Together Financial Services Limited
Q1 2017/18 Results

Company Registration No. 02939389

Contents

Highlights

- **Continued growth in EBITDA and profit before tax**
  - EBITDA up 2.2% to £52.8m compared with £51.7m in Q4'17 and £46.1m in Q1'17
  - Underlying PBT increased by 2.9% to £31.0m compared with £30.2m in Q4'17 and by 12.3% compared with £27.6m in Q1'17
- **Strong lending volumes at, conservative LTVs drive loan book growth to £2.37bn**
  - Loan book of £2.37bn at September 30, 2017, up 5.7% compared with £2.24bn at June 30, 2017 and up 27.7% compared with £1.86bn at September 30, 2016
  - Average monthly loan originations of £125.4m, up 15.8% compared with £108.3m in Q4'17 and up 65.4% compared with £75.8m in Q1' 17
  - Group weighted average LTV of new originations in the quarter has remained conservative at 57.8% compared with 58.7% in Q4'17 and 55.1% in Q1'17
  - Net impairment charge for the quarter remains low at £1.6m, compared with £0.4m in Q4'17 and £2.1m in Q1'17
- **Increased interest receivable and high cash generation**
  - Interest receivable and similar income up 3.4% at £68.0m, compared with £65.8m in Q4'17 and £58.3m in Q1'17, driven by interest earned on increased loan book levels
  - Group remains highly cash generative with cash receipts of £319.3m compared with £282.7m in Q4'17 and £231.6m in Q1'17
- **Significant additional liquidity raised to support lending growth**
  - Successful issuance of debut public residential mortgage-backed securitisation ("RMBS") of £275m on September 26, 2017 via special purpose vehicle Together Asset Backed Securitisation 1 PLC ("Together ABS")

	Q1 2017	**Q1 2016**	**Q4 2017**
Underlying profit before taxation (£m)(1)	31.0	27.6	30.2
Profit before taxation (£m)	31.0	13.1	30.4
Impairment charge (£m)	1.6	2.1	0.4
Loans and advances to customers (£m)	2,369.4	1,855.3	2,240.9
Shareholder funds (£m)(2)	678.7	585.8	651.6

(1) Underlying PBT for Q1 2016 excludes £14.5m non-recurring interest charge as a result of refinancing. Q4 2017 includes a £0.2m write back of transaction costs.

(2) Includes shareholder loans and notes of £23.7m (Q4 2017: £23.2; Q1 2016: £60.0m.

Highlights (continued)

Commenting on today's results, Mike McTighe, Group Chairman of Together, said:

"Together continued to grow strongly in the quarter to 30 September 2017, significantly increasing lending volumes at conservative LTVs and delivering higher profitability and cash flows.

"Originations were 15.8% higher than in Q4'17, averaging £125.4m per month with a conservative weighted average loan-to-value of 57.8% as we grew the loan book to £2.37bn. Underlying profit before tax was £31.0m, up 2.9% on Q4'17 and 12.3% on Q1'17 as the Group generated cash receipts of £319.3m.

"During the quarter, we accelerated our strategic investment programme as we invest in the people, systems, distribution and marketing to build the platform to support our future growth ambitions. We also further diversified our funding structure with the issue of our £275m debut public residential mortgage backed security transaction.

"While detailed Brexit negotiations may increase market volatility and the UK economic outlook remains mixed, this may create further opportunities for specialist lenders. With our successful 43 year track record, established business model and the investment we are making in our platform we believe Together is well placed to benefit from these conditions and to deliver on our ambitious growth plans."

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 73.7% 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 September 30, 2017, 33.6% of our loan portfolio was classified as retail purpose, 62.1% as commercial purpose (which included 23.2% of buy to let) and 4.3% 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 September 30, 2017, was 54.4% and the LTV on a weighted-average basis of new loans underwritten by us in the quarter ended September 30, 2017 was 57.8%. As of September 30, 2017, 93.7% of our total loan portfolio and 89.5% 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 quarterly report presents the unaudited consolidated financial statements of Together Financial Services Limited as of and for the three months ended September 30, 2017 with comparatives to September 30, 2016. The interim consolidated financial statements of Together Financial Services Limited 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 September 30, 2017 the Company's assets were subject to a fixed and floating charge in respect of £575m senior secured notes and £nil in respect of bank borrowings (£57.5m facility, £nil drawn).

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 15 of the unaudited interim 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 quarterly report.

Charles Street Conduit Asset Backed Securitisation 1 Limited ("Charles Street ABS"), Lakeside Asset Backed Securitisation 1 Limited ("Lakeside ABS"), Delta Asset Backed Securitisation 1 Limited ("Delta ABS") and Together Asset Backed Securitisation 1 PLC ("Together ABS"), the bankruptcy-remote special purpose vehicles established for purposes of our secured borrowings, are consolidated into our unaudited interim consolidated financial statements in accordance with IFRS 10 *Consolidated Financial Statements*. Mortgage loans sold to Charles Street ABS, Lakeside ABS, Delta ABS and Together 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 consolidated income statement. The loan notes issued by Charles Street ABS, Lakeside ABS, Delta ABS and Together 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)

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

We have included in this quarterly 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 quarterly report and related presentation, references to EBITDA for the quarter ended September 30, 2016 and 2017 for Together Financial Services Limited, can be extracted from the unaudited interim consolidated financial statements of Together Financial Services Limited, 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 quarterly 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 quarter 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 quarterly 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, which represent 99.9% of our total loan book balances by value as of September 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.

In this quarterly 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 quarterly report and related presentation, the term "performing loans" refers to the aggregate of (i) the principal amount of performing loans outstanding, (ii) accrued interest and fees 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 quarterly report and related presentation, the term "total loan assets" refers to the total balance of loans provided to our customers as included within our statement of financial position, stated after provisions for impairments and fees and commissions spread over the behavioural life of the loan.

In this quarterly 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,

Terms Relating to Our Loan Analysis (continued)

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

Key Performance Indicators

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

	Unaudited		
	3 months ended or as at September 30,		3 months ended or as at June 30,
(£m, except for percentages and ratios or unless otherwise noted)	2017	2016	2017
Group			
Interest receivable and similar income	68.0	58.3	65.8
Fee and commission income	1.1	1.1	1.0
	69.1	59.4	66.8
Impairment charge	(1.6)	(2.1)	(0.4)
EBITDA	52.8	46.1	51.7
EBITDA margin	76.4%	77.6%	77.3%
Profit on ordinary activities before tax	31.0	13.1	30.4
Underlying profit before tax (1)	31.0	27.6	30.2
Supplemental cash flow information:			
Cash receipts	319.3	231.6	282.7
New advances	376.3	227.4	324.9
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)	57.2	57.2	57.1
LTV of loan portfolio (on a weighted average indexed basis)	54.4	52.9	53.4
Borrower Group			
LTV of loan portfolio (on a weighted average basis, based on LTV of loans at origination)	58.1	60.1	58.3
LTV of loan portfolio (on a weighted average indexed basis)	59.1	57.5	57.1

(1) September 30, 2016 underlying PBT excludes £14.5m non-recurring interest charge as a result of refinancing. June 30, 2017 includes a £0.2m write back of transaction costs.

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

The key performance indicators above for the quarter ended September 30, 2017 have been derived from unaudited interim 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 Consolidated 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 September 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 Group has continued to use affordability and repayment assessments to ensure our customers are able to service and repay their loans.

An analysis of our loan portfolio as at September 30, 2017, and September 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	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Nil Arrears & Arrears ≤ 1 month	**86.1%**	**85.4%**	**69.5%**	**62.4%**
Performing Arrears				
1-3 months	3.8%	3.5%	5.1%	5.4%
3-6 months	0.5%	0.7%	1.2%	2.1%
>6 months	0.5%	0.8%	1.4%	2.5%
Total Performing Arrears	**4.8%**	**5.0%**	**7.7%**	**10.0%**
Non-Performing Arrears				
3-6 months	1.2%	1.3%	2.1%	3.4%
>6 months	1.3%	1.5%	3.3%	4.6%
Past due (term loans)	0.7%	0.7%	2.1%	2.1%
LPA Rent	0.1%	0.2%	0.1%	0.7%
Total Non-Performing Arrears	**3.3%**	**3.7%**	**7.6%**	**10.8%**
Development Loans	**4.3%**	**4.2%**	**11.4%**	**11.5%**
Repossessions	**1.5%**	**1.7%**	**3.8%**	**5.3%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

An analysis of our loan portfolio as at September 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%	1,427.9	40.4	25.2	8.5	1,502.0
>60% <=85%	715.5	27.1	46.0	15.3	803.9
>85% <=100%	13.5	8.2	29.6	10.6	61.9
>100%	6.3	1.1	2.4	0.2	10.0
Total	**2,163.2**	**76.8**	**103.2**	**34.6**	**2,377.8**

Borrower Group Loan Portfolio Indexed LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions	Total Loan Portfolio
<=60%	436.4	36.0	25.2	8.1	505.7
>60% <=85%	242.3	22.0	46.0	15.3	325.6
>85% <=100%	12.3	8.2	29.6	10.6	60.7
>100%	5.6	1.1	2.4	0.2	9.3
Total	**696.6**	**67.3**	**103.2**	**34.2**	**901.3**

Operating Review (continued)

Group Loan Portfolio Origination LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions	Total Loan Portfolio
<=60%	1,162.8	33.6	60.7	15.4	1,272.5
>60%<=85%	978.8	36.4	34.7	17.2	1,067.1
>85%<=100%	13.8	3.0	7.8	1.7	26.3
>100%	7.8	3.8	-	0.3	11.9
Total	**2,163.2**	**76.8**	**103.2**	**34.6**	**2,377.8**

Borrower Group Loan Portfolio Origination LTV Analysis (£m)	Performing Loans	Non - Performing Loans	Development Loans	Repossessions	Total Loan Portfolio
<=60%	387.7	30.1	60.7	15.0	493.5
>60%<=85%	288.0	30.4	34.7	17.2	370.3
>85%<=100%	13.0	3.0	7.8	1.7	25.5
>100%	7.9	3.8	-	0.3	12.0
Total	**696.6**	**67.3**	**103.2**	**34.2**	**901.3**

The indexed weighted-average LTV of the loan portfolio for the total Group at September 30, 2017 is 54.4% compared with the prior quarter of 53.4% (June 30, 2017) and the prior year comparable quarter of 52.9% (September 30, 2016).

The indexed weighted-average LTV of the loan portfolio for the borrower Group at September 30, 2017 is 59.1% compared with the prior quarter of 57.1% (June 30, 2017) and the prior year comparable of 57.5% (September 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 September 30, 2017, 33.6% of our loan portfolio was classified as retail-purpose, 62.1% of our loan portfolio was classified as commercial-purpose (which included 23.2% of buy to let) and 4.3% of our loan portfolio was classified as development funding, calculated by value. At September 30, 2016, 34.1% of our loan portfolio was classified as retail purpose, 61.7% 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 73.7% as at September 30, 2017, when compared with 74.8% as at June 30, 2017 and 79.5% as at September 30, 2016.

The proportion of our loan portfolio secured on first charges has increased to 63.4% as at September 30, 2017, compared with 61.2% as at June 30, 2017 and 58.9% as at September 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 quarter to September 30, 2017, including further advances, we have funded an average of £125.4m per month compared with £108.3m per month in the quarter to June 30, 2017 and £75.8m per month in the quarter to September 30, 2016.

Our total loan portfolio (net of impairment) stands at £2,369.4m as at September 30, 2017, compared with £2,240.9m as at June 30, 2017 and £1,855.3m as at September 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.

Financial Review

Interest income has increased 3.4% to £68.0m for the current quarter to September 30, 2017 compared with £65.8m in the prior quarter (June 30, 2017) and £58.3m in the prior year comparable quarter (September 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 to the Income Statement was £1.6m for the quarter to September 30, 2017, compared with £0.4m in the prior quarter (June 30, 2017) and £2.1m in the prior year comparable (September 30, 2016).

The Group continues to be highly profitable, with EBITDA of £52.8m for the quarter to September 30, 2017 compared with £51.7m in the prior quarter (June 30, 2017) and £46.1m in the prior year comparable (September 30, 2016). EBITDA margin was 76.4% for the quarter to September 30, 2017 compared with 77.3% for the prior quarter (June 30, 2017) and 77.6% in the prior year comparable (September 30, 2016).

Profit before tax has increased to £31.0m for the quarter to September 30, 2017 compared with £30.4m in the prior quarter (June 30, 2017) and £13.1m in the prior year comparable (September 30, 2016). The prior year comparable result includes £14.5m of one-off costs that arose on the refinancing of our senior secured notes in September 2016.

The Group continues to be highly cash generative, with cash receipts of £319.3m compared with cash debt service of £27.6m and other cash expense payments of £25.7m for the quarter to September 30, 2017.

During the quarter the Group has increased and diversified its funding. On 26 September 2017, the Group announced the completion of a £275m residential mortgage-backed securitisation via the special purpose vehicle Together ABS.

Recent Developments

Trading Update

We increased mortgage originations in October 2017 to £134.7m, compared to a monthly average of £125.4m for the quarter to September 30, 2017.

New Appointments

Richard Tugwell has been appointed to the position of Group Intermediary Relationship Director to oversee the company's broker relationship teams and liaise with introducers across the UK.

IFRS 9

The Group will be required to adopt IFRS 9 *Financial Instruments* for periods beginning on or after 1 July 2018, which will impact the Group's classification, measurement and impairment of financial instruments. The Group is not yet in a position to quantify the impact on the Group's financial position until models are fully implemented for all portfolios. In addition, IFRS 9 requires that expected credit loss provisions are based on a forward-looking view of the economy, which may change prior to adoption and would change any impact.

People programme

We have continued to invest in the learning and development of our people, which includes a structured leadership development programme, combined with targeted operational, technical and personal development training.

The Together Academy has been launched to complement our Graduate and Apprenticeship programme, to identify and build our pipeline of talent.

IT developments

We have invested in our agenda for digital innovations in the period, including Together's first Hackathon, which was designed to identify creative digital solutions to everyday business needs.

Our focus areas for innovation includes the use of machine learning to develop business insights, digital transformations that enhances our customer experience and technology that improves security and compliance processes.

New securitisation programme

On September 26, 2017, the Group announced the completion of a £275m residential mortgage-backed securitisation via the special purpose vehicle Together ABS. This has further diversified our funding structure, reducing funding costs whilst expanding the Group's investor base. The Group's long term maturity profile now has an average maturity of 3.7 years as at September 30, 2017.

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

The Group 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.

In November 2017 the Bank of England's Monetary Policy Committee ("MPC") agreed to increase the Bank Base Rate from 0.25% to 0.5%, citing above-target inflation and unemployment rates that are at a 42-year low. The MPC also highlighted that the impact of Brexit so far has led to a fall in sterling and increased prices on imports. While conditions on the whole have continued to improve, growth has remained below long-term averages for the UK and the economic picture is mixed.

As the UK government continues with detailed Brexit negotiations it is possible there will be increased market volatility in response to developments. Overall we believe it is still not possible to foresee the implications of Brexit with any certainty until the negotiations are much nearer completion.

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

IHS Markit reports that house prices in the UK have increased steadily for the quarter as a whole, though there is variation regionally. Property price increases were strongest across the Midlands and the North of England for the quarter and London was the region with the slowest rate of growth. This is in contrast to a trend over the last decade of London property price growth which has outstripped other regions. 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 changes as a result of regulatory changes, such as those on Portfolio Landlords, which may lead to a reduction in the size of the overall market.

Significant Factors Which May Affect Results of Operations (continued)

Property Market (continued)

This has resulted in some mainstream banks to retrench from this market and may also influence traditional Portfolio Landlords to consider other property types, leading to 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, a residential mortgage-backed securitisation, 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 quarterly report contains statements that are, or may be deemed to be, forward looking statements. In some cases, these forward looking statements can be identified by the use of forward looking terminology, including the words “aims,” “believes,” “estimates,” “anticipates,” “expects,” “intends,” “may,” “will,” “plans,” “predicts,” “assumes,” “shall,” “continue” or “should” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions.

Many factors may cause our results of operations, financial condition, liquidity and the development of the industries in which we operate to differ materially from those expressed or implied by the forward looking statements contained in this quarterly 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;

Significant Factors Which May Affect Results of Operations (continued)

Risk Factors (continued)

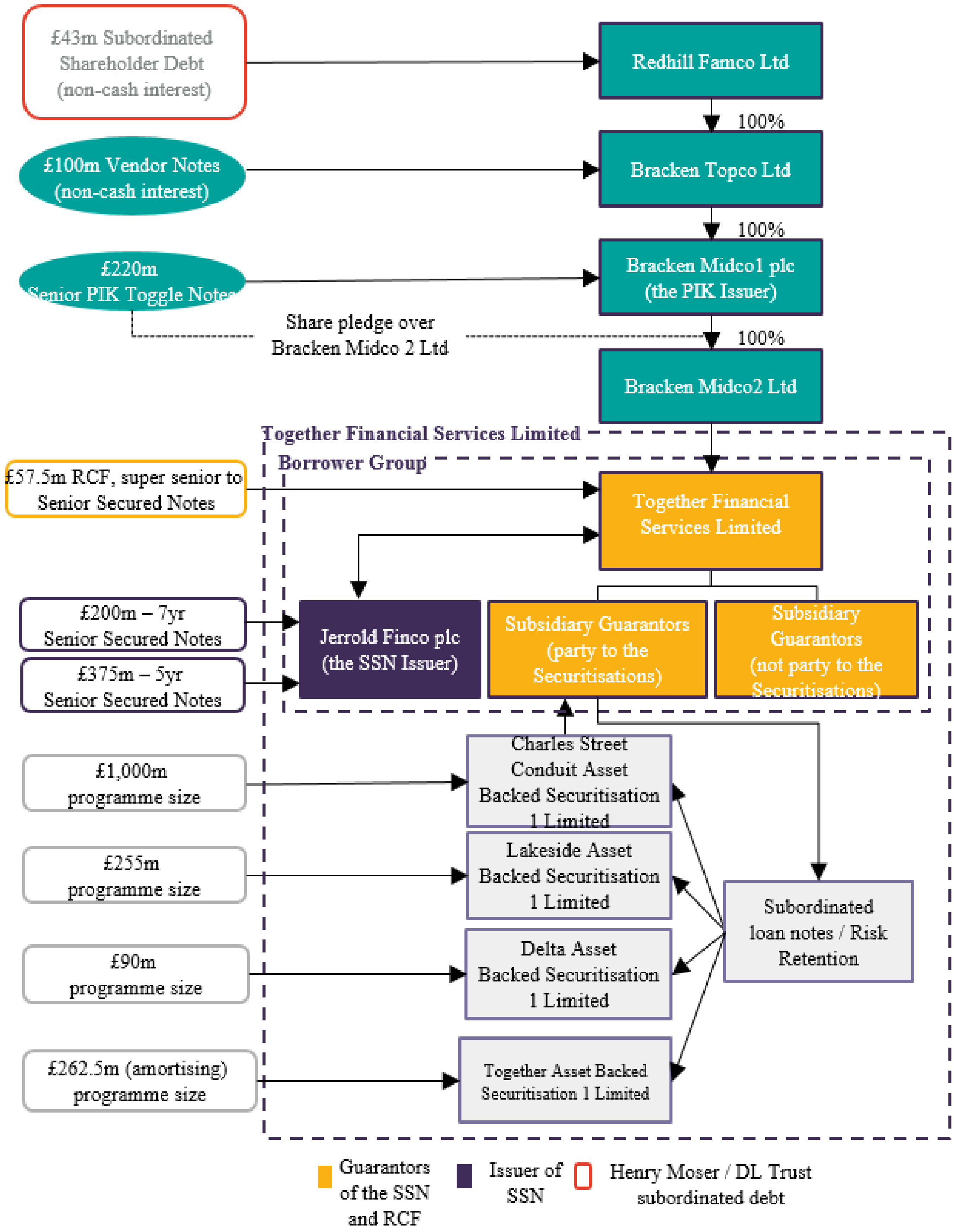
- our relationships with brokers and other distribution channels;
- the impact of competition;
- legislative, taxation and regulatory changes affecting our ability to operate or the profit generated from our activities;
- our exposure to potential regulatory sanctions and fines;
- interruption or loss 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 quarterly 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 quarterly report, and we do not intend, and do not assume any obligation, to update forward looking statements set forth in this quarterly report. You should interpret all subsequent written or oral forward looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this quarterly report. As a result, you should not place undue reliance on these forward looking statements.

Summary Corporate and Financing Structure

The diagram below provides a simplified overview of our corporate and financing structure on a consolidated basis as at September 30, 2017. The diagram does not include all entities in our Group nor does it show all liabilities in our Group.



Summary Results and Financial Position of Bracken Midco1 PLC

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

	Quarter ended September 30, 2017		
	Together Financial Services Ltd £m	**Adjustments £m**	**Bracken Midco1 PLC £m**
Profit before tax (1)	**31.0**	**(7.9)**	**23.1**

	As at September 30, 2017		
	Together Financial Services Ltd £m	**Adjustments £m**	**Bracken Midco1 PLC £m**
Assets			
Cash and balances at bank	16.2	0.5 (2)	16.7
Loans and advances to customers	2,369.4	-	2,369.4
Inventories	0.6	-	0.6
Other assets	4.4	-	4.4
Investments	0.1	-	0.1
Property, plant and equipment	4.9	-	4.9
Intangible assets	6.2	-	6.2
Deferred tax asset	2.3	-	2.3
Total assets	**2,404.1**	**0.5**	**2,404.6**
Liabilities			
Loan notes	1,132.2	-	1,132.2
Senior secured notes	575.0	-	575.0
Senior PIK toggle notes	-	220.0 (3)	220.0
Obligations under finance leases	0.5	-	0.5
Debt issue costs	(20.0)	(4.8) (4)	(24.8)
Total borrowings (excluding subordinated shareholder funding)	**1,687.7**	**215.2**	**1,902.9**
Other liabilities	29.7	10.0 (5)	39.7
Current tax liabilities	8.0	-	8.0
Total liabilities	**1,725.4**	**225.2**	**1,950.6**
Equity			
Subordinated shareholding funding	23.7	43.8	67.5 (6)
Shareholders' equity	655.0	(268.5)	386.5
Total equity	**678.7**	**(224.7)**	**454.0**
Total equity and liabilities	**2,404.1**	**0.5**	**2,404.6**

(1) Presented to reflect the full quarter consolidated profit of Together Financial Services Limited.

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

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

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

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

(6) Represents shareholder funding owed to Bracken Topco Limited by Bracken Midco 1 PLC.

Summary Results and Financial Position of Bracken Midco1 PLC (continued)

For the period to September 30, 2017, interest payable and similar charges for Bracken Midco1 PLC was, on a consolidated basis £29.0m compared to £21.1m for Together Financial Services Limited. The £7.9m variance comprises £6.7m of interest payable and debt issue amortisation on the Senior PIK Toggle Notes, £1.7m being the unwind of the fair value adjustment in respect of intercompany loan amounts owed to Bracken Topco Limited, and the elimination on consolidation of £0.5m of fair value unwind at Together Financial Services Limited on intercompany loans owed to Bracken Midco2 Limited.

Unaudited Consolidated Interim Financial Statements

The unaudited consolidated interim financial statements below show the financial performance for the quarter to and as at September 30, 2017.

Comparatives for these consolidated financial statements are as follows:

- Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flow have comparatives for the quarter to September 30, 2016; and
- Consolidated Statement of Financial Position has comparatives as at September 30, 2016 and June 30, 2017

Unaudited consolidated statement of comprehensive income

Three months ended 30 September 2017

Unless otherwise indicated, all amounts are stated in £m.

		Three months ended	
Income statement	**Note**	**30 September 2017**	**30 September 2016**
Interest receivable and similar income		68.0	58.3
Interest payable and similar charges	3	(21.1)	(32.5)
Net interest income		**46.9**	**25.8**
Fee and commission income		1.1	1.1
Fee and commission expense		(0.5)	(0.5)
Other gains		0.3	-
Operating income		**47.8**	**26.4**
Administrative expenses		(15.2)	(11.2)
Operating profit		**32.6**	**15.2**
Impairment losses		(1.6)	(2.1)
Profit before taxation		**31.0**	**13.1**
Income tax	4	(4.4)	(2.6)
Profit after taxation		**26.6**	**10.5**

The results for the current and preceding periods relate entirely to continuing operations. There is no other comprehensive income in either period.

Unaudited consolidated statement of financial position

As at 30 September 2017

Unless otherwise indicated, all amounts are stated in £m.

	Note	30 September 2017	30 September 2016	30 June 2017
Assets				
Cash and balances at bank		16.2	2.9	17.3
Loans and advances to customers	5	2,369.4	1,855.3	2,240.9
Inventories		0.6	0.8	0.9
Other assets	6	4.4	2.2	4.4
Investments		0.1	0.1	0.1
Property, plant and equipment	7	4.9	4.4	4.4
Intangible assets	8	6.2	3.9	5.7
Deferred tax asset	9	2.3	5.7	2.4
Total assets		**2,404.1**	**1,875.3**	**2,276.1**
Liabilities				
Borrowings	10	1,711.4	1,316.9	1,602.9
Other liabilities	11	29.7	23.2	37.5
Current tax liabilities		8.0	9.4	7.3
Total liabilities		**1,749.1**	**1,349.5**	**1,647.7**
Equity				
Share capital	12	9.8	9.8	9.8
Share premium account		17.5	17.5	17.5
Merger reserve		(9.6)	(9.6)	(9.6)
Capital redemption reserve		1.3	1.3	1.3
Subordinated shareholding funding reserve		44.4	-	44.9
Share-based payment reserve		1.6	1.5	1.6
Retained earnings		590.0	505.3	562.9
Total equity		**655.0**	**525.8**	**628.4**
Total equity and liabilities		**2,404.1**	**1,875.3**	**2,276.1**

Unaudited consolidated statement of changes in equity

Three months ended 30 September 2017

Unless otherwise indicated, all amounts are stated in £m.

3 months to 30 September 2017	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Subordinated shareholder funding reserve	Share-based payment reserve	Retained earnings	Total
At beginning of the period	9.8	17.5	(9.6)	1.3	44.9	1.6	562.9	628.4
Retained profit for the financial period	-	-	-	-	-	-	26.6	26.6
Transfer between reserves	-	-	-	-	(0.5)	-	0.5	-
At end of the period	**9.8**	**17.5**	**(9.6)**	**1.3**	**44.4**	**1.6**	**590.0**	**655.0**

3 months to 30 September 2016	Called-up share capital	Share premium	Merger reserve	Capital redemption reserve	Share-based payment reserve	Retained earnings	Total
At beginning of the period	9.8	17.5	(9.6)	1.3	1.2	494.8	515.0
Retained profit for the financial period	-	-	-	-	-	10.5	10.5
Share-based payments	-	-	-	-	0.3	-	0.3
At end of the period	**9.8**	**17.5**	**(9.6)**	**1.3**	**1.5**	**505.3**	**525.8**

Unaudited consolidated statement of cash flows

Three months ended 30 September 2017

Unless otherwise indicated, all amounts are stated in £m.

	Note	Three months ended 30 September 2017	30 September 2016
Cash outflow from operating activities			
Cash outflow from operations	14	(79.4)	(9.1)
Income tax paid		(3.6)	(5.1)
Servicing of finance		(25.6)	(24.5)
Net cash outflow from operating activities		**(108.6)**	**(38.7)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(0.9)	-
Acquisition of intangible assets		(0.8)	(0.9)
Net cash outflow from investing activities		**(1.7)**	**(0.9)**
Cash flows from financing activities			
Drawdown of facilities		98.0	41.9
Proceeds from issuance of residential mortgage backed securitisation		261.3	-
Repayment of facilities		(250.0)	-
Capital element of finance lease payments		(0.1)	-
Net cash inflow from financing activities		**109.2**	**41.9**
Net (decrease)/increase in cash and cash equivalents		**(1.1)**	**2.3**
Cash and cash equivalents at beginning of period		**17.3**	**0.6**
Cash and cash equivalents at end of period		**16.2**	**2.9**

Unaudited notes to the financial statements

1. Reporting entity and general information

Together Financial Services Limited, (the Company) is incorporated and domiciled in the UK. The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The consolidated interim financial statements comprise Together Financial Services Limited and its subsidiaries (the Group).

2. Significant accounting policies

Basis of preparation

The consolidated set of interim financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 *Interim Financial Reporting*, as adopted by the European Union (EU). They do not include all the information required by International Financial Reporting Standards (IFRS) in full annual financial statements and should be read in conjunction with the Annual Report and Consolidated Financial Statements for the year ended 30 June 2017 which were prepared in accordance with IFRS as adopted by the EU.

Accounting policies and judgements

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

Going concern

The directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The directors confirm they are satisfied that the Company and the Group have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going-concern basis for preparing accounts.

Unless otherwise indicated, all amounts are stated in £m.

3. Interest payable and similar charges

	Three months ended	
	30 September 2017	30 September 2016
On borrowings	**21.1**	**32.5**

Interest payable for the three months ended 30 September 2016 includes a charge of £14.5m arising on the refinancing of the 2018 senior secured notes.

4. Income tax

	Three months ended	
	30 September 2017	30 September 2016
Current tax		
Corporation tax	4.3	2.2
	4.3	**2.2**
Deferred tax		
Origination and reversal of temporary differences	0.1	0.4
Total deferred tax	**0.1**	**0.4**
Total tax on profit	**4.4**	**2.6**

Corporation tax is calculated at 19.00% (30 September 2016: 20.00%) of the estimated profit for the period.

The differences between the total tax charge for the period and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	Three months ended	
	30 September 2017	30 September 2016
Profit before tax	31.0	13.1
Tax on profit at standard UK corporation tax rate of 19.00%/20.00%	5.9	2.6
Effects of:		
Expenses not deductible for tax purposes	0.1	-
Group relief	(1.6)	-
Tax charge for period	**4.4**	**2.6**

Unless otherwise indicated, all amounts are stated in £m.

5. Loans and advances to customers

	30 September 2017	30 September 2016	30 June 2017
Gross loans and advances	2,428.1	1,921.6	2,303.1
Less: allowances for impairment on loans and advances	(58.7)	(66.3)	(62.2)
	2,369.4	**1,855.3**	**2,240.9**

Loans and advances to customers include total amounts of £10.8m (30 September 2016: £12.2m) loaned to August Blake Developments Limited, Sunnywood Estates Limited and Edgworth Developments Limited, companies in which HN Moser is a director and shareholder. These loans are on a commercial basis secured on certain assets of these companies.

6. Other assets

	30 September 2017	30 September 2016	30 June 2017
Amounts owed by group undertakings and other related parties	1.1	-	0.8
Other debtors	0.6	0.1	0.6
Prepayments and accrued income	2.7	2.1	3.0
	4.4	**2.2**	**4.4**

7. Property, plant and equipment

For 3 month period ended 30 September 2017	**Fixtures, fittings and equipment**	**Motor vehicles**	**Total**
Cost			
At beginning of period	6.5	1.6	8.1
Additions	0.9	-	0.9
Disposals	-	-	-
At end of period	**7.4**	**1.6**	**9.0**
Depreciation and amortisation			
At beginning of period	3.2	0.5	3.7
Charge for the period	0.3	0.1	0.4
Disposals	-	-	-
At end of period	**3.5**	**0.6**	**4.1**
Net book value			
At end of period	**3.9**	**1.0**	**4.9**
At beginning of period	**3.3**	**1.1**	**4.4**

Unless otherwise indicated, all amounts are stated in £m.

7. Property, plant and equipment (continued)

For 3 month period ended 30 September 2016	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of period	5.9	1.3	7.2
Additions	-	-	-
Disposals	-	-	-
At end of period	**5.9**	**1.3**	**7.2**
Depreciation and amortisation			
At beginning of period	2.2	0.5	2.7
Charge for the period	0.1	-	0.1
Disposals	-	-	-
At end of period	**2.3**	**0.5**	**2.8**
Net book value			
At end of period	**3.6**	**0.8**	**4.4**
At beginning of period	3.7	0.8	4.5

For 12 month period ended 30 June 2017	Fixtures, fittings and equipment	Motor vehicles	Total
Cost			
At beginning of period	5.9	1.3	7.2
Additions	0.6	0.6	1.2
Disposals	-	(0.3)	(0.3)
At end of period	**6.5**	**1.6**	**8.1**
Depreciation and amortisation			
At beginning of period	2.2	0.5	2.7
Charge for the period	1.0	0.2	1.2
Disposals	-	(0.2)	(0.2)
At end of period	**3.2**	**0.5**	**3.7**
Net book value			
At end of period	**3.3**	**1.1**	**4.4**
At beginning of period	3.7	0.8	4.5

Unless otherwise indicated, all amounts are stated in £m.

8. Intangible assets

	30 September 2017	30 September 2016	30 June 2017
Cost			
At beginning of period	7.2	3.7	3.7
Additions	0.8	0.9	3.5
At end of period	**8.0**	**4.6**	**7.2**
Amortisation			
At beginning of period	1.5	0.5	0.5
Charge for the period	0.3	0.2	1.0
At end of period	**1.8**	**0.7**	**1.5**
Net book value			
At end of period	**6.2**	**3.9**	**5.7**
At beginning of period	5.7	3.2	3.2

9. Deferred tax asset

	30 September 2017	30 September 2016	30 June 2017
At beginning of the period	2.4	6.1	6.1
Charge to income statement	(0.1)	(0.4)	(0.1)
Adjustment in respect of prior periods	-	-	(3.2)
Effect of changes in tax rates	-	-	(0.4)
	2.3	**5.7**	**2.4**

The deferred tax asset consisted of the following:

	30 September 2017	30 September 2016	30 June 2017
Accelerated capital allowances	(0.1)	(0.3)	(0.1)
Short-term timing differences	2.4	6.0	2.5
	2.3	**5.7**	**2.4**

Unless otherwise indicated, all amounts are stated in £m.

10. Borrowings

	30 September 2017	30 September 2016	30 June 2017
Bank loans	-	29.0	-
Loan notes	1,132.2	925.9	1,022.9
Shareholder notes	-	60.0	-
Subordinated shareholder loans	23.7	-	23.2
Senior secured notes	575.0	315.0	575.0
Obligations under finance leases	0.5	0.4	0.6
	1,731.4	**1,330.3**	**1,621.7**
Debt issue costs	(20.0)	(13.4)	(18.8)
	1,711.4	**1,316.9**	**1,602.9**
Of which:			
Due for settlement within 12 months	171.0	343.8	0.3
Due for settlement after 12 months	1,540.4	973.1	1,602.6
	1,711.4	**1,316.9**	**1,602.9**

The loan notes are provided through revolving facilities provided by Charles Street ABS, Lakeside ABS, Delta ABS and Together ABS. The Charles Street ABS facility was established in 2007 and is currently for £1bn and expires in January 2021. The Lakeside ABS facility is for £255m, expiring in August 2018. Delta ABS, a facility for £90m, was executed on 26 January 2017 and will run until January 2021. On 26 September 2017, the Group announced the completion of a £275m residential mortgage-backed securitisation via the special purpose vehicle Together ABS.

Subordinated shareholder loans were issued as part of the Exit Transactions on the 2 November 2016. The Exit Transactions are described in the Annual Report and Consolidated Financial Statements for the year ended 30 June 2017. The subordinated shareholder loans are interest-free loans totalling £68.1m, which comprise £25.1m due in 2022 and £43.0m due in 2036. The difference between the total nominal value of £68.1m and the initial fair value of £22.0m represents a non-distributable capital contribution of £46.1m, £1.7m of which has amortised by 30 September 2017. The remainder of the reserve will be released 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.

Unless otherwise indicated, all amounts are stated in £m.

10. Borrowings (continued)

Borrowings have the following maturities

As at 30 September 2017	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Loan notes	171.2	31.5	929.5	-	1,132.2
Subordinated shareholder loans	-	-	-	23.7	23.7
Senior secured notes	-	-	375.0	200.0	575.0
Finance leases	0.2	0.3	-	-	0.5
	171.4	**31.8**	**1,304.5**	**223.7**	**1,731.4**
Debt issue costs	(0.4)	(0.3)	(16.9)	(2.4)	(20.0)
	171.0	**31.5**	**1,287.6**	**221.3**	**1,711.4**

As at 30 September 2016	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Bank loans	29.0	-	-	-	29.0
Loan notes	-	179.3	746.6	-	925.9
Shareholder notes	-	-	60.0	-	60.0
Senior secured notes	315.0	-	-	-	315.0
Finance leases	0.2	0.2	-	-	0.4
	344.2	**179.5**	**806.6**	**-**	**1,330.3**
Debt issue costs	(0.4)	(1.6)	(11.4)	-	(13.4)
	343.8	**177.9**	**795.2**	**-**	**1,316.9**

As at 30 June 2017	**<1 year**	**1-2 years**	**2-5 years**	**>5 years**	**Total**
Loan notes	-	151.0	871.9	-	1,022.9
Subordinated shareholder loans	-	-	-	23.2	23.2
Senior secured notes	-	-	375.0	200.0	575.0
Finance leases	0.3	0.3	-	-	0.6
	0.3	**151.3**	**1,246.9**	**223.2**	**1,621.7**
Debt issue costs	-	-	(16.3)	(2.5)	(18.8)
	0.3	**151.3**	**1,230.6**	**220.7**	**1,602.9**

11. Other liabilities

	30 September 2017	**30 September 2016**	**30 June 2017**
Amounts owed to group undertakings and other related parties	-	0.2	-
Trade creditors	1.8	1.1	2.3
Other creditors	2.4	2.5	2.9
Other taxation and social security	0.8	0.7	0.7
Accruals and deferred income	24.7	18.7	31.6
	29.7	**23.2**	**37.5**

Unless otherwise indicated, all amounts are stated in £m.

12. Share capital

Authorised	30 September 2017	30 September 2016	30 June 2017
10,405,653 A ordinary (30 September 2016: 10,850,092 preferred) shares of 50 pence each	5.2	5.4	5.2
Nil (30 September 2016: 22) A deferred ordinary shares of 0.1 pence each	-	-	-
Nil (30 September 2016: 2,744,974) B1 ordinary shares of 49.9 pence each	-	1.4	-
Nil (30 September 2016: 6,404,938) B2 ordinary shares of 49.9 pence each	-	3.2	-
9,149,912 (30 September 2016: nil) B ordinary shares of 49.9 pence each	4.6	-	4.6
Nil (30 September 2016: 154,690) C1 ordinary shares of 1 penny each	-	-	-
Nil (30 September 2016: 696,049) C2 ordinary shares of 1 penny each	-	-	-
Nil (30 September 2016: 64,250) C3 ordinary shares of 1 penny each	-	-	-
921,501 (30 September 2016: nil) C ordinary shares of 1 penny each	-	-	-
70,000 (30 September 2016: 100,000) D ordinary shares of 1 penny each	-	-	-
10,000 E ordinary shares of 1 penny each	-	-	-
	9.8	**10.0**	**9.8**

Issued, allotted and fully paid	30 September 2017	30 September 2016	30 June 2017
10,405,653 A ordinary (30 September 2016: preferred) shares of 50 pence each	5.2	5.2	5.2
Nil (30 September 2016: 13) A deferred ordinary shares of 0.1 pence each	-	-	-
Nil (30 September 2016: 2,744,974) B1 ordinary shares of 49.9 pence each	-	1.4	-
Nil (30 September 2016: 6,404,938) B2 ordinary shares of 49.9 pence each	-	3.2	-
9,149,912 (30 September 2016: nil) B ordinary shares of 49.9 pence each	4.6	-	4.6
Nil (30 September 2016: 131,202) C1 ordinary shares of 1 penny each	-	-	-
Nil (30 September 2016: 696,049) C2 ordinary shares of 1 penny each	-	-	-
Nil (30 September 2016: 64,250) C3 ordinary shares of 1 penny each	-	-	-
921,501 (30 September 2016: nil) C ordinary shares of 1 penny each	-	-	-
70,000 (30 September 2016: 100,000) D ordinary shares of 1 penny each	-	-	-
	9.8	**9.8**	**9.8**

Changes to share capital were undertaken as part of the Exit Transactions on the 2 November 2016, which are described in the Annual Report and Consolidated Financial Statements for the year ended 30 June 2017.

Unless otherwise indicated, all amounts are stated in £m.

13. Financial instruments and fair values

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

The following tables analyse 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:

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

30 September 2017	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	-	-	2,419.5	**2,419.5**	**2,369.4**
Financial liabilities					
Borrowings	598.7	1,189.7	23.2	**1,811.6**	**1,711.4**

30 September 2016	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	-	-	1,901.4	**1,901.4**	**1,855.3**
Financial liabilities					
Borrowings	314.3	998.0	45.2	**1,357.5**	**1,316.9**

30 June 2017	Level 1	Level 2	Level 3	Fair value	Carrying value
Financial assets					
Loans and advances to customers	-	-	2,349.8	**2,349.8**	**2,240.9**
Financial liabilities					
Borrowings	593.8	1,087.3	23.8	**1,704.9**	**1,602.9**

The fair value of loans and advances to customers is based on future interest cash flows (at funding rates) and principal cash flows discounted using the rate for new originations of mortgages with similar characteristics. This rate is assumed to encompass the time value of money, plus a risk premium to account for the inherent uncertainty in the timing and amount of future cash flows arising from mortgage assets.

Forecast principal repayments are based on redemption at maturity with overlay for historical behavioural experience to take account of expected prepayment. The eventual timing of future cash flows may be different from the forecast due to unpredictable customer behaviour.

The 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.

Unless otherwise indicated, all amounts are stated in £m.

14. Reconciliation of profit after tax to net cash outflow from operations

Group	Three months ended 30 September 2017	30 September 2016
Profit after tax	26.6	10.5
Adjustments for:		
Taxation	4.4	2.6
Depreciation and amortisation	0.7	0.3
Share-based payments	-	0.3
Interest expense	21.1	32.5
	52.8	**46.2**
Increase in loans and advances to customers	(128.5)	(54.6)
Decrease in other assets	0.3	0.2
Increase in accruals and deferred income	(3.1)	(1.2)
(Decrease)/increase in trade and other liabilities	(0.9)	0.3
	(132.2)	**(55.3)**
Cash outflow from operations	**(79.4)**	**(9.1)**

15. Related party transactions

Relationships

The Company has the following related parties:

a) Controlling party

HN Moser, a director of Together Financial Services Limited, and the DL Moser 1995 Family Settlement No1 Trust (together the Moser Shareholders) indirectly acquired the equity interest in the Company as part of the Exit Transactions which are described in the Annual Report and Consolidated Financial Statements for the year ended 30 June 2017. As a result the Moser Shareholders indirectly own 100% of the Company's voting share capital.

Besides the companies owned by Redhill Famco Limited (the ultimate parent company), other entities owned by the Moser Shareholders are deemed to be related parties and during the period transacted with the Company's subsidiaries as follows:

Entity	Nature of transactions
Bracken House Properties LLP	The Group pays operating lease and insurance costs to Bracken House Properties LLP for its provision of the Group's head office property.
Centrestand Limited	The Group collects rents and pays service charges and costs on behalf of Centrestand Limited.
Charles Street Commercial Investments Limited	The Group refers borrowers outside its lending criteria to Charles Street Commercial Investments Limited in return for introduction fees. The Group performs underwriting, collection and arrears-management activities for these loans.
Sterling Property Company Limited	Sterling Property Co. Limited provides property management services for properties repossessed or placed into LPA receivership by the Group.
August Blake Developments Limited, Edgworth Developments Limited, Sunnywood Estates Limited	The Group provides loans on a commercial basis secured on certain assets of these companies.

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

Unless otherwise indicated, all amounts are stated in £m.

15. Related party transactions (continued)

b) Parent companies

During the period the Group transacted with the following parent companies owned by the Moser Shareholders

Entity	Nature of transactions
Bracken Midco2 Limited	The Company received subordinated funding from Bracken Midco2 Limited as part of the Exit Transactions. The subordinated loans are interest-free and for fixed terms, as set out in Note 10. The difference between the loans' maturity amounts and their fair values represents a capital contribution to the Group.

c) Subsidiaries

The Company utilises its bank and subordinated shareholder funding, and bonds raised by a subsidiary company, to provide treasury funding to its lending subsidiaries. All interest is recharged at cost. All amounts are repayable on demand.

d) Key management personnel

Key management personnel comprise directors of the Group. There are no transactions with directors other than remuneration in the ordinary course of business and the disposal of D shares disclosed in Note 17.

Transactions

The amounts receivable from and payable to related parties by the Group are disclosed in Notes 6 and 11. The Group had the following transactions with related parties during the period:

	Three months ended			
	30 September 2017		30 September 2016	
	Charge/ (credit) to income or equity	Paid	Charge/ (credit) to income or equity	Paid
Lease and insurance costs	0.3	0.3	0.3	0.3
Accounts payable transactions	-	0.3	-	-
Collections transferred on loans to related party	-	-	-	0.2
Related parties of the Moser Shareholders	**0.3**	**0.6**	**0.3**	**0.5**
Interest expense	0.5	-	-	-
Parent companies	**0.5**	**-**	**-**	**-**
Total related parties	**0.8**	**0.6**	**0.3**	**0.5**

16. Contingent liabilities

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

17. 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.