This compares with cash receipts of £833.0m, cash debt service of £61.7m and other cash payments of £61.2m for the year to June 30, 2016.

During the year the Group has increased and diversified its funding. On October 13, 2016, a Group subsidiary Jerrold Finco PLC successfully refinanced the £300m 9¾% senior secured notes due in 2018 with an increased issuance of £375m 6¼% senior secured notes due in 2021. As a result of the Exit Transactions discussed above, the original £60m of subordinated shareholder notes maturing in 2021 and 2022 were refinanced and increased as interest-free subordinated shareholder funding, of which a total of £25m now matures in September 2024 and £43m in 2036. On January 26, 2017 a third asset-backed facility Delta was executed for £90m, with a maturity of January 2021. On February 22, 2017 the Group successfully issued a further £200m senior secured notes at 6⅛% due in 2024. On June 5, 2017 the Group's revolving credit facility was extended on favourable terms to 2021 and increased from £29m to £57.5m.

Recent Developments

Trading Update

We originated an average of £120.5m of loans in July and August 2017, compared to a monthly average of £98.8 million for the year to June 2017.

Networks launch

We have opened up our first charge residential mortgages to broker networks and mortgage clubs across the UK to allow more brokers to have direct access to our products and common-sense approach. To support the launch, we have enhanced our online portal, My Broker Venue, making it quicker and more intuitive for brokers to use, and including a full, instant, decision-in-principle.

Establishing our brand

Last year we created the Together brand, bringing all our businesses together under one common identity and trading name to further establish our presence in the marketplace and create a platform for building greater brand awareness. This year, we have consolidated this by changing the company names of our key operating entities. The holding company for our operating activities, Jerrold Holdings Limited, is now named Together Financial Services Limited, our key retail subsidiary, Cheshire Mortgage Corporation Limited, is now Together Personal Finance Limited, and our commercial subsidiary Lancashire Mortgage Corporation Limited is now Together Commercial Finance Limited. In addition, we have enhanced the brand to encompass our message of common-sense lending, the single theme which guides everything we do. We are also excited to announce our sponsorship of the Sale Sharks rugby team.

Senior PIK Toggle Note interest payment

In order to satisfy the first cash interest payment due on the £220m Senior PIK Toggle Notes, amounting to £12.4m and payable by Bracken Midco1 plc on May 15, 2017, an interim dividend of £12.5m was declared by Together Financial Services Limited on May 9, 2017 and subsequently paid to Bracken Midco2 Limited. Bracken Midco2 Limited in turn declared and paid an interim dividend of £12.4m to Bracken Midco1 PLC, following which Bracken Midco1 plc made the interest payment in accordance with its requirements.

Board changes during year

The only changes to the Group Board this year have been the appointment of Pete Ball, CEO of the Personal Finance business, and the resignation of Steve O'Hare who represented the Funds prior to their exit.

Significant Factors Which May Affect 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 ensure 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 the marketability and value of the underlying security. Our underwriting criteria, processes, controls and systems have been developed and refined using many years of experience. For each loan application, a detailed individualised 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, an assessment of the repayment strategy and an assessment of the underlying security and its valuation. 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.

Macroeconomic Conditions

Our business is impacted by general business and economic conditions in the United Kingdom.

In order to mitigate the impact of adverse economic conditions we underwrite each loan application in detail undertaking affordability, repayment and property valuation assessments. We lend conservatively against property valuations to protect our security position should property prices move adversely. In addition and in line with regulatory requirements, appropriate stress buffers are included on affordability assessments for potential changes in interest rates.

In an economic downturn, customers may be less able to pay their debts as a result of a reduction in income, which could impact our levels of arrears. In such a downturn, customers are also less likely to redeem their mortgage loans, as a result of banks and other lenders having reduced levels of liquidity with which customers can refinance their mortgages, lenders tightening their lending criteria and customers being less likely to meet lending criteria. Redemption levels impact the levels of new business we are able to originate and thus the amount that we earn in upfront fees and pay in commissions. Our operational results are also affected by changes in prevailing interest rates in the UK. An increase in these interest rates increases the cost of servicing some of our borrowings. Although our total loan assets consists primarily of variable rate mortgage loans and we have the right to increase pricing if our own funding costs increase, our level of arrears and ultimately cash flows may be adversely affected if we increase the pricing of our customers' mortgages in relation to any potential increases in our funding costs. An increase in interest rates can also adversely affect loan origination volumes, as loans become less attractive to customers. Conversely low and stable interest rates may increase origination volumes as loans are more affordable.

The UK economy has avoided the potential recession predicted by some following the EU referendum, with growth proving steady but low compared with the European average. Following the general election in June 2017 there is increasing discussion of an easing of the government’s austerity programme, which may lead to increases in a number of economic measures. While bank base rate is predicted to remain at 0.25% in the short term, money markets currently indicate an increase is expected in 2018. As the UK government now embarks on the detailed Brexit negotiations it is possible there will be increased market volatility in response to developments.

Uncertain and adverse economic conditions may make it more difficult to raise external funding. To mitigate this risk the Group has a preference to raise debt with longer maturity periods, to refinance and extend existing facilities on a regular basis ahead of maturity dates and to ensure that sufficient facility headroom exists to support our planned growth objectives. Whilst uncertain and adverse economic conditions may present challenges, such conditions may also present opportunities for specialist lenders and reduce competition.

Property Market

House prices in the UK have increased steadily for the year as a whole, though there is variation regionally. Activity in London has fallen, at least in part due to affordability issues, and prices have fallen back slightly from their historic highs. In recent years, house-price increases have in part reflected a prolonged period of new home building failing to keep up with demand.

The buy-to-let (BTL) market is facing specific uncertainties as a result of changes in government policy. There was a spike in purchasing activity ahead of the increase in stamp duty in spring 2016; since then volumes have generally been lower. We are now entering a period of phased reductions in tax reliefs, coupled with the Prudential Regulations Authority's new guidelines on underwriting criteria, which may result in further declines in BTL activity. While these may reduce the overall size of the BTL market, the additional complexities may present opportunities for specialist lenders to increase market share.

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. 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. Property prices also impact the LTV of our loans. As property prices increase, the amount of equity that mortgage borrowers hold in their home 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 whereas reduced levels of equity restrict borrowers flexibility to obtain additional borrowings and is also likely to reduce redemption rates as the lower levels of equity may be insufficient to meet other lenders lending criteria.

Competition

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

Mainstream ('high-street') lenders continue to focus on their core businesses of automated credit decisions which excludes certain customers, property or transaction types. This has encouraged a number new entrants, or re-entrants into the market in the form of non-bank lenders or newly formed challenger banks which are likely to increase competition in the segments where we operate.

Competition levels could impact the acquisition cost of obtaining business along with the interest rates and fees that we can charge for our mortgage loans.

Funding

We fund our total loan assets from cash provided by operations, shareholder reserves, the Subordinated Shareholder funding, our issued Capital Market instruments, a revolving credit facility and through our asset-backed facilities. The volume of loans we are able to originate is limited, in part, by the amount and terms of funding available to us along with the level of our capital reserves.

Regulatory Considerations

The Group has certain subsidiaries which are authorised and regulated by the FCA in addition to subsidiaries which undertake lending which is not regulated. We also have to comply with the relevant UK and EU regulations including anti-money laundering regulations and the Data Protection Act 1998, the latter being replaced by the EU General Date Protection Regulation from May 2018.

We continue to invest in our compliance, legal and governance functions to ensure we are adequately resourced to ensure compliance with all existing and future requirements.

Risk Factors

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

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

- the impact of economic conditions on our results of operations and financial condition;
- the impact of the United Kingdom's contemplated exit from the European Union;
- the impact of a downturn in the property market;
- our ability to accurately value properties;
- our ability to accurately identify the credit profile and behaviours of our customers;
- our ability to detect and prevent fraud during the loan underwriting process;
- the impact of the changing financial circumstances of our customers;

- our relationships with brokers 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;
- our exposure to potential regulatory sanctions and fines;
- interruption or loss of our information processing systems or failure to maintain secure information systems and technological changes;
- the impact of litigation;
- our ability to retain our senior management and our underwriters, account executives, sales personnel and other client facing employees;
- changes in accounting standards;
- the impact of fluctuations in interest rates and our ability to obtain financing;
- the interests of our shareholders;
- our substantial debt; and
- financial covenants.

These risks are not exhaustive. Other sections of this annual report describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the markets 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 annual report, and we do not intend, and do not assume any obligation, to update forward looking statements set forth in this annual report. You should interpret all subsequent written or oral forward looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this annual report. As a result, you should not place undue reliance on these forward looking statements.

Summary Results and Financial Position of Bracken Midco1 plc

The tables below set out the consolidated results and financial position of Bracken Midco1 plc, the issuer of £220m Senior PIK Toggle Notes, compared to the consolidated results and financial position of Together Financial Services Limited, for and as of the year ended June 30, 2017.

	Year ended June 30, 2017		
	Together Financial Services Ltd £m	**Adjustments £m**	**Bracken Midco1 plc £m**
Profit before tax[(1)]	**94.1**	**(21.3)**	**72.8**

	As at June 30, 2017		
	Together Financial Services Ltd £m	**Adjustments £m**	**Bracken Midco1 plc £m**
Non-current assets	12.7	-	12.7
Current assets (excluding cash and cash equivalents)	2,246.1	-	2,246.1
Cash and cash equivalents	17.3	2.0[(2)]	19.3
Total assets	**2,276.1**	**2.0**	**2,278.1**
Current liabilities (excluding borrowings)	**(44.8)**	**(5.4)[(3)]**	**(50.2)**
Loan notes	(1,022.9)	-	(1,022.9)
Senior secured notes	(575.0)	-	(575.0)
Senior PIK toggle notes	-	(220.0) [(4)]	(220.0)
Obligations under finance leases	(0.6)	-	(0.6)
Debt issue costs	18.8	5.4[(5)]	24.2
Borrowings (excluding subordinated shareholder funding)	**(1,579.7)**	**(214.6)**	**(1,794.3)**
Net assets (excluding subordinated shareholder funding)	**651.6**	**(218.0)**	**433.6**
Subordinated shareholder funding	23.2	42.6	65.8[(6)]
Shareholders' equity	628.4	(260.6)	367.8
Total shareholders' funds	**651.6**	**(218.0)**	**433.6**

(1) Presented to reflect the full year consolidated profit of Together Financial Services Limited. For the period from the date of the Exit Transactions, being November 2, 2016 to June 30, 2017, the comparable profit of Together Financial Services Limited was £71.9m.

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

(3) Includes interest accrued on the Senior PIK Toggle Notes and outstanding amounts payable in connection with the Exit Transactions.

(4) Represents the additional borrowings in the form of £220.0m Senior PIK Toggle Notes issued as part of the Exit Transactions.

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

(6) Represents shareholder funding owed to Bracken Topco Limited by Bracken Midco 1 plc presented at fair value.

For the period from November 2, 2016 to June 30, 2017, interest payable and similar charges for Bracken Midco1 plc was, on a consolidated basis £71.2m compared to £50.4m for Together Financial Services Limited (full year interest payable and similar charges of Together Financial Services Limited of £88.8m). The £20.8m variance comprises £17.6m of interest payable and debt issue amortisation on the Senior PIK Toggle Notes, £4.4m being the unwind of the fair value adjustment in respect of intercompany loan amounts owed to Bracken Topco Limited, and the elimination on consolidation of £1.2m of fair value unwind at Together Financial Services Limited on intercompany loans owed to Bracken Midco2 Limited.

Audited Annual Report and Consolidated Financial Statements

The audited annual report and consolidated financial statements below show the financial performance for the year to and as at June 30, 2017.

Comparatives for these consolidated financial statements are as follows:

- Consolidated Income Statement, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement have comparatives for the year to June 30, 2016; and
- Consolidated Statement of Financial Position has comparatives as at June 30, 2016.