THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") who specialises in advising on the acquisition of shares and other securities.

This document, which is an admission document prepared in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading of the entire issued and to be issued Ordinary Share capital of the Company to trading on AIM. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of FSMA and is not required to be issued as a prospectus pursuant to section 85 of FSMA, but comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies. Accordingly, this document has not been pre-approved by or filed with the FCA or any other competent authority.

Application will be made for the whole of the issued and to be issued Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 9 May 2019. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.

The Company and the Directors of Distribution Finance Capital Holdings plc, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

Distribution Finance Capital Holdings plc

(Incorporated and registered in England and Wales with registered no. 11911574)

ADMISSION TO TRADING ON AIM

Nominated Adviser and Broker

Macquarie Capital (Europe) Limited

Expected issued share capital of the Company immediately following Admission

	Number	Amount
Ordinary Shares of one pence each	106,641,926	£1,066,419.26
Redeemable preference shares of £1.00 each	50,000	£50,000

Prospective investors should read this document in its entirety. An investment in the Company includes a significant degree of risk and prospective investors should consider carefully the risk factors set out in Part 2 of this document. The price of the Ordinary Shares and the income from them (if any) can go down as well as up.

The Demerger Shares and the Share Exchange Shares will, on issue, rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission and will otherwise rank pari passu in all respects with the existing Ordinary Share in issue.

Macquarie, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively for the Company and for no one else in connection with Admission. Macquarie will not be responsible to anyone other than the Company for providing the protections afforded to customers of Macquarie or for advising any other person in connection with Admission or the matters described in this document. The responsibility of Macquarie as nominated adviser and broker to the Company is owed solely to the London Stock Exchange. No representation or warranty, express or implied, is made by Macquarie as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued). No liability whatsoever is accepted by Macquarie for the accuracy of any information or opinions contained in this document or for the omission of any material information for which it is not responsible.

A copy of this document is available at the Company's website www.dfcapital.co.uk. Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, this document.

Dated: 17 April 2019

IMPORTANT INFORMATION

Cautionary Note Regarding Forward-Looking Statements

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "aims", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors' current intentions, beliefs or expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the Company's markets.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors' current views with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. While the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part 2 of this document that could cause actual results to differ before making an investment decision. These forward-looking statements speak only as of the date of this document. Save as required by the AIM Rules for Companies, the Market Abuse Regulation or applicable law, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this document.

Notice to Overseas Persons

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been, nor will they be, registered under the US Securities Act and may not be offered, sold or delivered in, into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. This document does not constitute an offer of Ordinary Shares to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. Outside of the United States, the Sale Shares are being offered in reliance on Regulation S under the US Securities Act. The Ordinary Shares will not qualify for distribution under the relevant securities laws of New Zealand, Canada, the Republic of South Africa or Japan, nor has any prospectus in relation to the Ordinary Shares been lodged with, or registered by, the Japanese Ministry of Finance. Accordingly, subject to certain exemptions, the Ordinary Shares may not be offered, sold, taken up, delivered or transferred in, into or from the United States, New Zealand, Canada, Japan, the Republic of South Africa or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations (each a "Restricted Jurisdiction") or to or for the account or benefit of any national, resident or citizen of a Restricted Jurisdiction. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in a Restricted Jurisdiction and is not for distribution in, into or from a Restricted Jurisdiction.

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This document contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision,

investors need to consider whether the information in this document is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Presentation of Financial Information

The financial information contained on pages 34 to 77 in this document, including financial information presented in a number of tables, has been rounded to the nearest whole number or the nearest decimal place. Therefore, the actual arithmetic total of the numbers in a column or row in a certain table may not conform exactly to the total figure given for that column or row.

Market, Economic and Industry Data

This document contains information regarding the Group's business and the industries in which it operates and competes, which the Company has obtained from various third party sources. Where information contained in this document originates from a third party source, it is identified where it appears in this document together with the name of its source. Such third party information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company has obtained the third party data in this document from industry studies, forecasts, reports, surveys and other publications.

No Incorporation of Website

The contents of the Company's website (or any other website) do not form part of this document.

References to Defined Terms and Interpretation

Certain terms used in this document are defined and explained in the sections of this document under the headings "Definitions" and "Glossary".

In this document, references to "pounds sterling", "£", "penny", "pence" and "p" are to the lawful currency of the United Kingdom.

All times referred to in this document are, unless otherwise stated, references to London time.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	John Baines (*Independent Chairman*) Chris Dailey (*Chief Executive Officer*) Gavin Morris (*Chief Financial Officer*) Mark Stephens (*Senior Independent Non-Executive Director*) Carole Machell (*Independent Non-Executive Director*) Thomas Grathwohl (*Independent Non-Executive Director*) Simon Henry Kenner (*Non-Executive Director*) James van den Bergh (*Non-Executive Director*)
Company Secretary	Gavin Morris
Registered Office	12 Groveland Court London EC4M 9EH
Nominated Adviser and broker to the Company	Macquarie Capital (Europe) Limited Ropemaker Place 28 Ropemaker Street London EC2Y 9HD
Solicitors to the Company . . .	Travers Smith LLP 10 Snow Hill London EC1A 2AL
Reporting Accountants and Auditors	Deloitte LLP 1 New Street Square London EC4A 3HQ
Principal Bankers	National Westminster Bank plc 135 Bishopsgate London EC2M 3UR
Solicitors to the Nominated Adviser and broker	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA
Financial PR	Blue Pool Communications Limited 40b Gunter Grove London SW10 0UJ

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	17 April 2019
Completion of Demerger	8 May 2019
Admission and expected commencement of dealings	9 May 2019
CREST accounts credited, where applicable	9 May 2019
Despatch of definitive share certificates, where applicable	16 May 2019

Each of the dates in the above timetable is subject to change at the absolute discretion of the Company and Macquarie. If any of the above dates change, the revised date will be notified by an announcement on a regulatory news service. All times are London times unless otherwise stated.

PLACING STATISTICS

Number of Demerger Shares	97,368,420
Percentage of Enlarged Ordinary Share Capital being issued as Demerger Shares	91.3%
Number of Share Exchange Shares	9,273,505
Percentage of Enlarged Ordinary Share Capital being issued as Share Exchange Shares	8.7%
Number of Sale Shares	22,031,874
Placing Price per Sale Share	£0.90
Percentage of Enlarged Ordinary Share Capital being sold as Sale Shares	20.66%
Total number of Ordinary Shares in issue upon Admission	106,641,926
Market capitalisation of the Company at the Placing Price	£95.97 million
ISIN code	GB00BJ7HMR72
SEDOL number	BJ7HMR7
AIM “ticker”	DFCHLN

PART 1
INFORMATION ON THE GROUP

1. Introduction

DFC is a niche lender which builds relationships with manufacturers and then provides working capital solutions up and down their supply chains. In order to help businesses drive their growth, DFC's products allow them to match their cash cycle to the lending term, in turn allowing their customers (dealerships for example) to release the working capital tied up in their day to day operations. As a new lender, and one that explicitly aims to have a deep understanding of the customers in their markets, DFC today operates across five industry sectors.

Over time it is the intention of the business to expand its product range to operate in additional sectors and importantly further down the value chain, ultimately helping their customers provide effective finance offerings to their own business and retail customers.

As at 31 March 2019, DFC had signed 58 manufacturer programs, with 616 live dealers, typically SME's, who as DFC's primary customers take the lending facilities the manufacturer provides.

The business has grown rapidly since it commenced lending in March 2017, with 274% loan book growth in 2018. £392 million of loans have been originated to date. In addition to the 58 signed manufacturers, 48 have agreed terms and the business has grown the loan book by in excess of 25% in the first quarter of 2019.

Over time, as DFC expands, there are a range of opportunities available to the Group, including financing to other parts of the supply chain such as distributors and consumers and, potentially, expanding into Europe.

2. Background to the IPO and history of DFC

i) History of DFC and relationship with TruFin and Arrowgrass

DFC was founded in 2016 by key members of the former GE Commercial Distribution Finance ("GE CDF") European management team together with a team of principals at Arrowgrass Capital Partners LLP, an independent alternative investment management firm headquartered in London authorised and regulated by the FCA and Arrowgrass Capital Partners (US) LP each registered with the SEC (together the "Arrowgrass Investment Manager") which act as advisor to certain trading funds domiciled in the Cayman Islands including Arrowgrass Master Fund Ltd., ("Arrowgrass"). Arrowgrass helped fund the incorporation of DFC and the business officially launched in September 2016 and commenced lending in March 2017.

As a precursor to its investment in DFC, while looking for yield assets in 2013, Arrowgrass started investing in several FinTech and banking assets and gradually invested in businesses such as Zopa, Oxygen Finance, Satago and DFC.

Arrowgrass was DFC's majority shareholder until 29 December 2017. On 29 November 2017, TruFin was incorporated as a wholly-owned subsidiary of Arrowgrass and, on 29 December 2017, Arrowgrass transferred its FinTech and banking assets (including DFC) to TruFin Holdings, a subsidiary of TruFin.

TruFin was listed in February 2018 on the AIM Market of the London Stock Exchange. Arrowgrass continued to be a majority shareholder of TruFin post IPO and as at the date of this document, holds a c.73% stake in TruFin.

TruFin is an AIM-listed holding company, investing in specialist niche lenders and early payment providers primarily in the UK. As at the date of this document, TruFin owns c.92% and members of the DFC management team and the EBT own c.8%, of the economic rights in DFC, respectively.

The Directors believe that DFC operates in an attractive market. Whilst the addressable market for supply chain finance may appear much smaller in scale relative to mainstream banking products such as mortgages, this also makes this market more attractive for companies such as DFC.

As at 31 December 2018, DFC management estimate that the addressable market size of the manufacturers with which DFC already has agreements in place is c.£500 million, of which DFC has extended credits lines of c.£200 million. Of these available credit lines, DFC's customers have drawn down £114 million.

ii) Banking Licence Application

The Directors consider that the practical constraint on asset origination by DFC in the short term will be the lack of available funding rather than asset availability. The Directors believe that DFC's ability to fund asset growth will be significantly enhanced by a successful application for a banking licence.

DFC is in the process of obtaining a bank licence in the UK and submitted its application to the PRA on 28 June 2018. This has been part of DFC's strategy since the business was founded in 2016.

In December 2018, DFC was informed by the PRA that there was likely to be a delay to the original announced timetable for the approval of DFC's bank licence.

Following engagement with the PRA, the Board of DFC believes that to maximise the opportunity for DFC to obtain a banking licence in the short to medium term the following should occur:

- DFC should no longer form part of the wider TruFin Group, which engages in financial services activities, but which is not regulated as a banking group;
- Arrowgrass should reduce its voting control over DFC, whether direct or indirect, to below 50%; and
- DFC should be capitalised with an incremental £25 million to provide sufficient capital to support the next 12 months of expected balance sheet growth following licence award as set out in DFC's regulatory business plan.

The PRA has notified DFC that given the timeline of the above described structural changes, it intends to work towards a decision on the bank licence by 3 July 2019.

In connection with its application for a banking licence, DFC established a board of directors independent from TruFin, further details of which are set out in paragraph 12 of Part 1. The Company and DFC have the same board of directors. The Board of Directors have significant experience in establishing and running commercial and retail banks.

Chris Dailey, the CEO of DFC, was formerly Business Leader of GE CDF Europe, Group Operations Director at Aldermore Bank and CEO of OakNorth Bank, where he guided the business through its application for a bank licence.

Other key Board members and executives include:

- Chairman—John Baines (Former CFO of Co-Op Bank, Aldermore);
- Chief Risk Officer—Desmond McNamara (Former CRO of Barclays Investment Bank, Barclaycard);
- Chief Financial Officer—Gavin Morris (Former Acting CFO at GE Capital Bank);
- Senior Independent Director—Mark Stephens (former CEO of Harrods Bank and previously the deputy CEO and one of the founders of Aldermore).

In addition to the Directors, DFC currently has 65 full-time employees.

3. The business

i) Business summary

DFC provides working capital solutions which help businesses grow. DFC finances SMEs operating across the distribution supply chain and today primarily focuses on financing products in five sectors:

i. motor vehicles (typically mopeds, scooters, motorcycles and light commercial vehicles but not cars);
ii. recreational vehicles, lodges and caravans;
iii. marine (typically smaller marine craft);
iv. industrial equipment; and
v. agricultural equipment.

DFC currently provides financing for dealers in respect of products supplied by manufacturers. Such dealer clients are typically SMEs. As at 31 March 2019, DFC had 58 manufacturers active, with an additional 48 manufactures which had terms agreed. In terms of dealers, DFC had 616 dealers onboarded. Over time, as DFC expands there are a range of opportunities available to the Group,

including financing to other parts of the supply chain such as distributors and consumers and, potentially, expanding into Europe.

The Directors believe that DFC runs a low risk, well diversified portfolio. DFC manages its credit risk in different ways:

First, DFC builds its own credit score for counterparties using different sources, including third party credit ratings such as Commercial Delphi Scores—a scoring system measured by Experian which ranges from 1 (highest risk) to 100 (lowest risk). As at the date of this document, the average Delphi Score of DFC's counterparties is 72, a score described as "Below average risk" by Experian which is then further supported by being secured lending.

Second (on the "pay as sold model"), DFC takes effective ownership of the asset at a discount to retail price. Therefore, the effective LTV reflects a significant discount to the price that DFC may be able to achieve in a recovery situation.

Third, DFC has a large number of different counterparties and monitors its exposure to each counterparty to minimise the impact should that counterparty fail. The average exposure to any one counterparty at the date of this document is c.£200,000, whilst the average exposure to any one asset is c.£24,000.

On average, in the year ended 31 December 2018, debt turn was c.130 days.

To the date of this document, DFC has not taken any credit losses.

ii) DFC's market and opportunity

DFC is currently focused on the UK market, with an intention to expand its product range further through the supply chain as the business scales. The Directors believe there is significant opportunity for a new entrant caused by market dislocation as a result of local and international banks retrenching. In the longer term, the Directors also believe that, subject to local regulation, its product range can be offered throughout Europe in line with the pan-European nature of its manufacturers.

Should DFC be successful in its application for a banking licence, it plans to offer a wider range of secured working capital products and asset finance. The Directors believe that DFC has a clearly differentiated product set and market position compared to other existing players.

DFC's distribution is realised by signing up manufacturers, with each manufacturer bringing on multiple dealers. Whilst DFC operates in niche sectors, the overall scale of the distribution finance market is substantial—with DFC management estimating that there is c.£50 billion in distribution finance originations in the UK and the Directors believe there is an even larger opportunity both in size of markets and returns in continental Europe.

GE CDF, part of GE Capital, was historically a dominant player in the market, however Wells Fargo acquired this business in 2016. The Directors believe that Wells Fargo subsequently decided to refocus this business on to specific international clients and industry segments. At the same time, local banks in the UK and European markets pulled back from the market due to capital restraints resulting from the global financial crisis in 2008.

Market players include UK banks such as Lloyds Bank (Black Horse), RBS (Lombard), Shawbrook, Aldermore and Close Brothers, however DFC's model differentiates itself by the range and type of product offered giving it a unique proposition which is focused much more closely to the dynamics of the supply chain. As such, it is a product model with considerable organisation leverage, allowing DFC to fund the same goods multiple times as it moves through the manufacturing and ultimate sale lifecycle and touches a number of different counterparties. There are also a number of international providers such as Wells Fargo, BNP Paribas, Rabobank and IBM. In addition, there are some specialty lenders who focus on specific products, such as leasing and/or invoice finance. These include Macquarie Group and Bibby.

The Directors believe that whilst there are a number of competitors in the market, the overall market opportunity is substantial, and that the strength of DFC's customer relationships, specialised industry knowledge, and width of product range will allow it to originate high yielding assets. In the year to 31 December 2018, assets yielded 8.2% on average.

iii) DFC's product offering

DFC is positioned as a specialist business lender, focused on providing working capital to manufacturers and SMEs to support their growth. DFC currently focuses on the Pay as Sold

products, but should DFC be successful in its banking licence application, it intends to offer other products to its clients such as Extended Payment products, short term working capital, invoice finance and leasing.

Products, client types and market sizes

DFC has a prospective pipeline with verified leads of over 1,500 dealers and distributors. As at 31 December 2018, the manufacturers that DFC had already signed provided access to 633 of these dealer and distributor prospects. DFC works with manufacturers across multiple sectors. Relationships include UK Original Equipment Manufacturers (OEM's) such as Willerby, Norton Motorcycles, Prestige & Homeseeker, Equi-Trek, Lunar Caravans, and Fairline Yachts, as well as global OEM's such as Terex, Giant, Etesia, Cathago, and many more.

Inventory finance - Pay as Sold

"Pay as Sold" is where DFC acquires the finished product on behalf of the dealer, who pays DFC for the product at wholesale price once the product is sold to a consumer. In addition, the dealer pays interest on the cost of the product until the point at which a sale is made.

Core markets: Leisure (Recreational Vehicles, Marine, Motorcycles, Music, Bicycles), Commercial (Agriculture, Industrial, Outdoor Power) and Transport (HGV, LCV, Buses).

Security: "Hard Assets"; security is in the individual underlying assets through either physical ownership or title transfer by assignment of invoices.

Expected term: Up to 720 days maximum. Average product turn c.130 days.

Target size: Individual resellers from £25,000 to £10 million.

Target yield: 6-14% per annum.

Market size: The Directors estimate the total UK market size to be c.£25 billion (excluding Tech/ Electronics and Appliances) across new/used product with more than 600 major suppliers and over 6,000 resellers, split between (i) Leisure c.£8 billion (Recreational Vehicles, Marine, Motorcycles, Music, Bicycles); (ii) Commercial c.£12 billion (Agriculture, Industrial, Outdoor Power); and (iii) Transport c.£4 billion (HGV, LCV, Buses).

The Directors believe that DFC is well positioned in this market as it has strong existing relationships and knowledge in its target industry segments and, over time, the ability to offer finance to other parts of the supply chain.

iv) <u>DFC's future strategy</u>

DFC's future strategy includes selling a wide range of products including:

Inventory Finance—Extended Payments

"Extended Payments" is a supply chain finance solution for lower value goods (such as computer screens, fridges, laptops) where individual assets cannot be financed on an asset-by-asset basis. This product allows a facility similar to a Revolving Credit Facility ("RCF"), which is earmarked for the class of asset, with the RCF being paid down and drawn down as the assets are bought and sold, to accommodate faster moving and lower value assets.

Core markets: Technology Products, Consumer Electronics and White Goods.

Security: "Soft" Assets; security in underlying invoices—often supported by credit insurance.

Expected term: Up to 180 days maximum.

Target size: Individual resellers from £500,000 to £25 million.

Target yield: 4-9% per annum.

Market size: The Directors estimate the total market size to be c.£21 billion across c.100 major suppliers and a further c.130 resellers.

Working Capital

Working Capital Facilities: In future DFC may offer clients in its target industries short term working capital facilities. This product is an unsecured, revolving credit facility to support cash flow requirements/business growth investment for up to a one year maximum term.

Target size: From £25,000 to £250,000.

Target yield: 12-18% per annum.

Specific sector niches may be developed over time (for more granular risk modelling and marketing purposes), but the product is a "bolt on" for core DFC customers using other DFC financing products.

In addition, DFC may seek to offer larger "whole book" working capital facilities for manufacturers covering their entire reseller base—these facilities would generally be larger in scale (£5 million to £25 million), targeting annual yields of 5-12% with a product term of over 110 days, supported by assignment of debt, and supporting credit insurance.

Invoice finance

DFC's invoice discounting product will focus on SMEs seeking to fund up to £1 million and DFC will focus on cross-selling this product to existing DFC customers.

The Directors believe that there remains considerable scope for growth in the UK market for this product type and that in the UK there are approximately 40,000 companies using invoice finance with balances of c.£19 billion.

Asset backed leasing

Target clients would be SMEs/Mid-Caps within DFC's target industries, with turnover usually in excess of £10 million.

The Directors believe that this product particularly suits manufacturers with large WIP stock/invoices, and that there is a relatively limited number of current providers.

Assessing the value of the collateral is a highly skilled job, and the Directors believe that DFC has some of the most skilled originators in its chosen industry sectors.

Commercial leasing

The Finance and Leasing Association (FLA) represents around 90% of asset finance providers in the UK. In 2016, their members provided £30 billion of asset finance to businesses and the public sector.

DFC may offer a balance sheet (contract hire/operating lease/hire purchase) solution for customers wishing to acquire assets in its core markets.

Security: Hard Assets; security in the individual underlying assets, and/or associated rights.

Expected term: Up to 10 years for contract hire and operating leases, 3-4 years for Hire Purchase.

Target size: Individual assets from £10,000 to £5 million (contract hire/operating leases), £10,000 to £5 million for Hire Purchase.

Target yield: 5-9% per annum.

Consumer leasing

Finance and Leasing Association (FLA) members provided £88 billion of leasing products to consumers in 2016.

DFC may offer two types of consumer leasing product in its core markets—Personal Contract Hire ("PCH") and Personal Lease Plan ("PLP").

PCH is where the consumer wishes to hire an asset for a period of time, PLP is where the consumer wishes to own the asset.

Security: Hard Assets; security in the individual underlying assets, and/or associated rights.

Expected term: Up to 10 years for PCH, 3-4 years for PLP.

Target size: Individual assets from £1,000 to £1,000,000.

Target yield: 8-14%.

Finished goods

Description: Financing of goods held by a manufacturer after production or parts flowing into their production process.

Used for: Core markets.

Security: Hard Assets; security in underlying goods financed.

Expected term: Revolving borrowing base repayable weekly.

Target size: Above £2 million.

Target yield: 5-12%.

4. Funding

DFC is applying for a bank licence in order to quickly scale its balance sheet and provide a wider range of defined products across the SME and consumer lending environment.

The Directors' current working assumption is that, if successful, DFC will receive its bank licence by the first week of July 2019.

Since the IPO on AIM of TruFin in February 2018, DFC has continued to successfully grow its balance sheet. DFC currently has a range of funding sources.

To date, DFC's balance sheet growth has been funded by both debt and equity from TruFin, and third party wholesale funding from Citibank, N.A., London Branch ("Citibank"). In June 2018, TruFin directly invested £36 million in DFC by way of equity. During the month prior to the date of this document, TruFin injected a further £5 million of debt into DFC and also converted existing preference shares of £3.8 million into debt. Further, DFC signed an initial £40 million committed senior facility with Citibank in December 2017. The senior facility with Citibank first extended to £100 million in September 2018 and then further extended to £155 million on 17 April 2019 (the "Citi SFA"). Under the Citi SFA, the provision of finance to DFC is indirect; Citibank advance funds to DFC Funding No. 1 Limited ("DFC Funding") (a special purpose vehicle which is not part of the Group and over which Citibank have taken security) to enable DFC Funding to purchase loan receivables from DFC. As part of the arrangement, DFC has provided DFC Funding with a £20 million mezzanine revolving loan facility and a £5 million junior facility to allow DFC Funding to acquire from DFC certain loans made by DFC to dealers.

DFC's funding resources are £54 million of equity, £19 million of debt from TruFin and the above mentioned Citi SFA. This gives DFC the ability to grow to a loan book of c.£155 million (on the basis of a prudent buffer of capital held in reserve and Citibank's advance of monies via DFC Funding to DFC at an advance rate of c.60%).

TruFin has agreed to inject £25 million into DFC shortly prior to completion of the Demerger. DFC are also in advanced discussions with a debt provider with regards to the provision of a £40 million mezzanine revolving facility that would be subordinate to Citibank. Whilst there can be no guarantee that this £40 million mezzanine revolving credit facility will be agreed, the Directors believe that if it is agreed it would give DFC the ability to build its loan book to at least £300 million.

In the medium term and subject to DFC obtaining a banking licence, DFC's funding will be sourced externally from retail deposits alongside equity, thus underpinning DFC's growth in Risk Weighted Assets ("RWA's"). In the UK, retail depositors are able to take advantage of the Financial Services Compensation Scheme (FSCS), a scheme which effectively provides a Government guarantee for deposits up to £85,000 per depositor per bank. The UK retail deposit market is considered a dependable and liquid source of funding for UK banks, assisted by this guarantee structure.

Whilst the Directors are optimistic that DFC will be awarded a banking licence by the first week of July 2019, if DFC is not awarded a banking licence within this timescale, the Directors believe that DFC could explore funding its loan book using a securitisation programme. Securitisation programmes can secure cost effective funding rates, however the pricing and availability of wholesale funding in general is subject to variations in market conditions.

5. Objectives and strategy

The financial performance targets at the end of Year 5 below are illustrative of the business plan that has been presented to the PRA/FCA as part of DFC's banking licence application.

The business plan is dependent on future equity in order to capitalise the balance sheet to accommodate for loan book growth.

Targeted Business Performance	Year 5
Customer receivables	c.£1.2 billion
Yield	9%+
RoE	c.25%
Leverage ratio	7:1

If DFC achieves a bank licence it intends to offer the following customer deposit products:

Retail deposits

In an increasingly commoditised market, DFC aims to offer a clear and transparent range of simple products that meet retail deposit customer needs.

Products offered will be primarily fixed term and notice accounts which offer stable liquidity with relatively low operational impact.

Fixed Rate Deposits and Notice Accounts will be available at launch of the bank, followed subsequently by easy access accounts.

SME deposits

An SME Deposits product range diversifies DFC's funding plan and forms an important part of DFC's broader SME proposition.

Focus will be on fixed term and notice accounts—shorter terms for Fixed Rate Deposits in line with market.

Products to be developed in Year 1 following bank approval with launch in Year 2.

6. Summary financial information

The following summary financial information should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information.

£'000	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
Gross Revenue	5,179	1,116	7
Loan Book	113,795	30,326	—
Net Assets	54,553	(1,464)	2,849
KPIs (unaudited)			
Extended credit lines	£200m	£80m	—
No. of manufacturers signed up	45	26	—
Live dealers	633	163	—

7. Current trading and prospects

During the first three months of the current financial year DFC has continued to see strong demand for its product offering. This has resulted in loans advanced increasing by in excess of 25% to £143 million (unaudited) and credit lines increasing by 26% to £253 million (unaudited) for the three months to end of March 2019. This has been coupled with strong growth in the number of manufacturers and dealers signed up.

For the remainder of 2019 the Directors expect to see continuation of this strong asset growth, even if a bank licence is not obtained during the year, given the existing funding in place and assuming that the current advanced discussions on mezzanine funding successfully conclude. The potential granting

of a bank licence is not expected to require significant incremental investment during the year as the governance and operating processes required are already in place.

8. Dividend policy

The Directors' current intention is that, for the foreseeable future, the earnings of the Group will be reinvested in the business in order to fund the Group's ongoing growth strategy. In the future, if it is commercially prudent to do so, the Board may consider the payment of a dividend.

There can be no assurances as to the levels of future dividends, if any. The declaration, payment and amount of any future dividends of the Company is subject to the discretion of Directors and the relevant requirements of UK company law and accounting standards.

9. Reasons for and details of the Placing

Following engagement with the PRA, the Board of DFC believes that to maximise the opportunity for DFC to obtain a banking licence in the short to medium term the following should occur:

— DFC should no longer form part of the wider TruFin Group, which engages in financial services activities, but which is not regulated as a banking group;

— Arrowgrass should reduce its voting control over DFC, whether direct or indirect, to below 50%; and

— DFC should be capitalised with an incremental £25 million to provide sufficient capital to support the next 12 months of expected balance sheet growth following licence award as set out in DFC's regulatory business plan.

In order to reduce Arrowgrass' post-Demerger shareholding in the Company to below 50%, Arrowgrass has undertaken a conditional sale to institutional and other investors of 19,443,907 Sale Shares (representing 18.23% of the Enlarged Ordinary Share Capital on Admission) at a price of £0.90 per share.

The TruFin EBT has also undertaken a conditional sale to institutional and other investors of 2,587,967 Sale Shares (representing 2.43% of the Enlarged Ordinary Share Capital on Admission) at a price of £0.90 per share.

The Placing is conditional upon, amongst other things, completion of the Demerger, completion of the sale of TruFin Holdings' interest in Zopa and Admission becoming effective by no later than 8.00 a.m. on 9 May 2019 or such later date as the Company, TruFin and Macquarie may agree (being not later than 8.00 a.m. on 16 May 2019). On Admission, it is expected that the Company will have a market capitalisation of approximately £96.0 million based on the Placing Price. Further details of the Vendor Placing Agreement is set out in paragraph 11 of Part 4 of this document.

Pursuant to the Vendor Placing Agreement entered into between Macquarie, the Company, Arrowgrass and the TruFin EBT, Macquarie has agreed, conditionally upon, inter alia, Admission taking place not later than 9 May 2019, to use its reasonable endeavours to procure purchasers for the Sale Shares held by Arrowgrass and the TruFin EBT at the Placing Price. Should any Placee fail to make payment for any Sale Shares allocated to it, Macquarie has agreed to use its reasonable endeavours to procure, to the extent reasonably practicable in the circumstances, alternative placees on or prior to Admission failing which Macquarie shall acquire the relevant Sale Shares as principal.

In connection with the Placing, Watrium has agreed to purchase 8,770,765 Sale Shares at the Placing Price.

Watrium is a private investment firm located in Norway and London which focuses on active, long-term ownership of a global financial portfolio, industrial assets and top-tier commercial property in central business districts.

10. Admission, dealings and CREST

Pursuant to the Demerger, the Demerger Shares are expected to be issued at 11.00 p.m. on 8 May 2019.

Application will be made to the London Stock Exchange for all of the Enlarged Ordinary Share Capital to be admitted to trading on AIM. Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.00 a.m. on 9 May 2019.

No temporary documents of title will be issued. All documents sent by or to a Shareholder, or at its direction, will be sent through the post at the Shareholder's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

The Company has applied for the Enlarged Ordinary Share Capital to be admitted to CREST and it is expected that the Enlarged Ordinary Share Capital will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes provided such person is a system member (as defined in the CREST Regulations) in relation to CREST.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

TruFin shareholders who hold their ordinary shares in CREST will receive Demerger Shares in CREST pursuant to the Demerger.

11. Relationship Agreements and lock-in arrangements

Following Admission, Arrowgrass will hold approximately 48.99% (assuming no other changes to its TruFin shareholding prior to the Demerger Effective Time) of the Enlarged Ordinary Share Capital and Watrium will own approximately 13.91% (assuming no other changes to its TruFin shareholding prior to the Demerger Effective Time) of the Enlarged Ordinary Share Capital.

The Company has entered into Relationship Agreements with Macquarie and each of Arrowgrass and Watrium to ensure that it will be able, at all times, to carry on its business independently of Arrowgrass and Watrium and that all transactions and relationships between the Company and (i) Arrowgrass and (ii) Watrium are at arm's length and on a normal commercial basis.

The Company, Arrowgrass and Watrium agree to use reasonable endeavours to procure that a majority of the Board shall be independent Directors.

Subject to certain exemptions provided for under the AIM Rules for Companies, Arrowgrass has undertaken that, in accordance with Rule 7 of the AIM Rules for Companies, it will not, for a period of one year from Admission, offer, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue any interest in any Ordinary Shares held by it.

Each Relationship Agreement will terminate once (i) the aggregate interest of Arrowgrass or Watrium, as applicable, in the Ordinary Shares falls below 10%; (ii) the Ordinary Shares cease to be publicly traded; or (iii) the Company passes a resolution for its winding up or a court of competent jurisdiction makes an order for the Company's winding up or dissolution. Further details of the Relationship Agreements are set out at paragraph 14 of Part 4 of this document.

The Company operates its business independently of Arrowgrass and Watrium.

Pursuant to a lock-in-agreement dated 17 April 2019, subject to certain exemptions provided for under the AIM Rules for Companies, the Directors have undertaken that in accordance with Rule 7 of the AIM Rules for Companies they will not, for a period of one year from Admission, offer, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue any interest in any Ordinary Shares held by them.

12. Directors and senior management

On Admission the Board will comprise two Executive Directors and six Non-Executive Directors.

Brief biographies of the Directors and senior management are set out below:

John Baines (*aged 56*)*—Independent Chairman*

John has over 30 years of experience in the banking industry following qualification as a chartered accountant. John was formerly CFO of several UK banks, including Co-operative Bank, Aldermore and Coutts and Co. John has a wide variety of business experience in both UK and overseas businesses, including retail banking, SME, wealth management and investment banking.

Chris Dailey *(aged 43)—Chief Executive Officer*

Chris has over 15 years of experience in the financial services market. Chris is the ex-CEO of OakNorth Bank and was part of the original leadership team of challenger bank, Aldermore, which he left after it had grown from its greenfield start to over £4bn of assets. Chris was the leader of the GE CDF business in Europe (now Wells Fargo) and set up the former Transamerica business in Scandinavia.

Gavin Morris *(aged 50)—Chief Financial Officer*

Gavin possesses over 20 years of financial services experience across banking, corporate lending and leasing. Gavin has deep finance expertise in a regulated environment from his time at GE Capital Bank in the role of Acting CFO and in a number of "Head of" finance roles including Treasury, Regulatory Reporting, Controllership, Pricing and FP&A. Gavin was involved in both the set up and dismantling of GE Capital Bank. Gavin is a qualified chartered accountant and spent 10 years with KPMG.

Mark Stephens *(aged 59)—Senior Independent Non-Executive Director*

Mark has 30 years of experience in UK banking across a wide range of functional areas. Mark was formerly the CEO of Harrods Bank and was previously the deputy CEO and one of the founders of Aldermore.

Carole Machell *(aged 57)—Independent Non-Executive Director*

Carole sits as a non-executive director on the boards of Weatherbys Bank, Crown Agency Bank, CAF Bank and London First. Carole has previously sat on the boards of Vocalink, OMLX, The Swedish Derivatives Exchange, Barclays Bank Russia and was a pension trustee for JPM Chase. Carole held a series of executive positions at Barclays until changing to a portfolio career in 2016. These included: Global Head of Operations, Barclays Capital; COO Corporate Banking; Head of the International Corporate Business, COO Barclays Wealth and COO Barclays Corporate and Wealth. Prior to joining Barclays, Carole spent eight years at JP Morgan in a range of operations, technology and strategic roles. She was also Managing Director of OMLX, The Swedish Derivatives Exchange and worked at Merrill Lynch.

Thomas Grathwohl *(aged 63)—Independent Non-Executive Director*

Tom is a former GE Capital Senior Managing Director with 40 years of distribution finance industry experience. Tom assisted in the sale process of GE Capital Commercial Distribution Finance to Wells Fargo in 2016. During his tenure at Wells Fargo, Tom assisted in the global integration of the GE Capital Commercial Distribution Finance Business.

James van den Bergh *(aged 41)—Non-Executive Director*

James possesses over 18 years of investment banking and capital markets experience. James led the alternative finance team at the Arrowgrass Investment Manager since its inception in 2013 to its transfer to TruFin. James is currently the deputy CEO of TruFin. James began his career at Merrill Lynch before transitioning into investment management in 2003. James was formerly a partner at SAC Capital Advisors, Walter Capital Management LLP and Ivaldi Capital LLP. James is a CFA Charterholder.

Henry Kenner *(aged 56)—Non-Executive Director*

Henry possesses over 30 years of investment banking and capital markets experience. Henry co-founded the Arrowgrass Investment Manager in 2008 and was CEO until late 2017. Prior to that, Henry served as a Managing Director at Deutsche Bank, Managing Director at Swiss Re Capital Management and in senior roles at ABN Amro Hoare Govett having started his capital markets career

at NatWest Markets. Henry is currently the Executive Chairman of TruFin. Henry qualified as a Chartered Accountant.

Andrew Stafferton *(aged 40)—Co-founder, Chief Commercial Officer*

Andrew Stafferton has over 15 years of financial services experience. Andrew is the former leader of the Global Business Development team at GE Commercial Distribution Finance and was formerly European Head of Marine, Agriculture and Industrial divisions with GE CDF.

Desmond McNamara *(aged 49)—Chief Risk Officer*

Desmond McNamara spent nine years at Barclays in a number of roles including Chief Risk Officer of Barclays Investment Bank. Prior to this, Desmond was Head of Financial Risk for the capital markets business of Dresdner Kleinwort Benson and Regional Treasurer for Deutsche Bank.

13. Corporate governance and internal controls

The Directors acknowledge the importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the principles set out in the QCA Code. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies.

Pursuant to the Relationship Agreements, each of Arrowgrass and Watrium has the right to nominate one person to be its Representative Director on the Board until it ceases to hold an interest, either direct or indirect, in 10% or more of the aggregate voting rights in the Company from time to time. In connection with such appointment, the Company may be required to appoint additional directors to ensure there is a majority of independent Non-Executive Directors at all times. Arrowgrass and Watrium currently have no intention to appoint a Representative Director to the Board.

The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee.

(a) ***Audit Committee***

The Audit Committee will be chaired by Carole Machell and its other members will be Mark Stephens, John Baines and Thomas Grathwohl. The Audit Committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee will meet at least twice a year and will have unrestricted access to the Company's auditors.

(b) ***Remuneration Committee***

The Remuneration Committee will be chaired by Mark Stephens and its other members will be John Baines, Thomas Grathwohl and Carole Machell. The Remuneration Committee will review the performance of the Company's Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time by the Company. The remuneration and terms and conditions of appointment of the Non-Executive Directors will be set by the Board. The Remuneration Committee will meet formally at least once a year and otherwise as required.

(c) ***Nomination Committee***

The Nomination Committee will be chaired by Mark Stephens and its other members will be John Baines, Thomas Grathwohl and Carole Machell. The Nomination Committee will assist the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new directors, appointment of committee members and succession planning for senior management of the Company. The Nomination Committee is responsible for evaluating the balance of skills, knowledge, diversity and experience of the Board, the size, structure and composition of the Board, retirements and appointments of additional and

replacement directors and makes appropriate recommendations to the Board on such matters. The Nomination Committee prepares a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet formally at least once a year and otherwise as required.

In addition to the above committees, the Company currently has a risk committee in place which oversees the development, implementation and maintenance of its risk management framework, ensuring that its strategy, principles, policies and resources are aligned to its risk appetite, as well as to regulatory and industry best practices. The risk committee also monitors and reviews the formal arrangements in place in respect of internal controls and risk management framework and reviews the effectiveness of its systems for risk management and compliance with financial services legislation and other regulations.

14. Share dealing code

The Company has adopted, which will take effect from Admission, a dealing code for Directors and applicable employees (within the meaning given in the AIM Rules for Companies) of the Company for the purpose of ensuring compliance by such persons with the provisions of the Market Abuse Regulation relating to dealings in the Company's securities. The Directors consider that this dealing code is appropriate for a company whose shares are admitted to trading on AIM.

15. Share incentive arrangements

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation and retention. As a result, the Company has adopted the Performance Share Plan conditional on Admission. Further details relating to the Performance Share Plan are set out in paragraph 4 of Part 4 of this document.

As at 16 April 2019, being the last practicable date prior to the publication of this document, the Company has no options in issue under the Performance Share Plan and the Company does not currently intend to issue options under the Performance Share Plan on or immediately following Admission.

As at 16 April 2019, the DFC Managers hold (in aggregate) 683,000 A ordinary shares of £0.001 each, 430,000 B ordinary shares of £0.001 each and 317,000 C ordinary shares of £0.001 each in the capital of DFC. In addition, a further 173,244 A ordinary shares of £0.001 each will be subscribed (in aggregate) by the DFC Managers prior to Admission pursuant to the Subscription and Share Exchange Agreement which, together with their existing shares in DFC, will be acquired by the Company conditional upon and effective on Admission in consideration of the issue to them of Share Exchange Shares. For further details please refer to paragraph 14 of Part 4 of this Document.

16. The City Code on Takeovers and Mergers

The Company is incorporated in England and Wales and application has been made for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. The Takeover Code applies to all companies who have their registered office in the UK, Channel Islands or Isle of Man and whose securities are traded on a regulated market in the UK or a stock exchange in the Channel Islands or Isle of Man or a multilateral trading facility (such as AIM). The Takeover Code is issued and administered by the Takeover Panel and governs (amongst other things) transactions involving companies to which the Takeover Code applies. The Company is subject to the Takeover Code and therefore its Shareholders are entitled to the protection afforded by the Takeover Code.

Under Rule 9 of the Takeover Code when (i) a person acquires an interest (as defined by the Takeover Code) in shares which (taken together with shares in which he and persons acting in concert with him are interested) carry 30%. or more of the voting rights of a company subject to the Takeover Code; or (ii) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30%. of the voting rights of a company, but does not hold shares carrying more than 50%. of the voting rights of the company subject to the Takeover Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then in either case, that person together with the persons acting in concert with him, is normally required to make a general offer to all remaining shareholders to acquire their shares. Any such offer must be in cash, at the highest price paid by him (or any persons acting in concert with him) for any interest in shares in the company within the preceding 12 months. Under the Takeover Code, a concert party arises where

persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of, or frustrate the successful outcome of an offer for, a company subject to the Takeover Code. Control means an interest or interests in shares carrying, in aggregate, 30%. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

Following Admission, Arrowgrass will hold less than 50%. of the voting rights attached to the Enlarged Ordinary Share Capital but more than 30%. Arrowgrass and each individual member of its concert party group will become subject to the restrictions in the Takeover Code which subject to certain dispensations, would impose obligations on Arrowgrass and each member of its concert party group to make a general offer for the Company under Rule 9 of the Takeover Code as above in the event it made acquisitions of shares in the Company.

17. Taxation

General information for investors relating to UK taxation with regard to Admission is summarised in paragraph 13 of Part 4 of this document. **Any person who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than that of the UK, should consult his or her professional advisers. The Company is tax resident in the United Kingdom.**

18. Regulatory

(a) ***Regulatory Permissions***

DFC is currently registered with the FCA under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ("**MLRs**") in connection with its current lending business. It is not currently authorised to carry on regulated activities, but is in the process of applying to be authorised by the PRA (and regulated by the PRA and the FCA) as a bank i.e. with permission to carry on the regulated activity of accepting deposits.

(b) ***Banking Regulation***

If DFC is granted authorisation to become a bank, it will be subject to a wide range of regulatory requirements. While the UK is (or is treated as being) part of the European Union or European Single Market, these arise under both UK law and regulation (in particular FSMA and associated secondary legislation, the PRA Rulebook and the FCA Handbook) and directly applicable European Union law and regulation (for example the Capital Requirements Regulation).

These requirements are not expected to materially change directly or automatically if the UK leaves the European Union, whether or not any transitional arrangement is put in place. This is because the effect of the European Union (Withdrawal) Act 2018 and associated legislation is to maintain the law and regulation applying in the UK (including relevant European Union law or regulation) as at the date of the UK's departure in its current form (subject to necessary amendments to ensure it continues to be capable of application). However, the Group's long term strategy to grow its businesses in a number of countries in the European Union may be affected by the legal and regulatory impact of UK leaving the European Union.

Regulatory requirements that will apply to DFC as a UK authorised bank include, in particular:

Principles. DFC will be subject to 11 overarching principles, which include obligations to: conduct its business with due skill, care and diligence; maintain adequate financial resources; take reasonable care to organise and control its affairs responsible and effectively, with adequate risk management systems; pay due regard to the interests of customers and treat them fairly; and pay due regard to the information needs of clients and communicate with them in a way which is clear, fair and not misleading. Many of the requirements below are specific and detailed rules designed to give practical effect to these principles.

Prudential capital requirements. DFC will be required on a "solo" basis to hold regulatory capital of at least EUR 5 million (its "base" capital requirement), supplemented by any further capital it needs to hold, under applicable rules, in order to further address particular risks in its business, such as credit, market and operational risks. Regulatory capital means capital which meets a number of requirements, for example in relation to permanence and subordination (broadly speaking, ordinary share capital constitutes the 'best' form of regulatory capital and other forms of capital may be permitted within specified limits). It will also be required to meet liquidity requirements, i.e. have a sufficient portion of assets in a readily realisable form. Satisfaction of capital requirements can,

depending on a bank's regulatory capital requirement and the amount and nature of regulatory capital it holds, restrict its ability to pay dividends to shareholders.

The Group (and potentially any parent undertakings of the Company in the future) will also be subject to a "consolidated" capital and liquidity requirement, under which the principles and rules outlined in the paragraph above will apply to the Group as if it were a single legal entity. The PRA will also have direct powers of action in relation to the Company as a "qualifying parent undertaking" under FSMA, which could in principle include restrictions on the payment of dividends to shareholders.

Other prudential requirements. The Group will also be required on a consolidated basis to satisfy remuneration requirements, including compliance with the PRA's Remuneration Code, public disclosure obligations and regulatory reporting requirements.

Systems and controls requirements. DFC will be required to maintain systems and controls appropriate to its status as a bank, including: robust governance arrangements, ensuring that board members and other senior individuals are suitable for their roles; adequate, sound and appropriate risk management processes, including in relation to risks arising from DFC's membership of the Group; a permanent and effective compliance function; record-keeping policies and procedures; and appropriate procedures relating to due diligence, ongoing monitoring and termination of critical or important outsourcings.

Supervision requirements. DFC will be required to make regular regulatory reports, notify the PRA or FCA (as appropriate) of any matters of which they would reasonably expect notice, and pay periodic fees in connection with its banking authorisation. It will also be required to contribute to the levy imposed on banks and other authorised firms in connection with the Financial Services Compensation Scheme and the Financial Ombudsman Service.

Conduct of business requirements. DFC will be required to satisfy a number of obligations in relation to deposit accounts, including ensuring that all financial promotions to depositors or potential depositors are fair, clear and not misleading, and contain prescribed information, and for certain types of account holders, providing appropriate information in good time and easily understood language, and regular statements of account. Additional requirements will apply if new business lines are added.

The Senior Managers and Certification Regime. All senior managers of DFC will need to be individually approved by the PRA and/or the FCA, and will be required to take reasonable steps to avoid breaches of regulatory rules by DFC occurring in the part of the business for which they are responsible. Other staff who are not senior managers but whose roles mean that they could cause "significant harm" to DFC or its customers will need to be certified by DFC at least annually as fit and proper to perform their role, and all employees who carry out financial services activities within DFC will need to comply with certain conduct rules.

Recovery and resolution. DFC will be required to maintain and periodically update "recovery" and "resolution" plans. The former is a plan for the recovery of the bank from a distressed situation; the latter is a plan for its orderly wind-down. DFC and the Company will also be required to include in agreements with counterparties (excluding several types of account holder) pursuant to which DFC or the Company incur debts or certain other types of liability a term under which the counterparty recognises and agrees that the liability may be subject to the exercise of a power by the Bank of England to reduce or cancel the liability in certain circumstances.

Financial crime, sanctions, terrorist financing and data security. DFC will be required to take steps to combat these risks in relation to its business, including, for example, undertaking adequate KYC on potential account holders (as required by the MLRs) and maintaining adequate data security arrangements in relation to accounts and information about account holders. It will also be required to adopt and maintain adequate policies and procedures in relation to financial crime (including cybercrime) generally.

The European Union's General Data Protection Regulation 2016/679 (the "GDPR"). To the extent it is processing "personal data" (as defined in the GDPR), DFC will be required to comply with the GDPR and so will need to satisfy a number of obligations in relation to personal data regarding "data subjects", including without limitation: not receiving and holding more personal data than is required; informing data subjects about how their personal data is treated; and maintaining adequate systems and controls in relation to safeguarding personal data. Sanctions for breach of GDPR can be significant, including fines of up to EUR 20 million or 4% of total annual worldwide turnover in the preceding financial year (whichever is higher).

Change in control regime. Any person that intends to acquire control of DFC once it is authorised will need to obtain prior approval from the PRA. Acquiring control means holding 10% or more of the shares or voting rights in DFC or a parent undertaking, i.e. the Company (and any parent undertakings of the Company in the future), or holding shares or voting rights in DFC or a parent undertaking as a result of which a person is able to exercise significant influence over the management of DFC.

Where shareholders which have already obtained approval from the PRA increase their holdings through additional controller "bands" (either on the basis of shareholdings or voting rights), they require further approval. The bands are 10%, 20%, 30% and 50%.

Where two or more shareholders "act in concert", their holdings are aggregated. Shareholders will be considered to be acting in concert if they have an explicit or implicit agreement in respect of how they use their voting power. If two or more shareholders are acting in concert, the total of their respective interests will be deemed to be held by both parties as if each party held the interests of the other party in addition to their own.

DFC will also be obliged to notify the PRA of any proposed or actual changes in control. A notification (rather than an application for consent) is required if an existing controller decreases its control below the thresholds below. It is a criminal offence to acquire control without PRA consent, and a criminal offence to cease to be a controller without notifying the PRA in advance.

The PRA has 60 working days to consider a complete application for a change in control. This period may be extended for an additional 30 working days.

(c) ***Additional regulatory requirements if DFC sought to offer loans to consumers or certain types of small business, or other forms of consumer credit***

If, in the future, DFC were to seek to extend credit to individuals, sole traders, small partnerships or unincorporated bodies, it would need specific permission from the FCA. It would also need to comply with the FCA's Consumer Credit Sourcebook, and to ensure that credit documents complied with the requirements of the Consumer Credit Act 1974. These latter requirements are complicated and even minor non-compliance can potentially lead to the unenforceability of the credit agreement and permanent irrecoverability of interest on the credit extended.

(d) ***Forthcoming regulatory changes***

A number of changes to the regulatory framework which would apply to DFC as an authorised bank are expected to come into force in the short to medium term, including the following. To the extent that these changes relate to changes to European Union legislation, their potential impact in the UK in the event of its departure from the European Union is currently uncertain.

- **Amendments to the primary European Union legislation imposing prudential regulation on banks, and the recovery and resolution framework:** the European Union is currently in the process of preparing legislation to replace the Fourth Capital Requirements Directive and the Capital Requirements Regulation, in the form of a Fifth Capital Requirements Regulation and a Second Capital Requirements Regulation. In particular, changes are expected to the existing rules on remuneration (for example in relation to the "proportionate" approach banks are currently able to adopt to the rules) and capital requirements (for example, detailed amendments in areas relating to the treatment of credit and market risks). The European Union is also in the process of preparing a Second Bank Recovery and Resolution Directive, to replace the current Bank Recovery and Resolution Directive. The new legislation is not expected to come into force before mid-2020.
- **New European Union legislation applicable to credit servicers:** in March 2018, the European Union published a proposal for a new Directive concerning credit servicers, credit purchasers and the recovery of collateral in connection with loans, in the form of a Credit Servicers and Purchasers Directive. The purpose of the Directive would be to require banks to allocate sufficient resources to non-performing loans at an early stage, thereby encouraging them to take steps to address non-performing loans more quickly, e.g. through sale of the loans to a third party. The new legislation is not expected to come into force before 2021.

19. Further information

Your attention is drawn to the additional information in Parts 2 to 4 of this document.

PART 2

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Before making an investment decision with respect to the Ordinary Shares, prospective investors should carefully consider the risks associated with an investment in the Company, the Group's businesses and the industries in which the Group operates, in addition to all of the other information set out in this document and, in particular, those risks described below.

If any of the circumstances identified in the risk factors were to materialise, the Group's businesses, financial condition, results of operations and future prospects could be adversely affected and investors may lose all or part of their investment. Certain risks of which the Directors are aware at the date of this document and which they consider material to prospective investors are set out in the risk factors below; however, further risks and uncertainties relating to the Group which are not currently known to the Directors, or that the Directors do not currently deem material, may also have an adverse effect on the Group's businesses, financial condition, results of operations and future prospects. If this occurs, the price of the Ordinary Shares may decline and investors may lose all or part of their investment. An investment in the Company may not be suitable for all recipients of this document. Potential investors are therefore strongly recommended to consult an independent financial adviser authorised under FSMA and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

A. RISKS RELATING TO THE BUSINESS OF THE GROUP

1. The Group faces risks associated with the implementation of its business strategy and its application for a banking licence

The Group has a limited operating history in the UK financial services market and faces risks associated with the implementation of its strategy.

Implementing the Group's business strategy, in particular its growth strategy, requires the Directors to make complex judgements, including anticipating customer needs across a wide range of financial products, as well as anticipating and assessing competitor activity and the likely direction of a number of macro-economic assumptions regarding the UK economy and the lending sector. The Group's ability to successfully implement its strategy is also subject to execution risks, having access to sufficient capital and its management of the associated cost base and limitations in its management or operational capacity. These risks may be exacerbated by a number of external factors, including, amongst others, a downturn in the UK, European or global economies, the UK's proposed termination of its membership of the European Union, increased competition in the banking sector and/or significant or unexpected changes in regulation of the financial services sector in the UK.

The Company is currently in the process of applying to the PRA and FCA for a banking licence. The Company's business plan involves obtaining a banking licence, but there can be no guarantee of this. If the Company is not granted a banking licence in 2019, the Company would need to explore funding its loan book through alternative means, such as securitisation programmes, however, the pricing and availability of such funding may not be as attractive. In recent years, there has been an increased focus by regulators on the appropriateness and sustainability of the business models and growth strategies of regulated firms, with regulators having the power to restrict such firms' ability to develop product areas or make material acquisitions. The regulators no longer focus exclusively on the financial strength of a regulated firm, but also consider any non-financial resources, including governance and infrastructure, available to the firm in assessing sustainability of the business model and whether it continues to meet certain regulatory conditions. If the regulators believe that a firm does not have a sustainable business model or does not meet any of the regulatory conditions, it can remove or restrict such firm's operating licences. Furthermore, regulators and other bodies in the UK and worldwide have proposed, and in many cases have adopted, a range of legislative and regulatory proposals and changes which have imposed and could impose operational restrictions on the Group in the future, requiring the Group to raise further capital, increase the Group's expenses and/or otherwise adversely affect its businesses, financial condition, results of operations or prospects.

Moreover, firms pursuing high rates of customer acquisition and balance sheet and income growth have historically in some cases been susceptible to reduced asset quality, higher levels of

impairments and increased conduct risks such as mis-selling. If the Group fails to manage these risks adequately, it could result in legal or regulatory action against the Group, reputational damage to its brand, have an adverse impact on the successful implementation of its strategy and ability to meet its cost/income, return on equity or capital targets, and/or have an adverse impact on its financial condition. Furthermore, a failure to successfully manage its business model or the implementation of its strategy for the foregoing, or any other reasons, could increase the Group's credit losses and impair the Group's ability to optimise its cost/income ratio at a key point in its development, which could, in turn, have a material adverse impact on the Group's businesses, financial condition, results of operations and prospects.

2. The Group's business and financial performance have been and will continue to be primarily affected by general economic conditions in the UK and volatility in the global economic and financial markets generally

The Group's business and financial performance have been and will continue to be primarily affected by general economic conditions in the UK given that the Group's businesses are almost entirely conducted with customers in the UK. Adverse developments in the UK or the Eurozone or other global economic and financial markets could have a material adverse effect on its businesses, results of operations, financial condition and prospects.

The Group's business are subject to inherent risks from general macro-economic conditions in the UK and the state of the global economic and financial markets both generally and as they specifically affect financial institutions. Since the start of the global financial crisis in 2008, the UK economy has experienced a significant degree of turbulence and a period of recession, adversely affecting, among other things, the conditions in the housing market, levels of unemployment, the cost and availability of credit, and the liquidity of the capital markets.

Global economic growth remains subdued. Weak investment spending and low productivity growth remain key concerns for the developed world. The global economy has entered a period of monetary policy divergence. This divergence may result in changing asset preferences of investors and market volatility. Significant increases in interest rates from the historically low levels currently prevailing in many markets could have an impact on the wider economy through credit quality and asset values.

The result of the referendum held in the UK on 23 June 2016 was in favour of the UK leaving the European Union ("**EU**"). On 29 March 2017, the UK government invoked Article 50 of the Lisbon Treaty to initiate its withdrawal from the EU. As a result, the Treaty on the EU and the Treaty on the Functioning of the EU will cease to apply in the UK from the date of entry into force of a withdrawal agreement or, failing that, 29 March 2019, although this period has been extended to 31 October 2019. The outcome of the referendum has led to some economic and political uncertainty and consequent market volatility. Such conditions may continue for some time and the consequences of the referendum and other subsequent political developments may affect the fiscal, monetary and regulatory landscape to which the Group is subject.

The outlook for the UK economy in the near to medium term remains challenging, with many forecasts predicting only modest levels of gross domestic product growth. If the UK economic condition weakens, or if financial markets exhibit further uncertainty and/or volatility, the Group's impairment losses may increase and its ability to grow its business could be materially adversely impacted. Poor economic conditions in the UK could also create uncertainty in relation to the cash flows of the Group's borrowers, their ability to repay loans and the value of their collateral. In addition, any weakening of economic conditions in the UK could have an adverse impact on consumer confidence, spending and demand for credit, which could materially adversely affect the Group's business, financial condition, results of operations and prospects.

In addition, prevailing economic conditions in the Eurozone, including the possibility of further macroeconomic deterioration and/or any continuing or worsening of financial market instability, may pose a risk to the Group's business, despite the Group having only a limited direct financial exposure to the Eurozone.

Market turmoil and economic volatility, especially in the UK (but also in the Eurozone or wider global economy), could have a material adverse effect on the liquidity, business and financial condition of the Group's customers, affect consumer confidence, spending, demand for credit and appetite for financial exposure, which could, in turn, impair its loan portfolio. While the Directors have policies and procedures in place designed to allow the Group to mitigate any adverse consequences of such

impairments, these policies and procedures have not been subjected to an actual downturn or period of severe stress and therefore may prove to be ineffective. Worsening economic and market conditions may lead to subdued levels of business investment in the UK, which could result in reduced demand for the Group's products.

A deterioration of economic and market conditions could result in increased loan losses from SME customers, who are particularly sensitive to adverse developments in the economy and/or reduce the Group's willingness to lend. Any such circumstances could adversely affect the Group's business, financial condition, results of operations and prospects.

3. The Group's risk management systems and processes, and guidelines and policies may prove inadequate for the risks faced by its businesses and any failure to properly assess or manage the risks which it faces could cause harm to the Group and its business prospects

The Group will face a wide range of risks in its business activities, including, in particular:

- Strategic risk which is the risk that can affect the Group's ability to achieve its corporate and strategic objectives;
- Credit risk, which is the risk of financial loss arising from a borrower or counterparty failing to meet its financial obligations to the Group in accordance with agreed terms;
- Capital risk, which is the risk that the Group has insufficient capital to cover regulatory requirements and/or growth plans;
- Liquidity risk, which is the risk that the Group is not able to meet its financial obligations as they fall due, or can do so only at excessive cost;
- Interest rate risk, which is the risk of loss through un-hedged or mismatched asset and liability positions sensitive to changes in interest rates;
- Market risk, which is the financial impact from movements in market prices on the value of assets and liabilities;
- Operational risk, which is the risk of financial loss and/or reputational damage resulting from inadequate or failed internal processes, people and systems or from external events; and
- Conduct risk, which is the risk of detriment caused to the Group's customers due to the inappropriate execution of its business activities and processes.

Management of such risks requires, among other things, robust systems and processes, and guidelines and policies which must be forward-looking, clearly articulated, documented and communicated throughout the business for the accurate identification and control of a large number of transactions and events. Whilst the Company currently has a risk committee and formal risk procedures in place which aim to manage risk effectively, the systems and processes, and guidelines and policies must be continually reviewed and updated and effectively communicated to all personnel to ensure that resources, governance and infrastructure are appropriate for the increasing size and complexity of the business.

Risk management requires senior management of the Group to make complex judgements, including decisions (based on assumptions about economic factors) about the level and types of risk that the Group is willing to accept in order to achieve its business objectives, the maximum level of risk the Group can assume before breaching constraints determined by liquidity needs and its regulatory and legal obligations, including, among others, from a conduct and prudential perspective. Given these complexities, and the dynamic environment in which the Group operates, there is a risk that the decisions made by senior management of the Group may not be appropriate or yield the results expected or that senior management of the Group may be unable to recognise emerging risks for the Group quickly enough to take appropriate action in a timely manner.

Risk management also involves the use of risk models which are mathematical representations of business systems designed to help describe, predict, experiment with or optimise decisions and scenarios used throughout the business. There is a risk that an adverse outcome occurs as a direct result of weaknesses or failures in the design or use of any such a model.

Furthermore, the Group has a limited operating history and, consequently does not have a long track record on which it can assess the performance of its systems and processes or the analysis of those systems' output. While the Group has guidelines, policies and contingency plans to manage such risks, they may not prove to be adequate in practice.

If the Group is unable to implement its business strategy or effectively manage the risks it faces, its reputation, its businesses, financial condition, results of operations and prospects could be materially adversely affected.

4. The Group is subject to risks concerning customer and counterparty credit quality

The Group has exposure to various different products, counterparties and obligors whose credit quality (in addition to their capital position and liquidity) can have a significant adverse impact on the Group's earnings and the value of assets on the Group's balance sheet. As part of the ordinary course of its operations, the Group articulates its credit risk appetite as well as estimates provisions for credit risks based on the potential credit losses inherent in these exposures. This process, which is critical to the Group's results and financial condition, requires complex judgements, including forecasts of how changing macro-economic conditions might impair the ability of customers to repay their loans. The Group may fail to adequately identify the relevant factors or accurately estimate the impact and/or magnitude of identified factors, which could adversely affect the Group's businesses, financial position, results of operations and prospects.

Further, there is a risk that, despite the Directors' belief that the Group conducts an accurate assessment of customer credit quality, customers might be unable to meet their commitments as they fall due as a result of customer-specific circumstances, macro-economic disruptions or other external factors. Although the Directors are comfortable with the Group's current default rates, higher levels of failure of customers to meet their commitments as they fall due may result in higher impairment charges or a negative impact on fair value in the Group's lending portfolio. A deterioration in customer credit quality and the consequent increase in impairments would have a material adverse impact on the Group's businesses, financial condition, results of operations and prospects.

5. The Company's business is subject to inherent risks relating to the cost and availability of liquidity and funding

Financial institutions such as the Company are subject to liquidity risk as an inherent part of their business. If the Company is successful in obtaining a banking licence, the Directors intend to raise funds principally through accepting retail and SME deposits. However, the Company's funding needs may increase and/or its funding structure may not continue to be efficient, which may give rise, in both cases, to a requirement to make use of central bank funding and wholesale funding markets.

The availability of retail and SME deposit funding may be impacted by increased competition from other deposit-takers or factors that constrain the volume of liquidity in the market. In addition, the Company's ability to access retail and SME funding sources on satisfactory economic terms will be subject to a variety of factors, a number of which are outside their control, including, among others, liquidity constraints, general market conditions, increased competition, regulatory requirements and a loss of confidence in the UK banking system.

If the Company is successful in obtaining banking licences and access to retail and SME deposit funding is constrained for a prolonged period of time, or there is a restriction on access to liquidity through central bank funding and the wholesale funding markets were to be fully or partially closed, the Company's cost of funding could increase and it may prove difficult to obtain funding on commercially attractive terms or at all. This could have a negative impact on the Company's ability to grow and its margin and profit, materially adversely affecting its business, financial condition, results of operations and prospects.

Investors should note that extreme market disruptions, such as the severe dislocation experienced in credit markets following the onset of the global financial crisis in 2008, a prolonged and severe restriction on the Company's access to liquidity and a prolonged and severe decline in consumer confidence which could result in high levels of withdrawals from the Company's proposed retail and SME deposit base if it obtains a banking licence, could affect the Company's future abilities to meet their regulatory minimum liquidity requirements, or to fulfil their financial and lending commitments. Though the Directors believe that the Company will have adequate liquidity headroom in the event they obtain banking licences, if such severe dislocation were to recur, the Company may not be in a

position to continue their respective operations without additional funding support. Any inability to access such support could have a material impact on the Company's solvency.

6. DFC intends to operate in a highly regulated industry and any regulatory non-compliance or a change in regulations could have a material adverse effect on the Group

The financial services industry is highly regulated and continuing compliance with applicable regulations is costly. If DFC becomes authorised by the PRA as a bank, its deposit taking activities will be regulated primarily by the PRA and the FCA, it will be dependent on PRA authorisation to carry on such activities.

The PRA and the FCA have broad regulatory powers dealing with all aspects of financial services, including the authority to make enquiries of companies regarding compliance with applicable regulations, to grant and, in specific circumstances, to vary or cancel permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources, and to impose fines. The regulatory environment in which DFC operates frequently changes and has seen significant increased regulation in recent years, and it is expected that this trend will continue for the foreseeable future. Areas where regulatory changes could have an adverse effect on DFC's business include, but are not limited to:

- general changes in UK Government, central bank or regulatory policy, or changes in regulatory regimes, including changes that apply retroactively, that may influence customer decisions in particular markets in which DFC intends to operate, which may change the structure of those markets and the products offered or may increase the costs of doing business in those markets;
- external bodies applying or interpreting standards or laws in a manner that is different to how DFC applies or interprets them;
- one or more of the PRA or FCA intervening to prevent or delay the launch of a product or service, or prohibiting an existing product or service, or imposing conditions on the sales and servicing of products, which has the effect of making such products unprofitable or unattractive to sell;
- changes in competitive and pricing environments;
- further requirements relating to financial reporting, corporate governance and conduct of business and employee compensation;
- changes to regulation and legislation relating to public sector spending and payment terms;
- changes to regulation and legislation relating to economic and trading sanctions, money laundering and terrorist financing; and
- the UK government influencing business strategy, particularly the rate of growth of the business.

DFC, and thereby the Group, may be materially adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations, and changes to the regulatory environment could also increase the compliance costs of DFC. A substantial change in the regulatory environment for the financial services industry could have a material adverse effect on DFC's, and thereby the Group's business, results of operations, financial condition and prospects.

7. Applicable regulatory requirements in the UK may delay, deter or prevent any future change of control of the Group

Any individuals or company that intend to acquire control of DFC once it is authorised will need to obtain prior approval from the PRA. Acquiring control in this context means holding 10% or more of the shares or voting rights in DFC or a parent undertaking, i.e. the Company (and any parent undertakings of the Company in the future), or holding shares or voting rights in DFC or a parent undertaking as a result of which a person is able to exercise significant influence over the management of the firm.

Where shareholders which have already obtained approval from the PRA increase their holdings through additional controller "bands" (either on the basis of shareholdings or voting rights), they require further approval. The bands are 10%, 20%, 30% and 50%.

Where two or more shareholders "act in concert", their holdings are aggregated. Shareholders will be considered to be acting in concert if have an explicit or implicit agreement in respect of how they use their voting power. If two or more shareholders are acting in concert, the total of their respective interests will be deemed to be held by both parties as if each party held the interests of the other party in addition to their own.

DFC will also be obliged to notify the PRA of any proposed or actual changes in control. A notification (rather than a request for consent) is required if an existing controller decreases its control below the thresholds below. It is a criminal offence to acquire control without PRA consent.

The PRA has 60 working days to consider an application for a change in control. This period may be extended for an additional 30 working days.

Failure by an incoming controller to obtain the required approval in relation to a change of control from the PRA prior to the control being obtained would constitute a criminal offence; failure by an outgoing controller to notify the PRA of a cessation of control would also amount to a criminal offence; and failure by DFC (once authorised) to notify the PRA of a change of control before the change occurs would be a regulatory breach, in theory capable of attracting a fine or other regulatory censure.

These laws may change and may, in their current or any future form, discourage potential future acquisition proposals and may delay, deter or prevent potential acquirers of Ordinary Shares which may, in turn, reduce the value of the Ordinary Shares.

8. Dependence on key executives and personnel

The Group's future success is substantially dependent on the continued services and performance of its Executive Directors and the senior management of the Group and its ability to attract and retain suitably skilled and experienced personnel. The loss of the services of any of the Executive Directors, members of the Group's senior management or other key employees or the loss of experience, skills or key customer relationships of such personnel could have a material adverse effect upon the Group's businesses, results of operations and prospects. Finding and hiring any such replacements could be costly or may not be available and this could have a material adverse effect on the Group's businesses, financial condition, results of operations and prospects.

9. The Group's assumptions underlying product development and market conditions can be difficult to forecast and inaccurate assumptions may negatively impact the Group

Given the dynamic environment in which the Group operates and the fact that the risks associated with the introduction and delivery of any new products may be different from those which the Group currently has experience of managing, there is a risk that the assumptions used within its models and forecasts may differ significantly from the subsequent outcomes. Consequently, decisions made by senior management on the basis of assumptions and projections may not yield the results expected. In addition, senior management may be unable to recognise emerging risks for the Group quickly enough to take appropriate action in a timely manner. Any failure to recognise such risks may materially adversely affect the Group's business, financial condition, results of operations and prospects.

10. Disruption or failure of key systems, the internet or other technology

The Group's business is dependent on various key systems, the internet and other technologies. Shutdowns or service disruptions caused by events such as criminal activity, sabotage or espionage, computer viruses, hacking and other cyber-security attacks, fraudulent activity, router disruption, automated attacks such as denial of service attacks, power outages, natural disasters, accidents, terrorism, equipment failure or other events within or outside the Group's control could adversely affect the Group and its customers. Furthermore, such attacks cannot always be immediately detected, which means that the Group may not be in a position to address promptly the attacks or to implement adequate preventative measures. Such events could result in significant expenditures being necessary to recover data, or repair or replace such networks or information systems or to protect them from similar events in the future. There is a risk that a significant outage or damage to key systems, the internet and other technologies could adversely impact the services the Group is able to provide to its customers. Significant incidents could result in a disruption of parts of the Group's business, consumer dissatisfaction, damage to the Group's brands, legal costs or liability, and a loss of customers or revenues and affect the Group's financial condition and prospects.

11. The Group is subject to complex privacy and data protection laws and may be subject to privacy and data protection failures

The Group's operations are subject to a number of laws relating to privacy and data protection, including without limitation the General Data Protection Regulation 2016/679 (the "**GDPR**") (and/or any equivalent legislation implemented in the UK following the UK's withdrawal from the European Union). The GDPR came into force on 25 May 2018 and governs the Group's ability to collect and use personal data. The GDPR introduced a number of new and more stringent obligations on data controllers and data processors, in addition to conferring increased rights on data subjects, which has resulted in a greater compliance burden for businesses whose operations are subject to the GDPR. The Group has incurred, and will continue to incur, costs and effort to ensure compliance with the GDPR and this could further increase compliance costs for the Group going forward.

Notwithstanding such efforts, the Group is exposed to the risk that data could be wrongfully appropriated, lost or disclosed, damaged or processed in breach of data protection requirements. The Group could also be targeted by forms of fraudulent activity. Even the perception of privacy concerns, whether or not valid, may harm the Group's reputation and inhibit adoption of the Group's products by current and future end customers.

If the Group is found not to comply with the GDPR then this may result in investigative or enforcement action by the applicable supervisory authority (being the Information Commissioner's Office in the UK) and/or claims (including possible class actions) being brought against it by affected customers. Sanctions for breach of GDPR can be significant, including fines of up to EUR 20 million or 4% of total annual worldwide turnover in the preceding financial year (whichever is higher). This in turn could: damage the Group's reputation; lead to negative publicity; result in the loss of the goodwill of its existing customers; and/or deter new customers, all of which would have a material adverse effect on the Group's businesses, results of operations, financial condition and prospects.

12. The Group is subject to risks relating to fraudulent activity originating from both internal and external sources and inaccurate or misleading information provided by customers

The Group is exposed to the risk of both internal and external fraud. Internal fraud can be due to involvement of staff of the Group and external fraud occurs when fraud is committed by an external party.

Due to the nature of the Group's business, it has exposure to many different customers. The Group's selection and onboarding processes with respect to its lending customers may be ineffective if the Group's customers engage in fraudulent activity. Examples of such activity may include customers providing the Group with falsified or fictitious information in order to secure financing. Such fraudulent activity could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

There can be no assurance that the Group can successfully counteract such fraudulent activities or avoid losses as a result.

13. The Company is subject to competition, which may increase

The market for financial services in the UK is competitive and the Company expects such competition to intensify in response to customer demand, technological changes, the impact of new market entrants, regulatory actions and other factors. The Group currently competes, and will compete, with a number of competitors, some of which have greater financial, marketing and other resources than the Group. These competitors may seek to develop products which more successfully compete with the Group's current product range and they may also adopt more aggressive pricing policies, thereby potentially applying downward pressure on the Group's pricing models, or undertake more extensive marketing and advertising campaigns. The Group's customers may also consider carrying out some of the services in-house which some of the Group's businesses offer.

The Group's competitors may be able to respond more quickly to new or emerging technologies, changes in customer requirements and/or demands, or to devote greater resources to the development, promotion and sales of their products and services than the Group can. Some competitors are sub-market specialists, with deep and specific knowledge of niche sectors of the market. This may have a negative impact on sales volumes or profit margins achieved by the Group in the future. The Group would face an increase in competition if existing competitors further developed

their product ranges or if there were new entrants to the market with comparable or competitively superior products, or if there is further consolidation in the sector in which the Group will operate.

14. The Group could be negatively affected by any actual or perceived deterioration in the soundness of other financial institutions and counterparties

Given the high level of interdependence between financial institutions, the Group will continue to be subject to the risk of actual or perceived deterioration in the commercial and financial soundness of other financial services institutions. Within the financial services industry, the default by any one institution could lead to defaults by other institutions. Concerns about, or the deterioration of, one institution could lead to significant liquidity problems, losses or defaults by other institutions, as was the case after the insolvency of Lehman Brothers in 2008, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived deterioration or lack of creditworthiness of, or questions about, a financial institution may lead to market-wide liquidity problems and losses or defaults by the Group or by other institutions.

This risk is sometimes referred to as "systemic risk" or "contagion" and may materially adversely affect financial intermediaries, such as clearing agencies, clearing houses and banks. Systemic risk could have a material adverse effect on the Group's ability to raise new funding and on its businesses, financial condition, results of operations, liquidity and prospects.

Any actual or perceived deterioration in the soundness of other independent specialist banks may also affect perceptions of the commercial and financial soundness of the independent specialist banking sector as a whole, including the Group. This could have a material adverse effect on the Group's ability to raise new funding and on its businesses, financial condition, results of operations, liquidity and prospects.

15. Damage to the Group's reputation could cause harm to its prospects

The Group's business prospects could be adversely affected to the extent it fails to address, or appears to fail to address, various issues that could give rise to reputational risk. Reputational issues could result from a number of factors, including, but not limited to:

- poor customer service;
- failing to appropriately address potential conflicts of interest;
- breaching or facing allegations of having breached legal and regulatory requirements (including money laundering and anti-terrorism financing requirements and capital adequacy requirements);
- acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices);
- failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record-keeping;
- technology failures, particularly those that impact customer services and accounts;
- failing to properly identify conduct, legal, reputational, credit, liquidity and market risks inherent in the products it offers;
- generally poor company performance;
- risk of association in respect of issues being faced by competitors or the banking industry generally, which may or may not be directly applicable to the Group;
- negative publicity in relation to any business or pricing strategies of the Group; and
- negative reporting and wide dissemination of issues relating to the Group by the media, including social media.

A failure to adequately address these or any other relevant issues could make customers, potential depositors and investors unwilling to do business with the Group and could damage its relationships with its regulators, any of which could materially adversely affect its businesses, financial condition, results of operations and prospects.

16. *The Citi SFA contains a change of control provision which would be triggered by Arrowgrass ceasing to own at least 30% of the Ordinary Shares*

Immediately following Admission, Arrowgrass will own approximately 48.99% of the Enlarged Ordinary Share Capital (assuming no other changes to its TruFin shareholding prior to the Demerger). If Arrowgrass ceases to own at least 30% of the Ordinary Shares in the Company, it constitutes an early amortisation event after the occurrence of which the loans under the Citi SFA have to be repaid monthly in accordance with a different priority payment schedule and no new loans can be borrowed. If this occurs, this could have a material adverse effect on the Group's businesses, financial condition, results of operations and prospects.

17. Customer contracts and dependence on key customers

The Company has contracts with a number of key manufacturers, which often may be terminated on written notice following an initial 12 month period.

Although the Board do not consider it likely that any such contracts will be terminated or will not be renewed on the same or more favourable terms, the Directors cannot guarantee that the relevant parties' commercial position or market conditions will not alter their position. Should any of these contracts be terminated or not be renewed, it could have a material adverse effect on the financial position and future prospects of the Group. Any deterioration of the Group's relationship with any key customers, or the loss of orders (or a reduction in the gross or net margin in respect of the orders) from key customers, could have a material adverse effect on the Group's businesses, financial condition, results of operations and prospects.

18. Material litigation, claims or arbitration or legal uncertainties

The Group is not engaged in any material litigation, claim and arbitration, either as claimant or defendant, that has or could have a material effect on its financial position and the Directors do not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the Group's position or businesses. However, there can be no assurance that there will be no such proceedings in the future that could affect the reputation, businesses or performance of the Group.

19. The Group's insurance coverage may not be adequate to cover all possible losses that it could suffer and its insurance costs may increase

The Group seeks to maintain comprehensive insurance coverage at commercially reasonable rates. Although the Group carries business interruption, building and contents, director and officer and employer's insurance to cover certain risks, its insurance policies do not cover all types of losses and liabilities and are subject to limits and excesses. There can be no assurance that the Group's insurance will be sufficient to cover the full extent of all losses or liabilities for which it is insured and the Group cannot guarantee that it will be able to renew its current insurance policies on favourable terms, or at all.

20. The Group is subject to changes in taxation laws

The Group's activities are conducted in the UK, and consequently, it is subject to a range of UK taxes. Revisions to tax legislation or to its interpretation (including any further tax legislation which may apply to the Group if the Company successfully obtains a banking licence) could result in increased tax rates (including in relation to UK corporation tax rates) or additional taxes.

Adverse changes in tax laws, and any other reform amendment to, or changes in the interpretation or enforcement of, applicable tax legislation that negatively impact the Group or its customers could have a material adverse effect on the Group's businesses, financial condition, results of operations and future prospects.

B. RISKS RELATING TO ADMISSION AND THE ORDINARY SHARES

1. The Company has a concentration of shareholding in one Shareholder

Immediately following Admission, Arrowgrass will own approximately 48.99% of the Enlarged Ordinary Share Capital (assuming no other changes to its TruFin shareholding prior to the Demerger). As a result, Arrowgrass will be able to exercise significant influence over matters requiring Shareholder

approval, including future issues of Ordinary Shares and the election of Directors or the approval of fundamental changes of business. This concentration of ownership may have the effect of delaying, deferring, deterring or preventing a change in control, depriving Shareholders of the opportunity to receive a premium for their Ordinary Shares as part of a sale of the Company. The interests of Arrowgrass may not necessarily be aligned with those of the other Shareholders. Accordingly, subject to the Arrowgrass Relationship Agreement, Arrowgrass could influence the Group in a manner that may not be in the interests of other Shareholders. The concentration of ownership could also affect the market price and liquidity of the Ordinary Shares, and any acquisition of further Ordinary Shares by Arrowgrass could reduce the liquidity of the Ordinary Shares even further. If Arrowgrass seeks to influence the Group in a manner that may not be in the interests of other Shareholders, the Group, results of operations, financial condition and prospects, and the trading price of the Ordinary Shares could be adversely affected.

2. Acquiring control of DFC requires prior approval from the PRA

Any individuals or company that intend to acquire control of DFC once it is authorised will need to obtain prior approval from the PRA. Acquiring control in this context means holding 10% or more of the shares or voting rights in DFC or a parent undertaking, i.e. the Company (and any parent undertakings of the Company in the future), or holding shares or voting rights in DFC or a parent undertaking as a result of which a person is able to exercise significant influence over the management of the firm.

Where shareholders which have already obtained approval from the PRA increase their holdings through additional controller "bands" (either on the basis of shareh oldings or voting rights), they require further approval. The bands are 10%, 20%, 30% and 50%.

Where two or more shareholders "act in concert", their holdings are aggregated. Shareholders will be considered to be acting in concert if have an explicit or implicit agreement in respect of how they use their voting power. If two or more shareholders are acting in concert, the total of their respective interests will be deemed to be held by both parties as if each party held the interests of the other party in addition to their own.

DFC will also be obliged to notify the PRA of any proposed or actual changes in control. A notification (rather than a request for consent) is required if an existing controller decreases its control below the thresholds below. It is a criminal offence to acquire control without PRA consent.

The PRA has 60 working days to consider an application for a change in control. This period may be suspended for an additional 30 working days.

Failure by an incoming controller to obtain the required approval in relation to a change of control from the PRA prior to the control being obtained would constitute a criminal offence; failure by an outgoing controller to notify the PRA of a cessation of control would also amount to a criminal offence; and failure by DFC (once authorised) to notify the PRA of a change of control before the change occurs would be a regulatory breach, in theory capable of attracting a fine or other regulatory censure.

These laws may change and may, in their current or any future form, discourage potential future acquisition proposals and may delay, deter or prevent potential acquirers of Ordinary Shares which may, in turn, reduce the value of the Ordinary Shares.

3. Investment in AIM-listed securities

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List. An investment in the Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

4. Share price volatility and liquidity

The share price of quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some of which are specific to the Company and its operations and some of which may affect quoted companies generally. These factors could

include the performance of the Company, large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

5. Dividends

The Directors' current intention is that, for the foreseeable future, the earnings of the Group will be reinvested in the business in order to fund the Group's ongoing growth strategy. In the future, if it is commercially prudent to do so, the Board may consider the payment of a dividend. There can, however, be no assurance as to the level of future dividends. The Company's ability to pay dividends in the future depends, amongst other things, on the Company's financial performance and distributable reserve position and is therefore not guaranteed.

6. Taxation

Any change in the Company's tax status or in taxation legislation could affect the Company's financial position and ability to provide returns to shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on current UK tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

7. General economic climate

Factors such as inflation, currency fluctuation, interest rates, supply and demand of capital and industrial disruption have an impact on business costs and commodity prices and stock market prices. The Group's operations, business and profitability can be affected by these factors, which are beyond the control of the Group.

8. Being a public company

The Company expects that the obligations of being a public company, including public reporting and investor relations obligations, will require new expenditures, place new demands on the Company's management and will require the hiring of additional personnel.

PART 3 HISTORICAL FINANCIAL INFORMATION

PART A—ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION

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On behalf of Distribution Finance Capital Holdings Plc
12 Groveland Court
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EC4M 9EH

Macquarie Capital (Europe) Ltd
Ropemaker Place
28 Ropemaker Street
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EC2Y 9HD

17 April 2019

Dear Sirs/Madams

Distribution Finance Capital Ltd

We report on the financial information for the period from 25 May 2016 to 31 December 2018 in relation to Distribution Finance Capital Ltd ("DFC") set out in Part B of Part 3 of the AIM admission document dated 17 April 2019 of Distribution Finance Capital Holdings Plc (the "Admission Document"). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation) as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation as applied by Paragraph (a) of Schedule Two to the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that

the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion on financial information

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of DFC as at 31 December 2016, 31 December 2017 and 31 December 2018 and of its profits, cash flows and changes in equity for the period from 25 May 2016 to 31 December 2018 in accordance with the basis of preparation set out in Note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully

Deloitte LLP

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PART B—HISTORICAL FINANCIAL INFORMATION

Historical financial information of Distribution Finance Capital Ltd for the years ended 31 December 2018, 31 December 2017 and the period from 25 May 2016 to 31 December 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
		£'000	£'000	£'000
Interest and similar income	4	4,828	928	—
Interest and similar expenses	5	(3,503)	(2,076)	—
Net interest income/(loss)		1,325	(1,148)	—
Fee income	6	351	188	7
Net fee income		351	188	7
Total operating income		**1,676**	**(960)**	**7**
Staff costs	7	(5,851)	(3,022)	(341)
Other operating expenses	8	(2,695)	(1,117)	(118)
Depreciation and amortisation	13,14	(108)	(9)	—
Total operating loss before impairment losses		**(6,978)**	**(5,108)**	**(452)**
Provision for commitments and other liabilities	9	(171)	(105)	—
Net impairment loss on financial assets	10	(116)	(64)	—
Loss before taxation		**(7,266)**	**(5,277)**	**(452)**
Taxation	12	—	—	—
Loss after taxation		**(7,266)**	**(5,277)**	**(452)**
Other comprehensive income:				
Items that may subsequently be transferred to profit or loss				
Fair value movements on debt securities	17	1	—	—
Total other comprehensive income for the period, net of tax		**1**	—	**—**
Total comprehensive loss for the period attributable to equity holders		**(7,264)**	**(5,277)**	**(452)**
Earnings per share:		Pence	Pence	Pence
Basic and Diluted EPS	24	(54)	(106)	(9)

The activities of Distribution Finance Capital Ltd ("OldCo") relate entirely to continuing operations.

Notes 1 to 26 are an integral part of this historical financial information.

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2018 £'000	31 December 2017 £'000	31 December 2016 £'000
Assets				
Cash and cash equivalents		7,556	6,458	2,811
Loans and advances to customers	16	113,795	30,326	—
Debt securities	17	4,994	—	—
Trade and other receivables	18	2,861	1,070	101
Property, plant and equipment	13	230	37	5
Intangible assets	14	620	—	—
Assets classified as held for sale	15	266	—	—
Total Assets		**130,323**	**37,891**	**2,917**
Liabilities				
Trade and other payables	21	2,479	743	68
Financial liabilities	20	72,445	38,507	—
Provisions and contingent liabilities	9	846	105	—
Total Liabilities		**75,771**	**39,355**	**68**
Equity				
Issued share capital	19	17	5	5
Share premium	19	35,994	3,296	3,296
Retained earnings		18,541	(4,765)	(452)
Total Equity		**54,553**	**(1,464)**	**2,849**
Total equity and liabilities		**130,323**	**37,891**	**2,917**

Notes 1 to 26 are an integral part of this historical financial information.

STATEMENT OF CASHFLOW

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000	Period to 31 December 2016 £'000
Cash flows from operating activities:				
Loss before taxation		(7,264)	(5,277)	(452)
Adjustments for:				
Depreciation of property, plant and equipment	13	59	9	—
Amortisation of intangible assets	14	49	—	—
Interest income on debt securities	17	(1)	—	—
Interest & fees income		(5,179)	(923)	
Interest expense		3,503	2,076	—
Increase in provisions	10	105	64	—
Impairment of aged receivables & other commitments	9	182	—	—
Taxation paid	12	—	—	
Operating cash flows before movements in working capital		(8,546)	(4,051)	(452)
Increase in loans and advances to customers		(83,201)	(30,390)	—
Increase in trade and other receivables		(1,292)	(873)	(101)
Increase in trade and other payables		1,886	777	68
Cash used in operations		(82,607)	(30,486)	(33)
Interest received from customers		4,450	810	—
Net cash used in operating activities		**(86,703)**	**(33,727)**	**(485)**
Cash flows from investing activities:				
Purchase of debt securities	17	(5,993)	—	—
Proceeds from sale and maturity of debt securities	17	1,000	—	—
Purchase of property, plant and equipment	13	(253)	(42)	(5)
Purchase of intangible assets	14	(669)	—	—
Net cash used in investing activities		**(5,915)**	**(42)**	**(5)**
Cash flows from financing activities:				
Issue of ordinary share capital	19	6	—	5
Issue of ordinary share premium		25,998	—	3,296
Issue of preference share capital		—	3,500	—
Increase in financial liabilities		79,926	39,000	—
Repayment of financial liabilities		(10,000)	(5,000)	—
Interest paid		(2,214)	(84)	—
Net cash generated from financing activities		**93,716**	**37,416**	**3,301**
Net increase in cash and cash equivalents		1,098	3,647	2,811
Cash and cash equivalents at beginning of the period		6,458	2,811	—
Cash and cash equivalents at end of the period		**7,556**	**6,458**	**2,811**

Notes 1 to 26 are an integral part of this historical financial information

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
Balance at 25 May 2016	—	—	—	—
(Loss) for the period	—	—	(452)	(452)
Issue of share capital	5	—	—	5
Issue of share premium	—	3,296	—	3,296
Balance at 31 December 2016	**5**	**3,296**	**(452)**	**2,849**
(Loss) for the year	—	—	(5,277)	(5,277)
Capital contribution in relation to the issue of preference shares	—	—	964	964
Balance at 31 December 2017	**5**	**3,296**	**(4,765)**	**(1,464)**
(Loss) for the year	—	—	(7,266)	(7,266)
Other comprehensive income for the year			1	1
Debt to equity conversion of intra-group funding	6	(3,296)	30,571	27,281
Equity injection from Parent	6	35,994	—	36,000
Balance at 31 December 2018	**17**	**35,994**	**18,541**	**54,552**

Notes 1 to 26 are an integral part of this historical financial information.

Refer to note 19 for further details on equity movements during the periods.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Basis of preparation

1.1 General information

Distribution Finance Capital Ltd (or "Distribution Finance Capital") is a private company limited by shares incorporated in England and Wales. The registered office is 12 Groveland Court, London, EC4M 9EH.

Distribution Finance Capital Ltd was incorporated on 25 May 2016 and commenced unregulated commercial lending to small and medium sized enterprises (SMEs) in March 2017. The 2016 amounts presented in the historical financial information for Distribution Finance Capital Ltd all pertain to the period from 25 May 2016 (the "Period") to 31 December 2016.

The principal activity of Distribution Finance Capital Ltd is the provision of niche commercial lending activities including short-term lending financing to dealers.

This historical financial information is presented in pounds sterling, which is the currency of the primary economic environment in which Distribution Finance Capital Ltd operates, and is rounded to the nearest thousand pounds, unless stated otherwise.

1.2 Basis of accounting

The historical financial information has been prepared in accordance with European Union Endorsed International Financial Reporting Standards (IFRSs) and the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee (IFRIC)) interpretations.

The historical financial information has been prepared on a going concern basis and under the historical cost convention except for the treatment of certain financial instruments.

1.3 Principal accounting policies

The principal accounting policies adopted in the preparation of this financial information are set out below. These policies have been applied consistently to all the financial periods presented.

1.4 Going concern

Distribution Finance Capital Ltd's forecasts and projections, taking into account reasonably possible changes in trading performance, show that it should be able to operate in the foreseeable future, subject to a £25 million capital injection from TruFin Holdings Limited. Without this injection, the projections show that it should be able to operate in the foreseeable future with management focused on the size of the loan book. As a consequence, the Directors have a reasonable expectation that Distribution Finance Capital Ltd will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing this historical financial information.

1.5 Critical accounting estimates and judgements

In accordance with IFRS accounting standards, the directors of Distribution Finance Capital Ltd are required to make judgements, estimates and assumptions in certain subjective areas whilst preparing this historical financial information. The application of these accounting policies may impact the reported amounts of asset, liabilities, income and expenses and actual results may differ from these estimates.

Any estimates and underlying assumptions used within this historical financial information document are reviewed on an ongoing basis, with revisions recognised in the period in which they are adjusted and any future periods affected.

Further details can be found in note 3 of this historical financial information on the critical accounting estimates and judgements used.

1.6 Foreign currencies

The historical financial information is expressed in Pounds Sterling, which is the functional and presentational currency of Distribution Finance Capital Ltd.

Transactions in foreign currencies are translated to Distribution Finance Capital Ltd's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of income.

2. Summary of significant accounting policies

2.1 Revenue recognition

Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or measured or designated as at fair value through profit and loss ("FVTPL") are recognised in "Net interest income" as "Interest income" and "Interest expense" in the statement of profit or loss using the effective interest method.

The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

In calculating the EIR, management have taken into consideration the behavioural characteristics of the underlying loans in the lending portfolio which includes evaluating the expected duration of loans and any additional behavioural fees.

The interest income/ expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (that is, to the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortised cost of financial liabilities.

For credit-impaired financial assets, as defined in the financial instruments accounting policy, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (that is, to the gross carrying amount less the allowance for expected credit losses ("ECLs").

Fee income

All fee income relates to facility fees charged to customers. These fees do not meet the criteria for inclusion within interest income. Distribution Finance Capital Ltd satisfies its performance obligations as the services are rendered. These fees are billed in arrears of the period they relate to. This fee income is currently recognised under IFRS 15.

IFRS 15 sets out the principles to follow for revenue recognition which takes into consideration the nature, amount, timing and uncertainty of revenue and cash flows resulting from a contract with a customer. The accounting standard presents a five-step approach to income recognition to enable Distribution Finance Capital to recognise the correct amount of income in the corresponding period(s):

- the contract has been approved by the parties to the contract;
- each party's rights in relation to the goods or services to be transferred can be identified;
- the payment terms for the goods or services to be transferred can be identified;
- the contract has commercial substance; and
- it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected

IFRS 15 is effective from 1 January 2018 and supersedes IAS 18: Revenue, and any other UK GAAP equivalent accounting standards with the exception of income generated from insurance contracts, financial instruments or lease contracts, which fall under the scope of other IFRS accounting standards.

All other income is currently recognised under IFRS 9 (EIR) however when new fees are implemented they will be assessed as to whether they fall under IFRS 9 (EIR) or IFRS 15. IFRS 9 and IFRS 15 have been applied consistently to all the financial periods presented.

Other income from financial instruments

For financial instruments that are classified as FVTPL, any interest or fee income is included in the profit and loss account within the fair value gain or loss.

Debt securities are measured at fair value through other comprehensive income. The securities are measured at their closing bid prices at the reporting date with any unrealised gain or loss recognised through other comprehensive income. Once the assets have been deposed, the corresponding realised gain or loss is transferred from other comprehensive income into the statement of profit or loss.

Distribution Finance Capital Ltd presently holds no financial instruments for trading or hedging purposes, nor has it designated any items as FVTPL.

2.2 Other expense from financial instruments

Any interest or fees incurred in servicing liabilities carried at FVTPL are included in the profit and loss account within "Net gain/(loss) from financial instruments at FVTPL".

2.3 Property, plant and equipment

All property, plant and equipment is stated at historical cost (or deemed historical cost) less accumulated depreciation, and less any identified impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value on a straight-line basis at the following annual rates:

Fixtures & Fittings	– 3 years
Computer equipment	– 3 years
Telephony & communications	– 3 years
Leasehold improvements	– 3 years

Useful economic lives and estimated residual values are reviewed annually and adjusted as appropriate.

2.4 Intangible assets

Computer software

Computer software which has been purchased by Distribution Finance Capital from third party vendors is measured at initial cost less accumulated amortisation and less any accumulated impairments.

Computer software is estimated to have a useful life of 3 years with no residual value after the period. These assets are amortised on a straight-line basis with the useful economic lives and estimated residual values being reviewed annually and adjusted as appropriate.

Internally-generated intangible assets

Internally-generated intangible assets are only recognised by Distribution Finance Capital when the recognition criteria has been met in accordance with IAS 38: Intangible Assets as follows:

- expenditure can be reliably measured;
- the product or process is technically and commercially feasible;
- future economic benefits are likely to be received;
- intention and ability to complete the development; and
- view to either use or sell the asset in the future.

Distribution Finance Capital will only recognise an internally-generated asset should it meet all the above criteria. In the event of a development not meeting the criteria it will be recognised within the statement of profit or loss in the period incurred.

Capitalised costs include all directly attributable costs to the development of the asset. Internally generated assets are measured at capitalised cost less accumulated amortisation less accumulated impairment losses. The internally generated asset is amortised at the point the asset is available for use or sale. The asset is amortised on a straight-line basis over the useful economic life with the remaining useful economic life and residual value being assessed annually.

Internally-generated assets are amortised on a straight-line basis over a period of 3-5 years with an expected £nil residual balance.

Any subsequent expenditure on the internally generated asset is only capitalised if the cost increases the future economic benefits of the related asset. Otherwise all additional expenditure should be recognised through the statement of profit or loss in the period it occurs.

2.5 Assets classified as held for sale

Whilst assessing whether any assets should be classified as held for sale, the management of Distribution Finance Capital ensure that the status of the asset satisfies all the following criteria as set out within IFRS 5:

- The carrying amount of the asset will be recovered principally through a sale transaction rather than through continuing use;
- the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- its sale must be highly probable and within one year from the date of classification;
- management must be committed to a plan to sell the asset; and
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value.

In the event an asset satisfies the criteria, prior to reclassification the asset should be valued in accordance with IFRS accounting standards applicable to the asset in question.

At initial recognition the asset is measured at the lower of carrying amount and fair value less costs to sell. Any unrealised gains or losses are recognised in the profit and loss account. Upon disposal of the assets the corresponding gain or loss is transferred into the statement of profit or loss in the same period as the sale. The assets fair value is reviewed on an ongoing basis with any further gains or losses recognised through other comprehensive income.

2.6 Financial instruments

Initial recognition

Financial assets and financial liabilities are recognised in Distribution Finance Capital's balance sheet when Distribution Finance Capital becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are respectively added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets and financial liabilities at FVTPL are recognised immediately in the statement of profit or loss.

Financial assets

Classification and reclassification of financial assets

Recognised financial assets within the scope of IFRS 9 are required to be classified as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL) on the basis of both Distribution Finance Capital's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are reclassified if, and only if, the business model under which they are held is changed. There has been no such change in the allocation of assets to business models in the periods under review.

I. Loans and advances to customers

Loans and advances to customers are held within a business model whose objective is to hold those financial assets in order to collect contractual cash flows. Further, the contractual terms of the loan agreements give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Accordingly, loans and advances to customers are subsequently measured at amortised cost. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest and similar income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss and disclosed with any other similar losses within the line item “Net impairment losses on financial assets”.

II. Fair value through other comprehensive income (FVTOCI)

FVTOCI financial assets includes debt securities in the form of UK Treasury Bills. These assets are not classified as: loans and receivables; held-to-maturity investments; or financial assets at fair value through profit or loss.

III. Trade receivables

Trade receivables do not contain any significant financing component and accordingly are recognised initially at transaction price, and subsequently measured at cost less any loss allowance.

IV. Other receivables

Other receivables are held only to collect contractually due payments of principal (and exceptionally interest charges due on late settlement). Where the fair value of these transactions is materially similar to the transaction price, each is recognised initially at the contracted amount, and subsequently measured at cost less any loss allowance.

V. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits.

Impairment

Distribution Finance Capital recognises loss allowances for expected credit losses (“ECLs”) on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers
- Other receivables
- Trade receivables, and
- Loan commitments

With the exception of purchased or originated credit impaired (“POCI”) financial assets (which are considered separately below), ECLs are measured through loss allowances calculated on the following bases.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to Distribution Finance Capital under the contract and the cash flows that Distribution Finance Capital expects to receive arising from the weighting of future economic scenarios, discounted at the asset’s EIR.

Distribution Finance Capital measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The loss allowance is measured as the difference between the contractual cash flows and the present value of the asset’s expected cash

flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

A financial asset that gives rise to credit risk, is referred to (and analysed in the notes to this financial information) as being in "Stage 1" provided that since initial recognition (or since the previous reporting date) there has not been a significant increase in credit risk nor has it has become credit impaired.

For a Stage 1 asset, the loss allowance is the "12-month ECL", that is, the ECL that results from those default events on the financial instrument that are possible within 12 months from the reporting date.

A financial asset that gives rise to credit risk is referred to (and analysed in the notes to this financial information) as being in "Stage 2" if since initial recognition there has been a significant increase in credit risk but it is not credit impaired.

For a Stage 2 asset, the loss allowance is the "lifetime ECL", that is, the ECL that results from all possible default events over the life of the financial instrument.

A financial asset that gives rise to credit risk is referred to (and analysed in the notes to this financial information) as being in "Stage 3" if since initial recognition it has become credit impaired.

For a Stage 3 asset, the loss allowance is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the EIR. Further, the recognition of interest income is constrained relative to the amounts that are recognised on Stage 1 and Stage 2 assets, as described in the revenue recognition policy set out above.

If circumstances change sufficiently at subsequent reporting dates, an asset is referred to by its newly appropriate Stage, and is re-analysed in the notes to the financial information.

Where an asset is expected to mature in 12 months or less, the "12-month ECL" and the "lifetime ECL" have the same effective meaning and accordingly for such assets the calculated loss allowance will be the same whether such an asset is at Stage 1 or Stage 2. In order to determine the loss allowance for assets with a maturity of 12 months or more, and disclose significant increases in credit risk, Distribution Finance Capital nonetheless determines which of its financial assets are in Stages 1 and 2 at each reporting date.

Significant increase in credit risk—policies and procedures for identifying Stage 2 assets

Whenever any contractual payment is past due, Distribution Finance Capital compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition in order to determine whether credit risk has increased significantly.

See note 22 for further details about how Distribution Finance Capital assesses increases in significant credit risk.

Definition of a default

Critical to the determination of significant increases in credit risk (and to the determination of ECLs) is the definition of default. Default is a component of the probability of default (PD), changes in which lead to the identification of a significant increase in credit risk, and PD is then a factor in the measurement of ECLs.

Distribution Finance Capital's definition of default for this purpose is:

- A counterparty defaults on a payment due under a loan agreement and that payment is more than 30 days overdue; or
- The collateral that secures, all or in part, the loan agreement has been sold or is otherwise not available for sale and the proceeds have not been paid to the lending company; or
- A counterparty commits an event of default under the terms and conditions of the loan agreement which leads the lending company to believe that the borrower's ability to meet its credit obligations to the lending company is in doubt.

The definition of default is similarly critical in the determination of whether an asset is credit-impaired (as explained below).

Credit-impaired financial assets—policies and procedures for identifying Stage 3 assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. IFRS 9 states that evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default (as defined above) or past due event, or
- Distribution Finance Capital, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that Distribution Finance Capital would not otherwise consider.

Distribution Finance Capital assesses whether debt instruments that are financial assets measured at amortised cost or at FVTOCI are credit-impaired at each reporting date. When assessing whether there is evidence of credit-impairment, Distribution Finance Capital takes into account both qualitative and quantitative indicators relating to both the borrower and to the asset. The information assessed depends on the borrower and the type of the asset. It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired.

See note 22 for further details about how Distribution Finance Capital identifies credit impaired assets.

Purchased or originated credit-impaired ("POCI") financial assets

POCI financial assets are treated differently because they are in Stage 3 from the point of original recognition. It is not in the nature of Distribution Finance Capital's business to purchase financial assets originated by other lenders, nor has Distribution Finance Capital to date originated any loans or advances to borrowers that it would define as credit impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- For loan commitments: as a provision.

Revisions to estimated cash flows

Where cash flows are significantly different from the original expectations used to determine EIR, but where this difference does not arise from a modification of the terms of the financial instrument, Distribution Finance Capital revises its estimates of receipts and adjusts the gross carrying amount of the financial asset to reflect actual and revised estimated contractual cash flows. Distribution Finance Capital recalculates the gross carrying amount of the financial asset as the present value of the estimated future contractual cash flows discounted at the financial instrument's original EIR.

The adjustment is recognised in the statement of profit or loss as income or expense.

Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing a financial asset are renegotiated without the original contract being replaced and derecognised. A modification is accounted for in the same way as a revision to estimated cash flows, and in addition;

- Any fees charged are added to the asset and amortised over the new expected life of the asset, and
- The asset is individually assessed to determine whether there has been a significant increase in credit risk.

Derecognition of financial assets

Distribution Finance Capital derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks

and rewards of ownership of the asset to another entity. If Distribution Finance Capital neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Distribution Finance Capital recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If Distribution Finance Capital retains substantially all the risks and rewards of ownership of a transferred financial asset, Distribution Finance Capital continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in the statement of profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when Distribution Finance Capital Ltd retains an option to repurchase part of a transferred asset), Distribution Finance Capital Ltd allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in the statement of profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Write offs

Loans and advances are written off when Distribution Finance Capital Ltd has no reasonable expectation of recovering the financial asset (either in its entirety or a portion of it). This is the case when Distribution Finance Capital Ltd determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. Distribution Finance Capital Ltd may apply enforcement activities to financial assets written off. Recoveries resulting from Distribution Finance Capital Ltd's enforcement activities will result in impairment gains.

Financial liabilities

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to Distribution Finance Capital Ltd or a contract that will or may be settled in Distribution Finance Capital Ltd's own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of Distribution Finance Capital Ltd's own equity instruments. Gains or losses on financial liabilities are recognised in the statement of profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Distribution Finance Capital Ltd are recognised at the proceeds received, net of direct issue costs. Distributions on equity instruments are recognised directly in equity.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss may include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

During the periods presented Distribution Finance Capital Ltd has held no financial liabilities for trading, nor designated any financial liabilities upon initial recognition as at fair value through profit or loss

Other financial liabilities—loans and borrowings

Interest bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in “Interest and similar expenses” in the profit and loss account.

Derecognition of financial liabilities

Distribution Finance Capital Ltd derecognises financial liabilities when, and only when, Distribution Finance Capital Ltd’s obligations are discharged, cancelled or they expire.

Impairment of non-financial assets

The carrying amounts of the entity’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (‘the cash-generating unit’).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (’CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the unit (or group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Current and deferred income tax

Income tax on the result for the period comprises current and deferred income tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Distribution Finance Capital Ltd intends to settle its current tax assets and liabilities on a net basis.

2.8 Employee benefits—pension costs

A defined contribution plan is a post-employment benefit plan under which Distribution Finance Capital Ltd pays fixed contributions into a separate entity and will have a legal or constructive obligation to pay further amounts. Contributions to defined contribution schemes are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

2.9 Leasing

Rentals paid under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the period of the lease.

Distribution Finance Capital Ltd does not currently hold any assets under finance leases.

2.10 Provisions for commitments and other liabilities

Provisions are recognised when Distribution Finance Capital Ltd has a present obligation (legal or constructive) as a result of a past event, it is probable that Distribution Finance Capital Ltd will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (discounted at Distribution Finance Capital Ltd's weighted average cost of capital when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset only if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.11 Operating segments

IFRS 8 Operating segments requires particular classes of entities (essentially those with publicly traded securities) to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers. Information is based on Distribution Finance Capital Ltd's internal management reports, both in the identification of operating segments and measurement of disclosed segment information.

Distribution Finance Capital Ltd's products and the markets to which they are offered are so similar in nature that they are reported as one class of business. All customers are currently UK-based only. As a result, the chief operating decision maker uses only one segment to control resources and assess the performance of the entity, while deciding the strategic direction of Distribution Finance Capital Ltd.

However, in accordance with IFRS 8, Distribution Finance Capital Ltd will continue to monitor its activities to ensure any further reportable segments are identified and the appropriate reporting and disclosures are made.

2.12 Earnings per share

In accordance with IAS 33, Distribution Finance Capital Ltd will present on the face of the statement of comprehensive income basic and diluted EPS for:

- Profit or loss from continuing operations attributable to the ordinary equity holders of Distribution Finance Capital Ltd; and
- Profit or loss attributable to the ordinary equity holders of Distribution Finance Capital Ltd for the period for each class of ordinary shares that has a different right to share in profit for the period.

Basic EPS is calculated by dividing profit or loss attributable to ordinary equity holders of Distribution Finance Capital Ltd by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential ordinary shares.

Adjusted basic earnings per share is calculated using the basic loss per share calculation above after allowing for adjusted items such as expenses including taxes, minority interests and preference dividends. The number of shares is calculated by adjusting the shares in issue at the beginning of the period by the number of shares bought back or issued during the period, multiplied by a time-weighting factor. Contingently issuable shares are included in the basic EPS denominator when the contingency has been met.

Adjusted diluted earnings per share is calculated after adjusting the weighted average number of shares used in the adjusted basic earnings per share calculation to assume the conversion of all potentially dilutive shares.

There are no adjustments to account for in any of the periods presented and therefore the adjusted earnings per share is determined to be the same as the basic and diluted earnings per share.

2.13 New standards and interpretations—in issue but not yet effective/adopted

IFRS 16 *Leases*

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. Distribution Finance Capital Ltd currently expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

An initial assessment has been conducted on the adoption of IFRS 16 against the current methodology followed in accordance with IAS 17. For the 12-month reporting period up to 31 December 2018, the early adoption of IFRS 16 would result in an additional expense of approximately £34,000.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements and estimates that have a significant effect on the amounts recognised in the historical financial information noted below.

3.1 Critical accounting judgements

The Board Audit Committee assessed and reviewed the critical accounting judgement in respect of the recognition of transferred assets.

Loan derecognition

In December 2017 Distribution Finance Capital Ltd sold the majority of its loan assets to DFC Funding No1 Limited. As part of this transaction DFC Funding No1 entered into a two-year senior debt facility with an external funder, secured on this floating pool of underlying assets sold by Distribution Finance Capital Ltd. On the basis that Distribution Finance Capital Ltd retains substantially all the risks and rewards of ownership of these transferred financial assets, Distribution Finance Capital Ltd has continued to recognise the financial asset and also recognised a collateralised borrowing for the proceeds received.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Loan impairment

- Where an asset has a maturity of 12 months or less, the "12-month ECL" and the "lifetime ECL" have the same effective meaning and accordingly for such assets the calculated loss allowance will be the same whether such an asset is at Stage 1 or Stage 2. Given the preponderance of short term lending, Distribution Finance Capital Ltd's combined loss allowance is not materially affected by the allocation of assets between Stages 1 and 2, nor by any significant subjectivity in the forward-looking estimates that are applied.
- The probability of default ("PD") is an estimate of the likelihood of default over a given time horizon and is a key input to the ECL calculation. Distribution Finance Capital Ltd uses credit scores from credit reference agencies to calculate the PD for loans and advances to customers. The score is a 12-month predictor of credit failure and, in the absence of internally generated loss history, Distribution Finance Capital Ltd believes that it provides the best proxy for the credit quality of the loan portfolio.
- Exposure at default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- Loss given default ("LGD") is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, in particular taking into account wholesale collateral values and certain buy back options.

Distribution Finance Capital Ltd has considered the key areas of estimation used within the IFRS 9 impairment calculation and identified the variables which propose a material risk in terms of the preparation of this historical financial information. The only variable considered to present a material risk of estimation uncertainty are the collateral values which are used within the loss given default (LGD) calculation. Distribution Finance Capital Ltd has assessed that if the loss given default

increased by a factor of 4, this would generate an additional provision of approximately £400,000 at 31 December 2018.

4. Interest income

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
On loans and advances to customers	4,799	923	—
On loans and advances to banks	29	5	—
	4,828	**928**	**—**

5. Interest expense

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
Intra-group funding	1,026	1,777	—
Wholesale funding interest	2,145	35	—
Preference shares	332	264	—
	3,503	**2,076**	**—**

6. Fee income

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
Facility fees	351	188	7
	351	**188**	**7**

7. Staff costs

Analysis of staff costs:

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
Wages and salaries	4,578	2,036	25
Consulting costs	622	699	307
Social security costs	515	243	3
Pension costs arising on defined contribution schemes	136	44	6
	5,851	**3,022**	**341**

Consulting costs are recognised within personnel costs where the work performed would otherwise have been performed by employees. Consulting costs arising from the performance of other services is included within other operating expenses.

Average monthly number of persons (including Executive Directors) employed:

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	No.	No.	No.
Management	11	4	4
Finance	5	1	—
Sales & Marketing	9	4	2
Operations	20	8	3
Technology	6	1	—
	51	**18**	**9**

Key management compensation:

The directors consider that key management personnel are those persons who are a director of Distribution Finance Capital Ltd. These individuals have the authority and responsibility for planning, directing and controlling the activities of Distribution Finance Capital Ltd.

Key management emoluments were as follows:

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
Directors' emoluments	928	691	175
Employer pension contributions	9	17	6
	936	**708**	**181**

The remuneration of the highest paid director during the year was £373,000 (2017: £287,988, 2016: £74,000).

8. Other operating expenses

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
IT related expenses	463	276	36
Property leasing costs	340	129	20
Audit & consulting fees	229	88	1
Management fees	69	—	—
Legal and compliance fees	98	82	13
VAT related expenses	468	214	17
Sundry expenses	1,027	328	31
	2,695	**1,117**	**118**

9. Provision for commitments and other liabilities

Analysis for movements in provision for commitments and other liabilities:

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
At 1 January	**105**	**—**	**—**
Consultancy fee payments tax liability	—	105	—
Share schemes tax liability	737	—	—
Other	4	—	—
At 31 December	**846**	**105**	**—**

Share schemes tax liability

In the year ended 31 December 2018, Distribution Finance Capital Ltd recognised a tax liability in relation to the acquisition of B Class and C Class shares by directors' and senior managers within the company.

The combined tax liability for the B and C class shares due to HMRC is estimated to be £737,000. This tax liability comprises PAYE, employee national insurance and employer national insurance. Once the tax is paid to HMRC, the directors and employees are liable to repay Distribution Finance Capital Ltd the PAYE and employees national insurance paid on their behalf with Distribution Finance Capital Ltd bearing the cost of the employers' national insurance which is estimated to be £167,000.

The tax liability is based on the estimated Unrestricted Market Value ("UMV") of the shares at date of acquisition. The valuation of the UMV is subjective in nature and includes a discount to take account of factors such as market illiquidity and number of shares held. As an indicator of the sensitivity, reducing this discount by 30% would result in an increase to the expense of £81,000.

Consultancy fee payments tax liability

In the year ended 31 December 2017, Distribution Finance Capital Ltd recognised a tax liability in relation to PAYE and national insurance contributions that should have been deducted relating to consultancy fees being paid to directors during the period of 1 July 2016 to 31 December 2016.

10. Net impairment loss on financial assets

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
At 1 January	**64**	**—**	
Charge for impairment losses	116	64	—
Amounts written off in the period	—	—	—
Amounts recovered in the period	—	—	—
At 31 December	**180**	**64**	**—**

At 31 December 2018 Distribution Finance Capital Ltd had an impairment balance of £180,120 of which £169,230 is allocated against loans and advances to customers and the residual £10,890 allocated to trade receivables.

The net impairment loss on financial assets during the year ended 31 December 2018 derives from £105,411 for loans to customers and the residual £10,890 for trade receivables.

In the year ended 31 December 2017 all impairment charges were against loans to customers. There were no impairment charges in the period ended 31 December 2016.

11. Loss before income tax

Loss before income tax is stated after charging:

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
Depreciation of property, plant and equipment	59	9	—
Amortisation of intangible assets	49	—	—
Staff costs	5,851	3,022	341
Operating lease rentals	278	102	—
Auditors' remuneration	90	25	—

The analysis of the auditor's remuneration is as follows:

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
Fees payable to Distribution Finance Capital Ltd's auditor and it's associates for the audit of Distribution Finance Capital Ltd's annual accounts	60	25	—
Fees payable to Distribution Finance Capital Ltd's auditor and its associates for DFC Funding No1 Limited review on behalf of senior lender	30	—	—
	90	**25**	**—**

No services were provided pursuant to contingent fee arrangements.

For the period ended 31 December 2016, no audit expenses were incurred as Distribution Finance Capital Ltd qualified for an audit exemption under section 477 of the Companies Act 2006.

12. Taxation

Analysis of tax charge recognised in the period:

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
Current tax charge/ (credit)	—	—	—
Deferred tax (credit)/ charge	—	—	—
Total tax (credit)/ charge	**—**	**—**	**—**

Reconciliation of loss before tax to total tax credit recognised:

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
Loss before taxation	(7,264)	(5,277)	(452)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017:19.25%, 2016:20%)	(1,380)	(1,016)	(90)
Tax effect of:			
Expense not deductible for tax purposes	13	20	3
Depreciation & amortisation	21	2	—
Capital allowances	(9)	(8)	(1)
Capital items expensed	1	—	—
Other short-term timing differences	2	8	1
Deferred tax on brought forward assets	(947)	(87)	—
Adjust closing deferred tax to rate at which losses expect to be utilised (17%)	434	134	0
Current year losses/(gains) for which no deferred tax asset was recognised	1,866	947	87
Total tax credit	**—**	**—**	**—**

As at 31 December 2018 Distribution Finance Capital Ltd had unutilised tax losses of £10,974,002 (2017: £3,854,000, 2016: £87,000).

The Corporation Tax main rate has been confirmed at 19% for the years starting 1 April 2017, 2018 and 2019. As such, the tax charge has been calculated on 19% for the year.

Corporation Tax is set for an additional reduction to 18% for the year starting 1 April 2020 and 17% for the year starting 1 April 2020. This will reduce the Company's future current tax charge accordingly.

13. Property, plant and equipment

	Leasehold Improvements	Furniture, Fixtures & Fittings	Computer Hardware	Telephony & Communications	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 25 May 2016	—	—	—	—	—
Additions	—	—	5	—	5
Disposal	—	—	—	—	—
At 31 December 2016	**—**	**—**	**5**	**—**	**5**
Additions	—	11	27	4	42
Disposal	—	—	—	—	—
At 31 December 2017	**—**	**11**	**32**	**4**	**47**
Additions	23	93	135	2	253
Disposal	—	—	—	—	—
At 31 December 2018	**23**	**104**	**166**	**5**	**299**
Depreciation					
At 25 May 2016	—	—	—	—	—
Depreciation charge for the period	—	—	—	—	—
At 31 December 2016	**—**	—	—	—	—
Depreciation charge for the year	—	(3)	(6)	(1)	(10)
At 31 December 2017	**—**	**(3)**	**(6)**	**(1)**	**(10)**
Depreciation charge for the year	(3)	(15)	(40)	(2)	(59)
At 31 December 2018	**(3)**	**(18)**	**(46)**	**(2)**	**(69)**
Net Book Value					
At 31 December 2016	—	—	5	—	5
At 31 December 2017	—	8	26	3	37
At 31 December 2018	**20**	**86**	**121**	**3**	**230**

Distribution Finance Capital Ltd holds no assets under finance leases.

14. Intangible assets

	Computer Software £'000
Cost	
At 25 May 2016	—
Additions from internal development	—
Additions from separate acquisitions	—
At 31 December 2016	—
Additions from internal development	—
Additions from separate acquisitions	—
At 31 December 2017	—
Additions from internal development	574
Additions from separate acquisitions	95
At 31 December 2018	**669**
Amortisation	
At 25 May 2016	—
Charge for the period	—
At 31 December 2016	—
Charge for the year	—
At 31 December 2017	—
Charge for the year	(49)
At 31 December 2018	**(49)**
Carrying amount	
At 31 December 2016	—
At 31 December 2017	—
At 31 December 2018	**620**

Computer software includes £574,500 of internal costs, primarily employee costs, and £43,500 of accumulated depreciation incurred in relation to Distribution Finance Capital Ltd's development of software platforms aimed at improving the commercial lending processes and development of retail customer deposits platform. The amortisation period for these software costs is within a range of 3-5 years following an individual assessment of the asset's expected life. Distribution Finance Capital Ltd performed an impairment review at 31 December 2018 and concluded no impairment was required.

15. Assets classified as held for sale

In December 2018 a customer of Distribution Finance Capital Ltd went into administration and defaulted on their outstanding loans. Distribution Finance Capital Ltd repossessed the assets held as collateral against the outstanding loans which were moved into a third-party storage facility at the expense of Distribution Finance Capital Ltd. The outstanding loan to the customer at the time of default was £287,000.

At 31 December 2018 Distribution Finance Capital Ltd was proactively marketing the assets for sale. The assets were being marketed by the customer at the time of repossession so are deemed as fit for sale in their current condition. Given this the directors are satisfied the assets meet the classification criteria for 'assets classified as held for sale'.

Distribution Finance Capital Ltd have estimated the expected selling and legal costs associated with a proposed transaction at £30,000.

As such, the fair value less costs to sell at initial recognition has been estimated at £257,000 and the residual £30,000 expected shortfall remains as a loan receivable due from the customer's appointed administrators.

There were no assets classified as held for sale for the year ended 31 December 2017 and the period from 25 May 2016 to 31 December 2016.

At 31 December 2018 none of the assets had been disposed so there are no transfers to the profit or loss.

Summary of assets classified as held for sale:

	31 December 2018
	£'000
Fair value less costs to sell at initial recognition	**257**
Proceeds from disposal of assets	—
Incurred costs up to 31 December 2018	9
Balance at 31 December 2018	**266**

16. Loans and advances to customers

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Gross loan receivables	114,113	30,390	—
Less: allowances for impairment losses	(169)	(64)	—
Less: deferred Income	(149)	—	—
Net loan receivables	**113,795**	**30,326**	—

Refer to note 22 for details on the expected maturity analysis of the gross loans receivable balance.

Refer to note 10 and 22 for further details on the impairment losses recognised in the periods.

Unimpaired, past due receivables relating to loans and advances are analysed as follows:

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Neither past due nor impaired	113,253	30,324	—
Past due: 0-30 days	645	66	—
Past due: 31-60 days	119	—	—
Past due 61-90 days	32	—	—
Past due: More than 91 days	14	—	—
Impaired	51	—	—
	114,113	**30,390**	—

17. Debt securities

During the year ending 31 December 2018 Distribution Finance Capital Ltd purchased UK Treasury Bills with a total nominal value of £6 million of which £1 million contractually matured during the year. The securities are valued at fair value through other comprehensive income ("FVTOCI") using closing bid prices at the reporting date.

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Balance at 1 January	**—**	—	—
Purchased debt securities	5,993	—	—
Unrealised gain/(loss)	1	—	—
Proceeds from maturing securities	(1,000)	—	—
Balance at 31 December	**4,993**	**—**	**—**

Refer to note 22 for details of the maturity profile of these securities.

18. Trade and other receivables

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Trade receivables	79	129	—
Accrued Income	401	188	—
Other debtors	1,190	6	1
Prepayments	1,191	719	65
VAT	—	29	35
	2,861	**1,070**	**101**

Trade receivables above are stated net of a loss allowance of £10,890 (Dec 2017: £nil, Dec 2016: £nil). All receivables are due within one year, refer to note 22 for the expected maturity profile.

Unimpaired, past due trade receivables are analysed as follows:

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Not yet due	26	118	—
Past due: 0-30 days	11	10	—
Past due: 31-60 days	—	1	—
Past due: 61-90 days	5	—	—
Past due: More than 91 days	36	—	—
Impaired	—	—	—
	79	**129**	**—**

19. Equity

Analysis of the number of ordinary shares:

	A Class Ordinary Shares	B Class Ordinary Shares	C Class Ordinary Shares	Total Ordinary Shares
	#	#	#	#
Share capital from incorporation	5,000	—	—	5,000
Balance at 31 December 2016	**5,000**	—	—	**5,000**
No transactions during the year	**—**	**—**	**—**	**—**
Balance at 31 December 2017	**5,000**	—	—	**5,000**
Debt to equity conversion	6,002	—	—	6,002
Parent equity injection	5,808	—	—	5,808
B class shares acquisition	—	430	—	430
Transfer of shares	(317)	—	317	—
	16,493	430	317	17,240
Sub division of shares into nominal value of £0.001	16,493,000	430,000	317,000	17,240,000
Balance at 31 December 2018	**16,493,000**	**430,000**	**317,000**	**17,240,000**
Authorised no. of shares	*16,493,000*	*430,000*	*317,000*	*17,240,000*

Analysis of the nominal value of ordinary share capital during the period:

	A Class Ordinary Shares	B Class Ordinary Shares	C Class Ordinary Shares	Total Ordinary Shares
	£	£	£	£
Share capital from incorporation	5,000	—	—	5,000
Balance at 31 December 2016	**5,000**	—	—	**5,000**
No transactions during the year	—	—	—	—
Balance at 31 December 2017	**5,000**	—	—	**5,000**
Debt to equity conversion	6,002	—	—	6,002
Parent equity injection	5,808	—	—	5,808
B class shares acquisition	—	430	—	430
Transfer of shares	(317)	—	317	—
Balance at 31 December 2018	**16,493**	**430**	**317**	**17,240**
At 31 December 2018:				
Nominal value per share	0.001p	0.001p	0.001p	0.001p
Paid up share capital	16,493	430	317	17,240
Unpaid share capital	—	—	—	—

Analysis of the movements in share premium during the period:

	Year ended 31 December 2018	Year ended 31 December 2017	Period to 31 December 2016
	£'000	£'000	£'000
Balance at 1 January / 25 May	**3,296**	**3,296**	**—**
Share premium arising in the period	63,269	—	3,296
Share premium cancelled and transferred to retained earnings	(30,571)	—	—
Balance at 31 December	**35,994**	**3,296**	**3,296**

During the periods ending 31 December 2018, 31 December 2017 and 31 December 2016 the following structure changes were made which impacted equity holdings:

- Distribution Finance Capital Ltd was incorporated on 25 May 2016 at which time Distribution Finance Capital Ltd issued a total of 5,000 A class ordinary shares with a nominal amount of £1 each. 4,000 shares were allocated to Arrowgrass and the residual 1,000 shares allocated to the directors of Distribution Finance Capital Ltd. The shares allocated to Arrowgrass were given at a total consideration of £3,300,000 which included £3,296,000 of share premium. The 1,000 shares allocated to directors had a total consideration of £1,000 for which there was no share premium.
- On 29th December 2017, a reorganisation took place such that Distribution Finance Capital Ltd was brought under TruFin Holdings Limited. The 4,000 A class shares were transferred to TruFin Holdings Limited and, resultantly, given the controlling interest of Distribution Finance Capital Ltd.
- On 16th March 2018, TruFin Holdings Limited converted the mezzanine loan of £25 million plus accrued interest of £2.3 million which was owed to it by Distribution Finance Capital Ltd to equity. In exchange, Distribution Finance Capital Ltd issued to TruFin Holdings Limited 6,002 ordinary shares (with a nominal value of £1) at a consideration of £4,544.59 per share. This resulted in an increase in the nominal value of the ordinary shares held by TruFin Holdings Limited of £6,002 and increase in share premium of £27.27 million. Distribution Finance Capital Ltd on the same day cancelled the share premium in full and credited it's Retained Earnings account, thereby creating distributable reserves. This reduction of capital was carried out by way of the solvency statement procedure under section 641(1)(a) of the CA 2006.
- On 7th June 2018, 317 A class ordinary shares held within the Employee Benefit Trust were transferred and subsequently subdivided into 317,000 C class ordinary shares. These shares have been distributed to senior managers within Distribution Finance Capital Ltd.

- On 8th June 2018, Distribution Finance Capital Ltd issued to TruFin Holdings Limited 5,808 ordinary shares (with a nominal value of £1 each) at a consideration of £6,198.35 per share. This resulted in an increase of share premium of £35.99 million. This consideration compromised of £26 million in cash and £10 million of debt to equity conversion.
- On 4th October 2018, 16,493 of A class shares and 430 B class shares were sub-divided by 1:1000 shares. Following this subdivision the number of shares in issue are 16,493,000 A class shares and 430,000 B class shares.

The rights of the different share classes are as follows:

- Holders of A and B Ordinary Shares are entitled to vote and attend at general meetings of Distribution Finance Capital Ltd. The holders of C Ordinary Shares are not entitled to attend or vote at general meetings of Distribution Finance Capital Ltd.
- Any profits Distribution Finance Capital Ltd resolves to distribute in any financial year shall be apportioned amongst the holders of the A and B Ordinary Shares in proportion to the number of shares held by them respectively. Distribution Finance Capital Ltd may also declare a dividend on the C Ordinary Shares in its discretion.
- On a return of capital on liquidation or capital reduction, on a sale of substantially all of the business and assets of Distribution Finance Capital Ltd or on a sale of all or substantially all of the issue share capital of Distribution Finance Capital Ltd, the surplus assets of Distribution Finance Capital Ltd after paying all outstanding on Preference Shares, shall be applied to the holders of the A Ordinary Shares, Vested B Ordinary Shares and C Ordinary Shares pro rata to the number of Ordinary Shares held by them respectively. B Ordinary Shares become Vested 3 years after they were first allotted by Distribution Finance Capital Ltd, unless the Board has resolved that this meaning shall extend to an earlier date.

All shares are considered ordinary share capital of Distribution Finance Capital Ltd. There were no dividends proposed by the directors or paid by Distribution Finance Capital Ltd for the years ending 31 December 2018, 31 December 2017 and 31 December 2016.

Following the above changes in the equity structure of Distribution Finance Capital Ltd, at 31 December 2018 Distribution Finance Capital Ltd was owned approximately 91.7% by TruFin Holdings Limited and the residual 8.3% owned by directors, senior management and Employee Benefit Trust.

20. Financial liabilities

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Intra-group funding	10,293	26,693	—
Wholesale funding	59,041	9,035	—
Preference Shares	3,111	2,779	—
	72,445	**38,507**	**—**

Distribution Finance Capital Ltd is partially funded through the parent TruFin Holding Limited and its associated subsidiaries. At the 31 December 2018 Distribution Finance Capital Ltd has a loan agreement with TruFin Holdings Limited of £10,000,000 plus £293,000 of accrued interest. The current loan agreement has a commencement date of 29thMay 2018 and is a 1-year facility.

During the year Distribution Finance Capital Ltd converted £37.3m of outstanding debt (inc. accrued interest of 2.3m) with the Parent and associated subsidiaries into equity.

Distribution Finance Capital Ltd has a wholesale funding line which is used for funding commercial loans which at 31 December 2018 had outstanding principal of £58,926,000 and accrued interest payable of £115,000. This funding line has a contractual maturity date of 12 December 2019.

TruFin Holdings Limited hold a nominal amount of £3,500,000 in preference shares at the reporting date, of which £2,535,000 represents the liability component with an additional £575,000 in accrued interest. The preference shares are treated as liabilities as they have a contractual maturity date of

12th March 2022 which will require Distribution Finance Capital Ltd to pay a fixed sum of £3,500,000 plus accrued interest of 5% per annum.

The maturity profile of the financial liabilities are as follows:

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Loans due within one year	69,910	1,971	—
Loans due in over a year	—	34,000	—
Preference shares	2,536	2,536	—
	72,445	**38,507**	**—**

Movements in financial liabilities during the periods:

The below table identifies the movements in the financial liabilities balances during the periods, identifying between cash and non-cash items.

	Intra-group funding	Wholesale funding	Preference Shares
	£'000	£'000	£'000
Balance at 25 May 2016	**—**	**—**	**—**
Balance at 31 December 2016	—	—	—
Financing cash flows:			
Wholesale funding drawdown	—	9,000	—
Amounts received from	25,000	—	3,500
Parent and associated subsidiaries			
Interest paid	(84)	—	—
	24,916	9,000	3,500
Non-cash changes:			
Interest expense	1,777	35	243
Capital contribution reserve	—	—	(964)
	1,777	35	(721)
Balance at 31 December 2017	**26,693**	**9,035**	**2,779**
Financing cash flows:			
Wholesale funding drawdown	—	49,926	—
Amounts received from	30,000	—	—
Parent and associated subsidiaries			
Amounts repaid to	(10,000)	—	—
Parent and associated subsidiaries			
Interest paid	(149)	(2,065)	—
	20,000	47,861	—
Non-cash changes:			
Debt to equity conversion	(37,277)	—	—
Interest expense	1,026	2,145	332
Balance at 31 December 2018	**10,293**	**59,041**	**3,111**

21. Trade and other payables

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Accruals	580	224	14
Other payables	970	236	20
Payroll and other taxes	213	186	12
Trade payables	524	97	22
VAT	193	—	—
	2,479	**743**	**68**

22. Financial instruments

The directors have performed an assessment of the risks affecting Distribution Finance Capital Ltd through its use of financial instruments and believe the principal risks to be: capital risk; credit risk; and market risk, including interest rate risk.

This note describes Distribution Finance Capital Ltd's objectives, policies and processes for managing the material risks and the methods used to measure them. The significant accounting policies regarding financial instruments are disclosed in note 2.

Capital risk management

Distribution Finance Capital Ltd manages its capital to ensure that it will be able to continue as a going concern while providing an adequate return to shareholders.

The capital structure of Distribution Finance Capital Ltd consists of net debt (borrowings disclosed in note 20) and equity (comprising issued capital, share premium and retained earnings—see note 19).

Distribution Finance Capital Ltd is not subject to any externally imposed capital requirements.

Principal financial instruments

The principal financial instruments to which Distribution Finance Capital Ltd is party, and from which financial instrument risk arises, are as follows:

- Loans and advances to customers, primarily credit risk, and liquidity risk;
- Debt securities, source of credit risk, liquidity risk and interest rate risk;
- Trade receivables, primarily credit risk, and liquidity risk;
- Cash and cash equivalents, which can be a source of credit risk but are primarily liquid assets available to further business objectives or to settle liabilities as necessary;
- Trade and other payables;
- Borrowings, which are used as sources of funds and to manage liquidity risk.

Summary of financial assets and liabilities:

Below is a summary of the financial assets and liabilities held on Distribution Finance Capital Ltd's statement of financial position at the reporting dates. These values are reflected at their carrying amounts at the respective reporting date:

	Assets at amortised cost	Fair value through Other Comprehensive Income (FVTOCI)	Liabilities at amortised cost	Total
31 December 2018				
Assets (£000s)				
Cash and equivalents	7,556	—	—	7,556
Loans and advances to customers	113,795	—	—	113,795
Debt securities	—	4,994	—	4,994
Trade receivables	79	—	—	79
Other receivables	1,190	—	—	1,190
Total financial assets	**122,619**	**4,994**	**—**	**127,613**
Non-financial assets	—	—	—	2,710
Total assets	**122,619**	**4,994**	**—**	**130,323**
31 December 2018				
Liabilities (£000s)				
Preference shares	—	—	3,111	3,111
Other financial liabilities	—	—	69,334	69,334
Trade payables	—	—	524	524
Other payables	—	—	1,163	1,163
Total financial liabilities	**—**	**—**	**74,132**	**74,132**
Non-financial liabilities	—	—	—	1,639
Total liabilities	**—**	**—**	**74,132**	**75,771**

	Assets at amortised cost	Fair value through Other Comprehensive Income (FVTOCI)	Liabilities at amortised cost	Total
31 December 2017				
Assets (£000s)				
Cash and equivalents	6,458	—	—	6,458
Loans and advances to customers	30,326	—	—	30,326
Trade receivables	129	—	—	129
Other receivables	941	—	—	941
Total financial assets	**37,854**	**—**	**—**	**37,854**
31 December 2017				
Liabilities (£000s)				
Preference shares	—	—	2,536	2,536
Other financial liabilities	—	—	35,971	35,971
Trade payables	—	—	97	97
Other payables	—	—	751	751
Total financial liabilities	**—**	**—**	**39,355**	**39,355**

	Assets at amortised cost	Fair value through Other Comprehensive Income (FVTOCI)	Liabilities at amortised cost	Total
31 December 2016				
Assets (£000s)				
Cash and equivalents	2,811	—	—	2,811
Loans and advances to customers	—	—	—	—
Trade receivables	—	—	—	—
Other receivables	101	—	—	101
Total financial assets	**2,912**	**—**	**—**	**2,912**

	Assets at amortised cost	Fair value through Other Comprehensive Income (FVTOCI)	Liabilities at amortised cost	Total
31 December 2016				
Liabilities (£000s)				
Preference shares	—	—	—	—
Other financial liabilities	—	—	—	—
Trade payables	—	—	22	22
Other payables	—	—	46	46
Total financial liabilities	**—**	**—**	**68**	**68**

Analysis of financial instruments by valuation model

Distribution Finance Capital Ltd measures fair values using the following hierarchy of methods:

- Level 1—Quoted market price in an active market for an identical instrument
- Level 2—Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for similar instruments that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data
- Level 3—Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

Financial assets and liabilities that are not measured at fair value (but fair value disclosures are required):

31 December 2018	Carrying amount	Fair value	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000
Financial assets not measured at fair value					
Loans and advances to customers	113,795	113,795	—	—	113,795
Trade receivables	79	79	—	—	79
Other receivables	1,190	1,190	—	—	1,190
Cash and equivalents	7,556	7,556	7,556	—	—
	122,619	**122,619**	**7,556**	**—**	**115,063**
Financial liabilities not measured at fair value					
Preference shares	3,111	3,111	—	—	3,111
Other financial liabilities	69,334	69,334	—	—	69,334
Trade payables	524	524	—	—	524
Other payables	1,163	1,163	—	—	1,163
	74,132	**74,132**	**—**	**—**	**74,132**

31 December 2017	Carrying amount	Fair value	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000
Financial assets not measured at fair value					
Loans and advances to customers	30,326	30,326	—	—	30,326
Trade receivables	129	129	—	—	129
Other receivables	941	941	—	—	941
Cash and equivalents	6,458	6,458	6,458	—	—
	37,854	**37,854**	**6,458**	**—**	**31,396**
Financial liabilities not measured at fair value					
Preference shares	2,536	2,536	—	—	2,536
Other financial liabilities	35,971	35,971	—	—	35,971
Trade payables	848	848	—	—	848
	39,355	**39,355**	**—**	**—**	**39,355**

31 December 2016	Carrying amount	Fair value	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000	£'000
Financial assets not measured at fair value					
Loans and advances to customers	—	—	—	—	—
Trade receivables	—	—	—	—	—
Other receivables	101	101	—	—	101
Cash and equivalents	2,811	2,811	2,811	—	—
	2,912	**2,912**	**2,811**	**—**	**101**
Financial liabilities not measured at fair value					
Preference shares	—	—	—	—	—
Other financial liabilities	—	—	—	—	—
Trade payables	68	68	—	—	68
	68	**68**	**—**	**—**	**68**

Fair values for level 3 assets were calculated using a discounted cash flow model and the directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost are approximate to their fair values.

Loans and advances to customers

Due to the short-term nature of loans and advances to customers, their carrying value is considered to be approximately equal to their fair value. These items are short term in nature such that the impact of the choice of discount rate would not make a material difference to the calculations.

Trade and other receivables, other borrowings and other liabilities

These represent short-term receivables and payables and as such their carrying value is considered to be equal to their fair value.

There are no financial liabilities included in the statement of financial position that are measured at fair value.

Financial assets included in the statement of financial position that are measured at fair value are as follows:

31 December 2018	Level 1	Level 2	Level 3
	£'000	£'000	£'000
Financial assets measured at fair value			
Debt securities	4,994	—	—
	4,994	**—**	**—**

Distribution Finance Capital Ltd had no financial assets which were measured at fair value during the periods ending 31 December 2017 and 31 December 2016.

Debt securities

The debt securities carried at fair value by Distribution Finance Capital Ltd are treasury bills. Treasury bills are traded in active markets and fair values are based on quoted market prices.

There were no transfers between levels during the periods, all debt securities have been measured at level 1 from acquisition.

Financial risk management

Distribution Finance Capital Ltd's activities and the existence of the above financial instruments expose it to a variety of financial risks.

The Board has overall responsibility for the determination of Distribution Finance Capital Ltd's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting Distribution Finance Capital Ltd's competitiveness and flexibility.

Distribution Finance Capital Ltd is exposed to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk

Further details regarding these policies are set out below.

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to Distribution Finance Capital Ltd. One of Distribution Finance Capital Ltd's main income generating activities is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers. Distribution Finance Capital Ltd considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

Distribution Finance Capital Ltd's credit committee is responsible for managing Distribution Finance Capital Ltd's credit risk by:

- Ensuring that Distribution Finance Capital Ltd has appropriate credit risk practices, including an effective system of internal control;
- Identifying, assessing and measuring credit risks across Distribution Finance Capital Ltd from an individual instrument to a portfolio level;
- Creating credit policies to protect Distribution Finance Capital Ltd against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits;
- Limiting concentrations of exposure by type of asset, counterparty, industry, credit rating, geography location;
- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities;
- Developing and maintaining Distribution Finance Capital Ltd's risk grading to categorise exposures according to the degree of risk default. Risk grades are subject to regular reviews; and
- Developing and maintaining Distribution Finance Capital Ltd's processes for measuring Expected Credit Loss (ECL) including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.

Significant increase in credit risk

Distribution Finance Capital Ltd continuously monitors all assets subject to Expected Credit Loss as to whether there has been a significant increase in credit risk since initial recognition, either through a significant increase in Probability of Default ("PD") or in Loss Given Default ("LGD").

The following is based on the procedures adopted by Distribution Finance Capital Ltd:

Granting of credit

The Business Development Team prepare a Credit Application which sets out the rationale and the pricing for the proposed loan facility, and confirms that it meets Distribution Finance Capital Ltd's product, manufacturer programme and pricing policies. The Application will include the proposed counterparty's latest financial information and any other relevant information but as a minimum:

a. Details of the limit requirement e.g. product, amount, tenor, repayment plan etc,

b. Facility purpose or reason for increase,

c. Counterparty details, background, management, financials and ratios (actuals and forecast),

d. Key risks and mitigating factors for the application,

e. Conditions, covenants & information (and monitoring proposals) and security (including comments on valuation),

f. Pricing,

g. Confirmation that the proposed exposure falls within risk appetite,

h. Clear indication where the application falls outside of risk appetite.

The Credit Risk Department will analyse the financial information, obtain reports from a credit reference agency, allocates a risk rating, and make a decision on the application. The process may require further dialogue with the Business Development Team to ascertain additional information or clarification.

Each mandate holder and Committee is authorised to approve loans up to agreed financial limits and provided that the risk rating of the counterparty is within agreed parameters. If the financial limit requested is higher than the credit authority of the first reviewer of the loan facility request, the application is sent to the next credit authority level with a recommendation.

The Executive Risk Committee reviews all applications that are outside the credit approval mandate of the mandate holder due to the financial limit requested or if the risk rating is outside of policy but there is a rationale and/or mitigation for considering the loan on an exceptional basis.

Applications where the counterparty has a high-risk rating of 6 are sent to the Executive Risk Committee for a decision based on a positive recommendation from Credit Risk department. Where a limited company has such a risk rating, the Executive Risk Committee will consider the following mitigating factors:

a. Existing counterparty which has met all obligations in time and in accordance with loan agreements,

b. Counterparty known to Company personnel who can confirm positive experience,

c. Additional security, either tangible or personal guarantees where there is verifiable evidence of personal net worth,

d. A commercial rationale for approving the application, although this mitigant will generally be in addition to at least one of the other mitigants.

Identifying significant increases in credit risk

The short tenor of the current loan facilities reduces the possible adverse effect of changes in economic conditions and/or the credit risk profile of the counterparty.

Distribution Finance Capital Ltd nonetheless measures a change in a counterparty's credit risk mainly on payment and end of contract repayment behaviour and the collateral audit process although regular and interim reviews may highlight other changes in a counterparty's risk profile, such as the

security asset no longer being under the control of the borrower. Distribution Finance Capital Ltd views a significant increase in credit risk as:

- A two-notch reduction in Distribution Finance Capital Ltd's counterparty's risk rating, as notified through the credit rating agency alert system.
- A counterparty defaults on a payment due under a loan agreement.
- Late contractual payments which although cured, re-occur on a regular basis.
- Counterparty confirmation that it has sold Company assets but delays in processing payments.
- Evidence of a reduction in a counterparty's working capital facilities which has had an adverse effect on its liquidity.
- Evidence of actual or attempted sales out of trust or of double financing, of assets funded by Distribution Finance Capital Ltd.

An increase in significant credit risk is identified when any of the above events happen after the date of initial recognition.

Identifying loans and advances in default and credit impaired

Distribution Finance Capital Ltd's definition of default for this purpose is:

- A counterparty defaults on a payment due under a loan agreement and that payment is more than 30 days overdue; or
- The collateral that secures, all or in part, the loan agreement has been sold or is otherwise not available for sale and the proceeds have not been paid to the lending company; or
- A counterparty commits an event of default under the terms and conditions of the loan agreement which leads the lending company to believe that the borrower's ability to meet its credit obligations to the lending company is in doubt.

The short tenor of the loans extended by Distribution Finance Capital Ltd means that significant economic events are unlikely to influence counterparties' ability to meet their obligations to Distribution Finance Capital Ltd.

<u>Exposure at default (EAD)</u>

Exposure at default ("EAD") is the expected loan balance at the point of default and, for the purpose of calculating the ECL, management have assumed this to be the balance at the reporting date.

<u>Expected Credit Losses (ECL)</u>

The ECL on an individual loan is based on the credit losses expected to arise over the life of the loan, being defined as the difference between all the contractual cash flows that are due to Distribution Finance Capital Ltd and the cash flows that it actually expects to receive.

This difference is then discounted at the original effective interest rate on the loan to reflect the disposal period of such assets underlying the original contract.

Regardless of the loan status stage, the aggregated ECL is the value that Distribution Finance Capital Ltd expects to lose on its current loan book having assessed each loan individually.

To calculate the ECL on a loan, Distribution Finance Capital Ltd considers:

- Counterparty PD; and
- LGD on the asset

  whereby: ECL = EAD x PD x LGD

Forward looking information

In its ECL models, Distribution Finance Capital Ltd applies the following sensitivity analysis of forward-looking economic inputs:

- GDP growth

- Central Bank base rates expressed as LIBOR
- Retail Price Index ("RPI")

However, in making its assessment of the impact of these key, forward looking economic assumptions, Distribution Finance Capital Ltd has placed reliance on the short-dated nature of its loans which do not extend beyond 12 months. Given the current loan book has an average tenor of less than 4 months, the forward looking economic inputs above do not affect the ECL significantly.

Maximum exposure to credit risk

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Cash and equivalents	7,556	6,458	2,811
Loans and advances to customers	113,795	30,326	—
Trade and other receivables	699	1,070	101
	122,050	**37,854**	**101**

Collateral held as security

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Fully collateralised			
Loan-to-value* ratio:			
Less than 50%	2,129	—	—
51% to 70%	5,969	—	—
71% to 80%	35,946	3,695	—
81% to 90%	30,026	4,993	—
91% to 100%	39,937	21,528	—
	114,007	**30,215**	**—**
Partially collateralised			
Collateral value relating to loans over 100% loan-to-value	**—**	**—**	**—**
Unsecured lending	**106**	**175**	**—**

* Calculated using wholesale collateral values. Wholesale collateral values represent the invoice total (inc. applicable VAT) from the invoice received from the supplier of the product. The wholesale amount is typically expected to be less than the recommended retail price (RRP) of the product.

Distribution Finance Capital Ltd's lending activities is asset based, and Distribution Finance Capital Ltd expects that the majority of its exposure is secured by the collateral value of the asset that has been funded under the loan agreement. Distribution Finance Capital Ltd has title to the collateral which is funded under loan agreements. The collateral comprises boats, motorcycles, recreational vehicles, caravans and industrial and agricultural equipment. The collateral has low depreciation and is not subject to rapid technological changes or redundancy. There has been no change in Distribution Finance Capital Ltd's assessment of collateral and its underlying value in the reporting period.

The assets are generally in the counterparty's possession but this is controlled and managed by the asset audit process. The audit process checks on a periodic basis that the asset is in the counterparty's possession and has not been sold out of trust or is otherwise not in the counterparty's control. The frequency of the audits is determined by the risk rating assessed at the time that the borrowing facility is first approved.

Additional security may also be taken to further secure the counterparty's obligations and further mitigate risk. Further to this, in many cases, Distribution Finance Capital Ltd is often granted, by the counterparty, an option to sell-back the underlying collateral.

Based on Distribution Finance Capital Ltd's current principle products, the counterparty repays its obligation under a loan agreement with Distribution Finance Capital Ltd at or before the point that it sells the asset. If the asset is not sold and the loan agreement reaches maturity, the counterparty is

required to pay the amount due under the loan agreement plus any other amounts due. In the event that the counterparty does not pay on the due date, Distribution Finance Capital Ltd's customer management process will maintain frequent contact with the counterparty to establish the reason for the delay and agree a timescale for payment. Senior Management will review actions on a regular basis to ensure that Distribution Finance Capital Ltd's position is not being prejudiced by delays.

In the event that Distribution Finance Capital Ltd determines that payment will not be made voluntarily, it will enforce the terms of its loan agreement and recover the asset, instituting legal proceedings for delivery, if necessary. If there is a shortfall between the net sales proceeds from the sale of the asset and the counterparty's obligations under the loan agreement, the shortfall is payable by the counterparty on demand.

Concentration of credit risk

Distribution Finance Capital Ltd maintains policies and procedures to manage concentrations of credit at the counterparty level and industry level to achieve a diversified loan portfolio.

Credit quality

An analysis of Distribution Finance Capital Ltd's credit risk exposure for loan and advances per class of financial asset, internal rating and "stage" is provided in the following tables. A description of the meanings of Stages 1, 2 and 3 was given in the accounting policies set out above.

31 December 2018 Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**31 December 2018 Total**
	£'000	**£'000**	**£'000**	**£'000**
Above average (Risk rating 1 – 2)	54,987	—	—	54,987
Average (Risk rating 3 – 5)	28,998	14,915	—	43,914
Below average (Risk rating 6+)	7,373	7,705	134	15,213
Gross carrying amount	**91,359**	**22,620**	**134**	**114,113**
Loss allowance	(88)	(32)	(49)	(169)
Carrying amount	**91,270**	**22,588**	**85**	**113,944**

31 December 2017 Credit rating	**Stage 1**	**Stage 2**	**Stage 3**	**31 December 2017 Total**
	£'000	**£'000**	**£'000**	**£'000**
Above average (Risk rating 1 – 2)	14,149	—	—	14,149
Average (Risk rating 3 – 5)	15,687	—	—	15,687
Below average (Risk rating 6+)	555	—	—	555
Gross carrying amount	**30,390**	**—**	**—**	**30,390**
Loss allowance	(64)	—	—	(64)
Carrying amount	**30,326**	**—**	**—**	**30,326**

Distribution Finance Capital Ltd had no loans exposures in the period ended 31 December 2016.

The below table shows the behavioural pattern of loans to customers in terms of the IFRS 9 staging:

Gross Carrying Amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
As at 31 December 2017	30,390	—	—	30,390
Transfer to stage 1	521	(521)	—	—
Transfer to stage 2	(26,577)	26,577	—	—
Transfer to stage 3	(128)	(286)	414	—
Loans originated	202,329		3	202,332
Loans repaid	(115,176)	(3,150)	(282)	(118,608)
As at 31 December 2018	**91,359**	**22,620**	**134**	**114,113**

During the period ending 31 December 2018, £257,000 relating to assets which were repossessed from a customer in administration, as outlined in note 15, have been classified in the above table under stage 3 loan repaid.

Gross Carrying Amount	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 31 December 2016	—	—	—	—
Transfer to stage 1	—	—	—	—
Transfer to stage 2	—	—	—	—
Transfer to stage 3	—	—	—	—
Loans originated	49,151	—	—	49,151
Loans repaid	(25,479)	—	—	(25,479)
As at 31 December 2017	**30,390**	**—**	**—**	**30,390**

Distribution Finance Capital Ltd did not originate any loans to customer prior to 31 December 2016.

Analysis of credit quality of trade receivables:

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Status at balance sheet date			
Not past due, nor impaired	26	118	—
Past due but not impaired	53	11	—
Impaired	11	—	—
Total gross carrying amount	**90**	**129**	**—**
Loss allowance	(11)	—	—
Carrying amount	**79**	**129**	**—**
Net trade receivables	**79**	**129**	**—**

Distribution Finance Capital Ltd has assessed the trade receivables in accordance with IFRS 9 as follows:

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Gross receivable:			
Stage 1	65	129	—
Stage 2	1	—	—
Stage 3	23	—	—
	90	**129**	**—**
Loss allowance:			
Stage 1	—	—	—
Stage 2	—	—	—
Stage 3	(11)	—	—
	(11)	**—**	**—**
Carrying amount:			
Stage 1	65	129	—
Stage 2	1	—	—
Stage 3	12	—	—
	79	**129**	**—**

Amounts written off

The contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity is £nil at 31 December 2018 (31 December 2017: £nil, 31 December 2016: £nil).

Liquidity risk

Liquidity risk is the risk that Distribution Finance Capital Ltd does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all finance operations and can be affected by a range of Group-specific and market-wide events.

Liquidity risk management

Distribution Finance Capital Ltd has in place a policy and control framework for managing liquidity risk. Distribution Finance Capital Ltd's Asset and Liability Management Committee (ALCO) is responsible for managing the liquidity risk via a combination of policy formation, review and governance, analysis, stress testing, limit setting and monitoring. The ALCO meets on a monthly basis to review the liquidity position and risks. Daily liquidity reports are produced and reviewed by the management team to track liquidity and pipeline.

Distribution Finance Capital Ltd is in the process of applying for a Bank Licence. One of the key requirements is to a have a comprehensive liquidity management process & documentation which is submitted to the Prudential Regulation Authority (PRA) for approval. These documents have been approved by Distribution Finance Capital Ltd's Board of Directors and submitted to the PRA.

Liquidity stress testing

Distribution Finance Capital Ltd has assessed its liquidity adequacy and viability for the first 12 months of operations as a regulated bank, based on its 5-year business plan projections. Under this analysis, Distribution Finance Capital Ltd is confident that it will be able to meet all of its liabilities as they fall due, even in a stress scenario.

A range of liquidity stress scenarios has been conducted (as detailed in the Internal Liquidity Adequacy Assessment Process "ILAAP" and Internal Capital Adequacy Assessment Process "ICAAP"), which demonstrates that Distribution Finance Capital Ltd's liquidity profile at the end of this 12-month period will be sufficient to withstand a severe stress at this time.

Maturity analysis for financial assets

The following maturity analysis is based on **expected** gross cash flows:

31 December 2018	Carrying amount	Gross nominal inflow	Less than 1 months	1 – 3 months	3 months to 1 year	1 – 5 years	>5 years
£'000							
Financial assets							
Cash and equivalents	7,556	7,556	7,556	—	—	—	—
Loans and advances	113,795	114,113	23,152	34,208	51,941	4,812	—
Debt securities	4,994	5,000	—	5,000	—	—	
Trade receivables	79	90	27	45	18	—	—
Other receivables	1,190	1,190	100	76	—	1,014	
	127,613	**127,949**	**30,835**	**39,328**	**51,959**	**5,826**	—

31 December 2017	Carrying amount	Gross nominal inflow	Less than 1 months	1 – 3 months	3 months to 1 year	1 – 5 years	>5 years
£'000							
Financial assets							
Cash and equivalents	6,458	6,458	6,458	—	—	—	—
Loans and advances	30,326	30,390	7,598	9,972	12,820	—	—
Trade receivables	129	129	129	—	—	—	—
	36,913	**36,977**	**14,185**	**9,972**	**12,820**	—	—

31 December 2016	Carrying amount	Gross nominal inflow	Less than 1 months	1 – 3 months	3 months to 1 year	1 – 5 years	>5 years
£'000							
Financial assets							
Cash and equivalents	2,811	2,811	2,811	—	—	—	—
	2,811	**2,811**	**2,811**	—	—	—	—

Maturity analysis for financial liabilities

The following maturity analysis is based on **contractual** gross cash flows:

31 December 2018	Carrying amount	Gross nominal inflow	Less than 1 months	1 – 3 months	3 months to 1 year	1 – 5 years	>5 years
£'000							
Financial liabilities							
Preference shares . .	3,111	4,469	—	—	—	4,469	—
Other financial liabilities	69,334	72,378	246	739	71,393	—	—
Trade payables	524	524	524	—	—	—	—
Other payables	1,376	1,376	1,376	—	—	—	—
	74,345	**78,747**	**2,146**	**739**	**71,393**	**4,469**	—
Loan commitments .	**—**	**—**	**—**	**—**	**—**	**—**	**—**

31 December 2017	Carrying amount	Gross nominal inflow	Less than 1 months	1 – 3 months	3 months to 1 year	1 – 5 years	>5 years
£'000							
Financial liabilities .							
Preference shares . .	2,536	4,469	—	—	—	4,469	—
Other financial liabilities	35,971	40,232	34	2,507	305	37,386	—
Trade payables	97	97	97	—	—	—	—
Other payables	646	646	646	—	—	—	—
	39,250	**45,444**	**777**	**2,507**	**305**	**41,855**	—
Loan commitments .	**—**	**—**	**—**	**—**	**—**	**—**	**—**

31 December 2016	Carrying amount	Gross nominal inflow	Less than 1 months	1 – 3 months	3 months to 1 year	1 – 5 years	>5 years
£'000							
Financial liabilities							
Trade payables	20	20	20	—	—	—	—
Other payables	48	48	48	—	—	—	—
	68	**68**	**68**	—	—	—	—
Loan commitments .	**—**	**—**	**—**	**—**	**—**	**—**	**—**

Market risk

Market risk is the risk that movements in market factors, such as foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices will reduce Distribution Finance Capital Ltd's income or the value of its assets.

The principal market risk to which Distribution Finance Capital Ltd is exposed is interest rate risk.

Interest rate risk management

Distribution Finance Capital Ltd is exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of the change in market interest rates.

Distribution Finance Capital Ltd's borrowings are at both fixed rates of interest and LIBOR based. These borrowings fund existing loans and advances to customers at fixed rate. To help mitigate interest rate risk Distribution Finance Capital Ltd may increase asset pricing accordingly on new

assets funded at its discretion. Additionally, the limited asset average loan duration helps mitigate this interest rate risk.

For interest rate sensitivity analysis, Distribution Finance Capital Ltd considers a parallel 200 basis points ("bps") movement to be appropriate for scenario testing based on the current economic outlook and industry expectations.

The impact of changes in interest rates has been assessed in terms of economic value of equity (EVE) and profit or loss. Economic value of equity (EVE) is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. This is a long-term economic measure used to assess the degree of interest rate risk exposure.

The estimate that a 200bps upward and downward movement in interest rates would have impacted the economic value of equity (EVE) is as follows:

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Change in interest rate (basis points)			
Sensitivity of EVE +200bps	(498)	(407)	—
Sensitivity of EVE –200bps	519	427	—

The estimate of the effect of the same two interest rate shocks applied on the next 12 months net interest income using a 200bps upward and 200bps downward movement in interest rates is as follows:

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Change in interest rate (basis points)			
Sensitivity of profit +200bps	(588)	(98)	—
Sensitivity of profit –200bps	221	101	—

In preparing the sensitivity analyses above, Distribution Finance Capital Ltd makes certain assumptions consistent with the expected and contractual re-pricing behaviour as well as behavioural repayment profiles under the two interest rate scenarios.

Distribution Finance Capital Ltd had no borrowings or financial liabilities in the period ended 31 December 2016 so the impact of an interest rate change would have a negligible effect.

23. Leasing commitments

Distribution Finance Capital Ltd only has operating leases in the form of leasing of property for office space. The lease agreements have a fixed term with a maximum lease term of 5 years. The leasing arrangements clearly specify the rental expense for the year which is fixed over the life of the lease. The service charge expense has been estimated over the life of the term and is not considered materially variable. Rent and service charge invoices are paid quarterly in advance. None of the leases have been granted an interest-free period. Should Distribution Finance Capital Ltd wish to renew the lease in the future, this would require signing a new leasing agreement.

Distribution Finance Capital Ltd did not engage in any subleasing or lease incentive arrangements in any of the reporting periods and there was no contingent rent payable for any of the reporting periods.

Distribution Finance Capital Ltd as lessee:

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Lease payments under operating leases recognised as an expense in the year	**278**	**102**	**—**

At the year-end dates Distribution Finance Capital Ltd has lease agreements in respect of properties for which the payments extend over a number of years. The future minimum lease payments under non-cancellable leases are as follows:

	31 December 2018	31 December 2017	31 December 2016
	£'000	£'000	£'000
Within one year	226	113	—
In the second to fifth years inclusive	489	16	—
After five years	—	—	—
Total future lease payments committed	**715**	**129**	**—**

For the period ended 31 December 2016 Distribution Finance Capital Ltd was renting a serviced office with no committed future lease payments.

24. Earnings per share

The calculation of the basic and adjusted earnings per share is based on the following data:

Number of Shares	31 December 2018	31 December 2017	31 December 2016
	#	#	#
Basic and diluted	13,414,373	5,000,000	5,000,000
Earnings attributable to ordinary shareholders	£'000	£'000	£'000
Loss after tax attributable to the shareholders	(7,266)	(5,277)	(452)
Earnings per share	pence	pence	pence
Basic and diluted	(54)	(106)	(9)

On 5th October 2018 Distribution Finance Capital Ltd subdivided all A Class, B Class and C Shares into 1:1000 shares. The above disclosure has been prepared on the basis that the subdivision occurred in all prior periods to enable meaningful comparatives by providing a more accurate representation of Company performance over the periods.

25. Related party disclosures

Counterparty	Description of transaction	Amounts of transaction
TruFin Holdings Limited	On 3 March 2017, Distribution Finance Capital Ltd received £3,500,000 in the form of preference shares, paying a fixed cumulative preferential dividend at an annual rate of 5% compounded annually on 31 December each year. The shares are redeemable by the shareholder on or before 2 March 2022. The fair value of the preference shares on day 1 was determined to be £2,536,000 with the remaining £964,000 recognised as a capital contribution.	At 31 December 2018, Distribution Finance Capital Ltd held an outstanding liability of £2,536,000 (2017: £2,536,000, 2016: £nil) and £964,000 (2017: £964,000, 2016: £nil) in the form of a capital contribution. Distribution Finance Capital Ltd also had an accrued interest payable amount at 31 December 2018 of £575,519 (2017: £243,300, 2016: £nil). During the year Distribution Finance Capital Ltd had recognised an interest expense in relation to the preference shares of £332,220 (2017: £243,300, 2016: £nil).
Satago Financial Solutions Limited	During the years ended 31 December 2018 and 31 December 2017, Distribution Finance Capital Ltd received a loan agreement from Satago Financial Solutions Limited, a subsidiary of TruFin plc.	During the year ended 31 December 2018, the company had no outstanding liability with Satago. Distribution Finance Capital Ltd had repaid £10 million of principal and £149,000 of interest during the year. Total expense for the year was £149,000.

Counterparty	Description of transaction	Amounts of transaction
	During the year ended 31 December 2018, the loan had an attached interest rate of 5% per annum. In the year ended 31 December 2017 the loan agreement had an interest rate of 12%.	During the year ended 31 December 2017, the company had no outstanding liability with Satago. Distribution Finance Capital Ltd had repaid £5 million of principal and £84,000 of interest during the year. Total expense for the year was £84,000.
Altlending (UK) Ltd .	During the years ended 31 December 2018 and 31 December 2017, Distribution Finance Capital Ltd held a loan note instrument with Altlending (UK) Ltd, a subsidiary of TruFin plc. The instrument had an original facility of £10 million with an effective date of 5 April 2017. This instrument was amended on 19 July to increase the instrument value to £25 million. The instrument has an interest rate of 12 percent per annum.	During the year ended 31 December 2018, the company had no outstanding liability with Altlending (UK) Ltd. Distribution Finance Capital Ltd had made no repayments of principal and interest during the year. In March 2018, the full outstanding liability which comprised of £25 million of principal plus £2.3 million of interest had been converted into equity. Total interest expense for the year was £584,000. During the year ended 31 December 2017, the company had an outstanding liability with Altlending (UK) Ltd of £26.7 million. Distribution Finance Capital Ltd made no repayments during the year. The company received £25 million in principal and accrued interest of £1.7 million. Total interest expense for the year was £1.7 million.
TruFin Holdings Limited	In May 2018, Distribution Finance Capital Ltd received a loan agreement from TruFin Holdings Limited for £20 million with an attached interest rate of 5% per annum. This has an effective date of 29th May 2018 with a contractual maturity 29th May 2019.	During the year ended 31 December 2018, the company had an outstanding liability with TruFin Holdings Limited of £10.3 million. During the period Distribution Finance Capital Ltd made no repayments to TruFin. In June 2018, £10 million of the loan agreement was converted into equity. Total interest expense for the year was £293,000
TruFin plc	Distribution Finance Capital Ltd holds a management and administrative services agreement with TruFin plc with an effective date of 26th January 2018.	Under this agreement Distribution Finance Capital Ltd incurred expenses of £69,400 up to 31 December 2018. No expenses were incurred in periods ending 31 December 2017 and 31 December 2016.
Director	During the year ended 31 December 2018 Chris Dailey disposed of 121 A class ordinary shares which were subsequently transferred into the Employee Benefit Trust.	During the year a total consideration of £278,890 was paid to Chris Dailey. There was no expense to Distribution Finance Capital Ltd for this transaction.

Counterparty	Description of transaction	Amounts of transaction
Director	During the year ended 31 December 2018 Chris Dailey acquired 290 B class ordinary shares.	The shares were acquired by Chris Dailey for a total consideration of £290.
	Chris Dailey has signed a loan agreement with Distribution Finance Capital Ltd for the value of the employee tax liability incurred on this transacton when paid by the company.	It is estimated that the employee tax liability and therefore the related loan from Distribution Finance Capital Ltd to Chris Dailey in respect of this transaction will be £248,000.
Director	During the year ended 31 December 2018 C class ordinary shares were awarded to Gavin Morris for which a loan agreement was granted in exchange for the purchase price consideration of 46p per share.	At the end of 31 December 2018, an outstanding loan amount of £18,400 was due from Gavin Morris.
Director	Consultancy services provided by Chris Dailey.	Total consideration of £3,025 was paid to Chris Dailey in 2018 (2017: £13,000, 2016: £175,000).

Controlling party

At the date of this document Distribution Finance Capital Ltd's ultimate parent company and ultimate controlling party is TruFin plc a company incorporated under Companies (Jersey) Law 1991. Distribution Finance Capital Ltd's immediate parent company is TruFin Holdings Limited.

TruFin plc and TruFin Holdings Limited were both incorporated on 29 November 2017. Arrowgrass owns 73% of TruFin plc which in turn owns 100% of TruFin Holdings Limited. On 29 December 2017, a reorganisation took place such that Distribution Finance Capital Ltd was brought under TruFin Holdings Limited. Arrowgrass holding of preference shares in Distribution Finance Capital Ltd was transferred to TruFin Holdings Limited as part of the reorganisation.

The parent undertaking of the largest group, which includes Distribution Finance Capital Ltd and for which group accounts are prepared, is TruFin plc. Registered office: 26 New Street, St. Helier, Jersey JE2 3RA, Channel Islands. Registered No. 125245. Copies of the group financial statements of TruFin plc are available from www.trufin.com.

26. Post balance sheet events

On 17 April 2019 Distribution Finance Capital Ltd increased its wholesale funding facility from £100 million to £155 million and extended the term by 12 months such that the funding line now has a maturity of December 2020.

On 11 April 2019 Distribution Finance Capital Ltd received further funding from TruFin Holdings of £5 million and £3.8 million of preference shares were redeemed and replaced by an equivalent loan from TruFin Holdings. This together with the existing £10 million loan increased the total loan with TruFin Holdings to £18.8 million. This £18.8 million loan has principal repayments due of £5 million in December 2019, £5 million in June 2020 and final repayment of the remaining balance of £8.8 million due in December 2020.

PART 4
ADDITIONAL INFORMATION

Responsibility Statement

The Company and the Directors of the Company, whose names appear on page 4 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts, and does not omit anything likely to affect the import of such information.

1. Incorporation and status of the Company

(a) The Company was incorporated and registered in England and Wales under the Companies Act on 28 March 2019 with registered number 11911574 as a public company limited by shares with the name De Facto Tern plc. By special resolution dated 16 April 2019, the Company resolved to change its name to Distribution Finance Capital Holdings plc.

(b) The Company was issued with a certificate under section 761 of the Companies Act, enabling it to do business on 10 April 2019.

(c) The principal legislation under which the Company operates and under which the Ordinary Shares will be issued is the Companies Act and the regulations made thereunder.

(d) The registered office of the Company is at 12 Groveland Court, London, EC4M 9EH and its telephone number is 0330 0940 162.

(e) The accounting reference date of the Company is 31 December.

(f) The liability of the members of the Company is limited.

(g) The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules for Companies is www.dfcapital.com.

2. Share capital of the Company

(a) On incorporation the Company had a share capital of £0.01 divided into one ordinary share of £0.01. On 5 April 2019, to meet the minimum share capital requirements for public companies, the Company issued 50,000 redeemable non-voting preference shares of £1.00 each to James van den Bergh.

(b) On 17 April 2019, the following resolutions were passed:

(i) Resolution 1 as an ordinary resolution to authorise the Directors to allot shares in the Company up to £1,066,419.25 in nominal value in connection with the Share Exchange and Demerger provided that such authority shall (subject to limited exceptions), expire five years from the passing of the resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may pursuant to such an offer or agreement, allot shares or grant rights to subscribe for or to convert any security into shares after such authority has expired in pursuance of such offer or agreement as if the authority had not expired;

(ii) Resolution 2 as an ordinary resolution to authorise the Directors to allot shares in the Company, in addition to the authority in resolution 1, up to £355,473.09 in nominal value (equivalent to one third of the nominal value of the Enlarged Ordinary Share Capital) provided that such authority shall (subject to limited exceptions), expire five years from the passing of the resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may pursuant to such an offer or agreement, allot shares or grant rights to subscribe for or to convert any security into shares after such authority has expired in pursuance of such offer or agreement as if the authority had not expired;

(iii) Resolution 3 as a special resolution which dis-applied Shareholders' pre-emption rights in relation to the allotment of shares for cash on a non pre-emptive basis, up to an aggregate nominal amount of £106,641.93 (equivalent to 10% of the nominal value of the Enlarged

Ordinary Share Capital) provided that such authority shall (subject to limited exceptions), expire five years from the passing of the resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may pursuant to such an offer or agreement, allot shares or grant rights to subscribe for or to convert any security into shares after such authority has expired in pursuance of such offer or agreement as if the authority had not expired.

(c) Conditional upon the passing of a resolution by the TruFin shareholders to cancel the B ordinary shares in the capital of TruFin and to direct TruFin to return capital to the B shareholders, the Company and TruFin have entered into the Demerger Agreement pursuant to which the Company will on the Demerger Effective Date allot and issue to the holders of B ordinary shares in the capital of TruFin the 97,368,420 Demerger Shares in consideration of the transfer to the Company by TruFin of the DFC Shares. The Demerger Shares shall be issued to the holders of B ordinary shares in the capital of TruFin on the basis of one Demerger Share for every one B ordinary share held by them at that time and save that the number of Demerger Shares to be allotted and issued to James van den Bergh will be reduced by the number of Ordinary Shares already held by him so that, upon the Demerger becoming effective, all TruFin shareholders will hold one Ordinary Share for every one TruFin ordinary share held at the Demerger Record Time.

(d) Pursuant to the terms of the Subscription and Share Exchange Agreement, conditional on and with effect on Admission, the DFC Managers and the TruFin EBT have agreed to transfer their 1,335,114 A ordinary shares of £0.001 each in DFC, 430,000 B ordinary shares of £0.001 each in DFC and 317,000 C ordinary shares of £0.001 each in DFC in exchange for the issue of the 9,273,505 Share Exchange Shares.

(e) The Company's issued share capital as at the date of this document and as it is expected to be immediately following Admission is as set out below:

	Number of Ordinary Shares	Number of Preference Shares
At the date of this document	1	50,000
On Admission	106,641,926	50,000

(f) Application will be made for the Enlarged Ordinary Share Capital to be admitted to trading on AIM. The Ordinary Shares are not listed or traded on and no application has been or is being made for the admission of the Ordinary Shares to listing or trading on any other stock exchange or securities market.

(g) With effect from Admission, all of the Ordinary Shares will be in registered form and, subject to the Ordinary Shares being admitted to and accordingly enabled for settlement in CREST, the Ordinary Shares will be capable of being held in uncertificated form. No temporary documents of title will be issued.

(h) 97,368,420 Demerger Shares are being issued pursuant to the Demerger as consideration for the transfer to the Company by TruFin of the DFC shares, of which (conditional on and with effect on Admission) 22,031,874 Sale Shares are being sold by Arrowgrass and the TruFin EBT pursuant to the Placing at a price of £0.90 per Sale Share. No expenses are being charged to any subscriber or purchaser.

(i) Save to fulfil any options which may be granted under the Performance Share Plan described in paragraph 4 below, there is no present intention to issue any share or loan capital in the Company following Admission.

(j) Save as set out in this document, no shares in the capital of the Company are under option or have been agreed, conditionally or unconditionally, to be put under option.

(k) In addition to the Ordinary Shares, the Company has 50,000 redeemable preference shares of £1.00 each in issue, which are held by James van den Bergh. None of these redeemable preference shares carry any voting rights. It is proposed that the redeemable preference shares will all be redeemed in the future out of the proceeds of any issue of new Ordinary Shares by the Company or when it has available distributable profits.

3. Articles of association

(a) The articles of association of the Company (the "**Articles**") contain provisions, inter alia, to the following effect:

(i) *Voting rights*

Subject to any terms as to voting upon which any shares may be issued or may for the time being be held, the total number of votes a member present in person or (being a corporation) who is present by a duly authorised representative or a proxy for a member has on a show of hands shall be determined in accordance with the Companies Act. On a poll every member present in person or by proxy or by representative (in the case of a corporate member) shall have one vote for each share of which he is the holder, proxy or representative. If a member or his duly appointed representative or proxy present at a general meeting votes on a poll, he does not need to use all his votes or cast all the votes in the same way.

The duly authorised representative of a corporate shareholder may exercise the same powers on behalf of that corporation as it could exercise if it were an individual shareholder.

A shareholder is not entitled to vote unless all calls due from him have been paid.

A shareholder is also not entitled to attend or vote at meetings of the Company in respect of any shares held by him in relation to which he or any other person appearing to be interested in such shares has been duly served with a notice under section 793 of the Companies Act (a "**793 notice**") and, having failed to comply with such notice within the period specified in such notice (being not less than 28 days from the date of service of such notice), is served with a disenfranchisement notice. Such disentitlement will apply until the Company has withdrawn the disenfranchisement notice, or until the disenfranchisement notice is deemed to have been withdrawn (seven days after receipt by the Company of the information required to comply with the 793 notice) whichever is the earlier.

(ii) *General meetings*

The Company must hold an annual general meeting in accordance with the Companies Act in addition to any other general meetings held in the year. The Directors can call a general meeting at any time.

At least 21 clear days' written notice must be given for every annual general meeting. For all other general meetings, not less than 14 days' written notice must be given. The notice for any general meeting must state:

(1) whether the meeting is an annual general meeting or general meeting;

(2) the date, time and place of the meeting;

(3) whether the meeting is a physical meeting or a hybrid meeting;

(4) the general nature of the business of the meeting;

(5) any intention to propose a resolution as a special resolution; and

(6) that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, to speak and to vote instead of him and that a proxy need not also be a member.

All members who are entitled to receive notice under the Articles must be given notice.

Before a general meeting starts, there must be a quorum, being two members present in person or by proxy or corporate representative.

Each Director can attend and speak at any general meeting.

(iii) *Dividends*

Subject to the Companies Act, the Company may, by ordinary resolution, declare dividends to be paid to members of the Company according to their rights and interests in the profits of the Company available for distribution, but no dividend shall be declared in excess of the amount recommended by the Board.

Subject to the Companies Act, the Board may from time to time pay to the shareholders of the Company such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.

Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (no such shares presently being in issue), all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid up (other than in advance of calls) on the shares. Any dividend unclaimed after a period of 6 years from the date of declaration shall be forfeited and shall revert to the Company.

The Board may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive additional Ordinary Shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend.

The Board may withhold dividends payable on shares representing not less than 0.25% by number of the issued shares of any class after there has been a failure to comply with any notice under section 793 of the Companies Act requiring the disclosure of information relating to interests in the shares concerned as referred to in paragraph 3(a)(i) above.

(iv) ***Return of capital***

On a voluntary winding-up of the Company the liquidator may, with the sanction of a special resolution of the Company and subject to the Companies Act and the Insolvency Act 1986 (as amended), divide amongst the shareholders of the Company in specie the whole or any part of the assets of the Company, or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

(v) ***Transfer of shares***

The Ordinary Shares are in registered form.

The Articles provide for shares to be held in CREST accounts, or through another system for holding shares in uncertificated form, such shares being referred to as "Participating Securities". Subject to such of the restrictions in the Articles as shall be applicable, any member may transfer all or any of his shares. In the case of shares represented by a certificate ("**Certificated Shares**") the transfer shall be made by an instrument of transfer in any usual form or in any other form which the Board may approve. Transfers of Participating Securities will be in accordance with and subject to the Uncertificated Securities Regulations 2001.

The instrument of transfer of a Certificated Share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee and the transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members.

The Board may, in its absolute discretion and without assigning any reason therefor, refuse to register any instrument of transfer of shares, all or any of which are not fully paid.

The Board may also refuse to register a transfer unless:

(1) in the case of a Certificated Share, the instrument of transfer, duly stamped (if required, or duly certificated or otherwise shown to the satisfaction of the Board to be exempt from stamp duty) is lodged at the registered office of the Company or at some other place as the Board may appoint accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require;

(2) in the case of a Certificated Share, the instrument of transfer is in respect of only one class of share; and

(3) in the case of a transfer to joint holders, the transfer is in favour of not more than four such transferees.

In the case of Participating Securities, the Board may refuse to register a transfer if the Uncertificated Securities Regulations 2001 (as amended) allow it to do so, and must do so where such regulations so require.

The Board may also decline to register a transfer of shares if they represent not less than 0.25% by number of their class and there has been a failure to comply with a notice requiring disclosure of interests in the shares (as referred to in paragraph 3(a)(viii) below), resulting in a disenfranchisement notice, unless the shareholder has not, and proves that no other person has, failed to supply the required information. Such refusal may continue until the Company withdraws the disenfranchisement notice, or it is deemed to have been withdrawn, but the Board shall not decline to register:

(1) a transfer which is shown to the satisfaction of the Board to be in connection with a bona fide sale of the beneficial interest in any shares to any person who is unconnected with the shareholder and with any other person appearing to be interested in the share;

(2) a transfer pursuant to the acceptance of an offer made to all the Company's shareholders or all the shareholders of a particular class to acquire all or a proportion of the shares or the shares of a particular class; or

(3) a transfer in consequence of a sale made through a recognised investment exchange or any stock exchange outside the United Kingdom on which the Company's shares are normally traded.

(vi) ***Variation of rights***

Subject to the Companies Act, all or any of the rights attached to any class of share may be varied (whether or not the Company is being wound up) either with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of such holders. The quorum at any such general meeting is two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class and at an adjourned meeting the quorum is one holder present in person or by proxy, whatever the amount of his shareholding. Any holder of shares of the class in question present in person or by proxy may demand a poll. Every holder of shares of the class shall be entitled, on a poll, to one vote for every share of the class held by him. Except as set out above, such rights shall not be varied.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the Articles or the conditions of issue of such shares, be deemed to be varied by the creation or issue of new shares ranking pari passu therewith or subsequent thereto.

(vii) ***Share capital and changes in capital***

Subject to and in accordance with the provisions of the Companies Act, the Company may issue redeemable shares. Without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued on terms that they are to be redeemed or that they are, at the option of the Company or a member liable, to be redeemed on such terms and in such manner as may be determined by the Board.

Subject to the provisions of the Articles and the Companies Act and without prejudice to the rights attaching to any existing shares or class of shares, the Board may offer, allot (with or without a right of renunciation), issue, grant options over, reclassify or otherwise deal with or dispose of shares to such persons, at such time and for such consideration and upon such terms and conditions as the Board may determine.

The Company may by ordinary resolution alter its share capital in accordance with the Companies Act. The relevant resolution may determine that, as between the holders of shares resulting from a sub-division, any of the shares may have any preference or advantage or be subject to any restriction as compared with the others.

(viii) ***Disclosure of interests in shares***

Section 793 of the Companies Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests. When a shareholder receives a statutory notice of this nature, he or she has 28 days (or 14 days where the shares represent at least 0.25% of their class) to comply with it, failing which the Company may decide to restrict the rights relating to the relevant shares and send out a further notice to the holder (known as a "disenfranchisement notice"). The disenfranchisement notice will state that the identified shares no longer give the shareholder any right to attend or vote at a shareholders' meeting or to exercise any other right in relation to shareholders' meetings.

Once the disenfranchisement notice has been given, if the Directors are satisfied that all the information required by any statutory notice has been supplied, the Company shall, within not more than seven days, withdraw the disenfranchisement notice.

The Articles do not restrict in any way the provisions of section 793 of the Companies Act.

(ix) ***Non-UK shareholders***

Any Shareholder whose address is outside the United Kingdom and who gives to the Company a postal address within the United Kingdom at which notices may be served upon him, shall be entitled to have notices served upon him at such postal address. Any Shareholder whose address is outside the United Kingdom and who gives the Company an address for the purposes of receipt of communications in electronic form may, at the absolute discretion of the Board, have notices served upon him at such address.

(x) ***Untraced shareholders***

Subject to various notice requirements, the Company may sell any of a shareholder's shares in the Company if, during a period of 12 years, at least three dividends on such shares have become payable and no dividend has been claimed during that period in respect of such shares, the Company has received no indication of the whereabouts of such shareholder, it has taken reasonable steps to trace the shareholder and it has sent a notice of its intention to sell the shares to the shareholder's last known address.

(xi) ***Borrowing powers***

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertaking, property and assets (present and future) and uncalled capital and, subject to any relevant statutes, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or any third party.

These borrowing powers may be varied by an alteration to the Articles which would require a special resolution of the shareholders.

(xii) ***Directors***

Subject to the Companies Act, and provided he has made the necessary disclosures, a Director may be a party to or otherwise directly or indirectly interested in any transaction or arrangement with the Company or in which the Company is otherwise interested or a proposed transaction or arrangement with the Company.

The Board has the power to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director under section 175 of the Companies Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with, the interests of the Company. Any such authorisation will only be effective if any requirement about the quorum of the meeting is met without including the Director in question and any other interested director and the matter was agreed to without such directors voting (or would have been agreed to if the votes of such directors had not been counted). The Board may impose terms or conditions in respect of its authorisation.

Save as mentioned below, a Director shall not vote in respect of any matter in which he has, directly or indirectly, an interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall (in the absence of interests other than those indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution if:

(1) the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiary undertakings for which the Director has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(2) his interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares, debentures or other securities by the Company or any of its subsidiary undertakings for subscription, purchase or exchange;

(3) the resolution relates to the giving to him of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;

(4) the resolution relates to the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid incurring such expenditure where all other Directors are being offered substantially the same arrangements;

(5) the resolution relates to any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever provided that he does not hold an interest in shares (as that term is used in Part 22 of the Companies Act) representing 1% or more of either any class of the equity share capital of such company or of the voting rights available to members of such company;

(6) the resolution relates to any arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings, which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or

(7) the resolution relates to any proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any of the Directors or for persons who include Directors provided that, for the purposes of this Article, "insurance" means only insurance against liability incurred by a Director in respect of any act or omission by him or any other insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any groups of persons consisting of or including Directors.

The Directors shall be paid such remuneration by way of fees for their services as may be determined by the Board, save that, unless otherwise approved by ordinary resolution of the Company in general meeting, the aggregate amount of such fees of all Non-Executive Directors (excluding, for the avoidance of doubt, any remuneration of a Director under or in connection with an executive service contract) shall not exceed £1,000,000 per annum. The Directors shall also be entitled to be repaid by the Company all hotel expenses and other expenses of travelling to and from board meetings, committee meetings, general meetings or otherwise incurred while engaged in the business of the Company. Any Director who by request of the Board performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, to or for the benefit of any directors who held (but no longer hold) executive office or employment with the Company or any of its subsidiary undertakings or a predecessor in business of any of them or to or for the benefit of persons who are or were related to or dependants of any such Directors.

The Directors and officers of the Company are entitled to be indemnified against all losses and liabilities which they may sustain in the execution of the duties of their office, except to the extent that such an indemnity is not permitted by sections 232 or 234 of the Companies Act. Subject to sections 205(2) to (4) of the Companies Act, the Company may provide a Director with funds to meet his expenditure in defending any civil or criminal proceedings brought or threatened against him in relation to the Company. The Company may also provide a Director with funds to meet expenditure incurred in connection with proceedings brought by a regulatory authority.

The Directors are obliged to retire by rotation and are eligible for re-election annually. Any non-executive Director who has held office for nine years or more is subject to re-election annually. Any Director appointed by the Board holds office only until the next annual general meeting, when he is eligible for re-election.

There is no age limit for Directors.

Unless and until otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two in number.

(xiii) ***Redemption***

The Ordinary Shares are not redeemable.

(xiv) ***Electronic communication***

The Company may communicate electronically with its members in accordance with the provisions of the Companies Act.

(xv) ***Preference shares***

The preference shares are redeemable but do not carry any voting rights or rights to receive a dividend or on a return of capital.

4. Share incentive arrangements

The Performance Share Plan

On 11 April 2019, the Board adopted the Performance Share Plan conditional on Admission. The rules of the Performance Share Plan are summarised below:

(i) **Eligibility:** All employees of the Group, including Executive Directors, are eligible to participate in the Performance Share Plan, at the discretion of the Remuneration Committee.

(ii) **Timing of grant:** PSP Awards may be granted during the period of 42 days commencing on: (i) adoption of the Performance Share Plan; (ii) the date of Admission; (iii) the Dealing Day immediately following the date of the preliminary announcement of the Company's annual results or the announcement of its half-yearly results in any year; or (iv) any other time determined by the Remuneration Committee in its discretion.

If the grant of a PSP Award on any of the above days would be prohibited by virtue of the Company's share dealing code or the Market Abuse Regulation, then such PSP Award may be granted during the period of 40 days commencing immediately after the second Dealing Day following the time that such prohibition shall cease to have effect. No PSP Award may be granted more than 10 years after the adoption of the Performance Share Plan.

(iii) **Structure of awards:** PSP Awards granted under the Performance Share Plan will take the form of an option to acquire Ordinary Shares in the Company, (but the Remuneration Committee may also grant conditional share awards instead of options, if it sees fit). PSP Awards may be satisfied using new issue Ordinary Shares, treasury shares or existing Ordinary Shares purchased in the market and/or held by the EBT. Awards may be exercised on a 'cashless' basis, whereby sufficient Ordinary Shares are sold on a participant's behalf to cover the cost of the exercise price (and any resulting tax liability).

(iv) **Exercise price:** The price at which a participant may acquire Ordinary Shares on the exercise of a PSP Award shall be determined by the Remuneration Committee on the date of grant (and may be nil or nominal value).

(v) **Individual limit:** Each individual's participation is limited so that, in any one financial year of the Company, the aggregate market value of Ordinary Shares which are subject to all PSP Awards granted to the individual in that financial year, will not exceed 200% of the individual's basic salary at the date of grant, or, if lower, 2% of the Company's issued share capital at the date of grant, unless the Remuneration Committee in its absolute discretion considers that the circumstances are sufficiently exceptional to justify the grant of a PSP Award in excess of the limit.

(vi) **Company limit:** On any date, no PSP Award may be granted if, as a result, the aggregate number of Ordinary Shares which are issued or issuable due to awards granted during the previous ten years under the Performance Share Plan together with any other discretionary employees' share plan adopted by the Company could exceed 5% of the number of Ordinary Shares in issue on that date. In addition, no PSP Award may be granted if, as a result, the number of Ordinary Shares which are issued or issuable due to awards granted during the previous ten years under the Performance Share Plan together with any other employees' share plan adopted by the Company (discretionary or otherwise) could exceed 10% of the number of Ordinary Shares in issue on that date. For the avoidance of doubt, any employee shareholdings in the Company prior to Admission will not count towards these limits.

(vii) **Performance Condition:** The exercise of a PSP Award may be made conditional upon the achievement of a performance condition set at the time of grant and measured over a performance period determined by the Remuneration Committee at the time of grant but which will not normally be less than three years.

(viii) **Vesting:** PSP Awards will be capable of exercise following a date specified at the time of grant which occurs after the expiry of the relevant performance period. The normal vesting date will not ordinarily occur earlier than three years from the date of grant of a PSP Award and may be subject to a further holding period.

(ix) **Lapse of awards:** Unvested PSP Awards granted under the Performance Share Plan will normally lapse on cessation of employment. However, if a participant is a 'good leaver', then the Remuneration Committee may permit that participant (or their personal representative if appropriate) to either retain their unvested PSP Awards until the normal vesting date or to exercise their unvested PSP Awards early in the 12 months following cessation of employment. In both cases, unless the Remuneration Committee determines otherwise, unvested PSP Awards held by 'good leavers' will remain subject to the satisfaction of the performance conditions (if any) and will be reduced on a pro-rata basis to reflect the employee's early departure. A participant will be an automatic 'good leaver' if they die or leave employment through illness, injury or disability, redundancy, retirement, or the participant's employing company or business being sold out of the Group. The Remuneration Committee may also (in its absolute discretion) designate a participant as a 'good leaver' in respect of any or all of their unvested PSP Awards if it sees fit.

(x) **Change of control:** Exercise of PSP Awards is possible earlier than the normal vesting date or the end of a holding period (if applicable) in the event of a takeover, a compromise or arrangement being sanctioned by the court or the voluntary winding-up of the company. In all cases, unless the Remuneration Committee determines otherwise, exercise of the PSP Awards will remain subject to the satisfaction of the performance conditions (if any) and will be reduced on a pro-rata basis to reflect the early vesting as a result of the corporate event. Following such a corporate event, PSP Awards may be exercised for a six month period following such event or (if the circumstances require) immediately prior to such event.

(xi) **Dividend Equivalents:** The Remuneration Committee may grant PSP Awards with the right to receive additional cash payments or shares, representing dividends declared and paid on the Company's Ordinary Shares during the vesting period of an Award ("**Dividend Equivalents**"). Dividend Equivalents will only become payable on vesting of a PSP Award and then only on the proportion of the PSP Award that has vested.

(xii) **Other terms:** Awards under the Performance Share Plan will be granted in accordance with, and subject to, any Remuneration Code or similar sector specific regulations applicable to the Company from time to time. Awards will not form part of a participant's terms and conditions of employment nor his/her pensionable earnings. PSP Awards are not transferable (other than on death) and will become immediately void in the event that a participant becomes bankrupt. No payment will be required for the grant of a PSP Award.

(xiii) **Adjustment of awards:** In the event of a capitalisation issue or offer by way of rights (including an open offer), or upon any consolidation, subdivision or reduction or other variation of the Company's capital, the number of Ordinary Shares the subject of a PSP award and/or the exercise price may be adjusted in such manner as the Remuneration Committee shall, in its opinion, consider fair and reasonable.

(xiv) **Administration and amendment:** The Performance Share Plan may be amended by the Remuneration Committee in any way, provided that no amendment, addition or deletion may be made which would materially prejudice the interests of participants in relation to awards already granted to them under the Performance Share Plan unless the sanction of at least 75% of the participants (by value of the subsisting awards) has been obtained.

The EBT

The EBT is a discretionary employee benefit trust with independent off-shore professional trustees created by and for the benefit of employees and former employees of the Company and its subsidiaries from time to time (and certain of their relatives). The EBT is intended to satisfy the

requirements of s. 86 of the Inheritance Tax Act (relating to employee benefit trusts) and s. 1166 of the Companies Act (relating to employees' share schemes).

(i) **Current assets and liabilities:** As at 16 April 2019, there were 49,000 A shares and 65,000 C shares in the capital of DFC unallocated in the EBT and there were loans of £306,946.71 outstanding from DFC in favour of the Trustee. With effect from Admission, the EBT will exchange its shares in DFC for 507,743 Ordinary Shares in the capital of the Company pursuant to the Subscription and Share Exchange Agreement.

(ii) **Powers:** The Trustee has full discretion with regard to the application of the assets of the EBT. Whilst under the terms of the trust deed it is required to consult with the Company in certain circumstances, the views expressed by the Company will, in no respect, be binding upon it. The Trustee has the power to acquire shares and any shares so acquired may be used for the purposes of any employees' share scheme operated by the Company from time to time, including the grant and settlement of awards under the Performance Share Plan.

(iii) **Dividend waiver:** The Trustee has waived the right of the EBT to dividends payable on shares held in the EBT from time to time.

5. Information on the Directors

(a) The names, business addresses and functions of the Directors are as follows:

Name	Business address	Function
John Baines	12 Groveland Court, London, EC4M 9EH	Independent Chairman
Chris Dailey	12 Groveland Court, London, EC4M 9EH	Chief Executive Officer
Gavin Morris	12 Groveland Court, London, EC4M 9EH	Chief Financial Officer
Mark Stephens	12 Groveland Court, London, EC4M 9EH	Senior Independent Non-Executive Director
Carole Machell	12 Groveland Court, London, EC4M 9EH	Independent Non-Executive Director
Thomas Grathwohl	12 Groveland Court, London, EC4M 9EH	Independent Non-Executive Director
Henry Kenner	12 Groveland Court, London, EC4M 9EH	Non-Executive Director
James van den Bergh . . .	12 Groveland Court, London, EC4M 9EH	Non-Executive Director

(b) In addition to the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

Director	Current directorships/ partnerships	Past directorships/partnerships
John Baines	Bank of Ireland (UK) PLC State Bank of India (UK) Limited Distribution Finance Capital Limited Interactive Investor Limited	The Co-Operative Bank P.L.C. JBC Liquidation Number 1 Limited
Chris Dailey	Distribution Finance Capital Limited INEO Advisory Limited	Distribution Finance Capital UK Limited BNKCUBED Limited WSCS International Limited Trade Finance Partnership Limited Trade Finance Partners Limited Oak North Ltd

Director	Current directorships/ partnerships	Past directorships/partnerships
Gavin Morris	Distribution Finance Capital Limited GPM Consulting Solutions Limited	Burnhill Equipment Finance Limited GE Capital Corporation (Leasing) Limited GE Capital Equipment Finance Holdings Limited GE Capital Equipment Finance Limited GE European Equipment Finance (Aircraft No. 2) Limited Heller Capital UK Limited Kenco Rentals Limited
Mark Stephens . . .	Distribution Finance Capital Limited Allica Limited	Harrods Bank Ltd Aldermore Bank PLC Crowd Property Limited
Carole Machell . . .	Distribution Finance Capital Limited	London First Weatherbys Bank CAF Bank Crown Agency Bank
Thomas Grathwohl	Distribution Finance Capital Limited	Wells Fargo Capital Finance GE Capital
Henry Kenner . . .	TruFin plc TruFin Holdings Limited Porge Limited Captec Systems Limited Oxygen Finance Group Limited Distribution Finance Capital Limited Trufin Software Limited Oxygen Finance Limited Satago Financial Solutions Limited Clear Funding Limited Altlending (UK) Limited Beaubridge Energist LLP Eclipse Film Partners No. 23 LLP Green Park Climate Change LLP The Invicta Film Partnership No.25, LLP The Invicta Film Partnership No.29, LLP Inside Track 2 LLP Inside Track Productions LLP Soroma Spintex Limited	AGP (USTE) LP Ruffle Some Feathers Limited Omnis Capital Services Limited Foundation Global Partners LLP Standard Board for Alternative Investments Limited Arrowgrass Capital Partners II LLP Arrowgrass Capital Services UK Limited Arransgate LLP Altlending (Ireland) Designated Activity Company Davenport Fox Limited Soroma Capital Limited Morrigan Investments Limited Soroma Ghana Real Estate Fund Limited Cinema Two LLP Arrowgrass Capital Partners LLP Arrowgrass General Partner Limited Arrowgrass Investment Management Limited Arrowgrass Distressed Opportunities Fund Limited Arrowgrass Distressed Opportunities International Limited Arrowgrass Investments Sarl Arrowgrass Special Situations sarl Arrowgrass Master Fund Ltd Arrowgrass Equity Focus Fund limited Arrowgrass Customised Solutions I Limited Arrowgrass Customised Solutions I International Limited Arrowgrass Inflection Fund Limited Arrowgrass Inflection Fund International Limited Arrowgrass Vega Fund Limited Arrowgrass Vega Fund International Limited

Director	Current directorships/ partnerships	Past directorships/partnerships
James van den Bergh	TruFin plc	Zopa Group Limited
	Tor Capital Limited	Tor Capital Partners LLP
	Oxford Bioelectronics Limited	The Graduate Group
	Clear Funding Limited	SAC Global Investors LLP
	Oxygen Finance Limited	Thames River Capital LLP
	Satago Solutions Limited	Applestart Ltd
	Satago Financial Solutions Limited	
	Oxygen Finance Group Limited	
	Playstack Limited	
	PlayIgnite Limited	
	TruFin Holdings Limited	
	Distribution Finance Capital Limited	

(c) Save as set out in paragraph 5(b) above, none of the Directors has any business interests or activities outside the Group which are significant with respect to the Group.

(d) Save as disclosed in paragraph 5(e) below, none of the Directors:

(i) has any unspent convictions in relation to indictable offences;

(ii) has been made bankrupt or has made an individual voluntary arrangement with creditors or suffered the appointment of a receiver over any of his assets;

(iii) has been a director of any company which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with the company's creditors generally or with any class of creditors of any company or had an administrator or an administrative or other receiver appointed;

(iv) has been a partner in any partnership which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any partnership voluntary arrangement;

(v) has had an administrative or other receiver appointed in respect of any asset belonging either to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or

(vi) has received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

(e) Henry Kenner was a director of Arrowgrass Investment SARL, Arrowgrass Special Situation SARL, Arrowgrass Distressed Opportunities International Limited, Arrowgrass Distressed Opportunities Fund Limited, Ruffle Some Feathers Limited, Davenport Fox Limited, AGP (GP) Limited and Omnis Capital Services Limited at the time they went into solvent liquidation. Chris Dailey was appointed as a director of Trade Finance Partners Ltd in 2015, and he resigned in January 2016. The business was put into voluntary administration in March 2017.

6. Directors' and other interests

(a) The interests (all of which are or will be beneficial unless otherwise stated) of each Director (including any interest known to that Director or which could with reasonable diligence be ascertained by him of any person connected with a Director within the meaning of sections 252 to

255 of the Companies Act (a "Connected Person")) in the share capital of the Company at the date of this document and as they will be immediately following Admission are as follows:

Director	Number of Ordinary Shares currently held	Percentage of issued share capital currently held	Number of Ordinary Shares to be held immediately following Admission	Percentage of Enlarged Ordinary Share Capital to be held immediately following Admission
John Baines	—	—	222,222	0.21
Chris Dailey[(1)]	—	—	3,276,256	3.07
Gavin Morris[(1)]	—	—	229,387	0.22
Mark Stephens	—	—	—	—
Carole Machell	—	—	83,333	0.08
Thomas Grathwohl	—	—	—	—
Henry Kenner[(2)]	—	—	1,484,947	1.39
James van den Bergh[(2)(3)]	1	100	1,947,292	1.83

(1) Prior to Admission, Chris Dailey and Gavin Morris will hold, 433,121 and 5,266 A ordinary shares of £0.001 each in DFC respectively, Chris Dailey will hold 290,000 B ordinary shares of £0.001 each in DFC and Gavin Morris will hold 40,000 C ordinary shares of £0.001 each in DFC which will be exchanged for 3,220,701 Share Exchange Shares in the case of Chris Dailey and 201,609 Share Exchange Shares in the case of Gavin Morris pursuant to the Subscription and Share Exchange Agreement, further details of which are set out in paragraph 14 of this Part 4. Chris Dailey has agreed to purchase 55,555 Sale Shares pursuant to the Placing. Gavin Morris has agreed to purchase 27,778 Sale Shares pursuant to the Placing.

(2) Henry Kenner and James van den Bergh received 2,842,261 Ordinary Shares on Admission as a result of shares held in TruFin or awards in respect of such shares.

(3) James van den Bergh also holds 50,000 redeemable preference shares of £1.00 each and has agreed to purchase 555,555 Sale Shares pursuant to the Placing.

(b) Save as disclosed in paragraphs 4 and 6(a) above, no Director, nor any Connected Person has at the date of this document, or will have immediately following Admission, any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company or any of its subsidiaries or any related financial product referenced to the Ordinary Shares.

(c) In addition to the interests of Directors disclosed in paragraphs 4 and 6(a) above, the Company is aware of the following shareholders of the Company who are at the date of this document, or will be immediately following Admission, interested, directly or indirectly, in 3% or more of the issued share capital of the Company:

Name	Number of Ordinary Shares currently held	Percentage of issued share capital currently held	Number of Ordinary Shares to be held immediately following Admission	Percentage of Enlarged Ordinary Share Capital to be held immediately following Admission
Arrowgrass Master Fund Ltd[(1)] .	—	—	52,240,637	48.99
Watrium AS[(2)]	—	—	14,833,922	13.91
Liontrust Asset Management[(3)] .	—	—	7,415,204	6.95
Miton Group[(4)]	—	—	3,888,889	3.65

(1) Arrowgrass has agreed that it will not acquire shares in TruFin prior to the Demerger Effective Time which would result in it owning 50% or more of the Enlarged Ordinary Share Capital on Admission.

(2) Assuming no other changes to its TruFin shareholding prior to the Demerger Effective Time, Watrium will receive 6,063,157 Ordinary Shares as a result of the Demerger and has agreed to purchase 8,770,765 Sale Shares pursuant to the Placing.

(3) Assuming no other changes to its TruFin shareholding prior to the Demerger Effective Time, Liontrust Asset Management will receive 3,526,315 Ordinary Shares as a result of the Demerger and has agreed to purchase 3,888,889 Sale Shares pursuant to the Placing.

(4) Assuming no purchases of TruFin shares prior to the Demerger Effective Time.

(d) The shareholders listed in (c) above do not have different voting rights.

(e) Save as disclosed in paragraph 6(c), the Company is not aware of any person or entity who, directly or indirectly, jointly or severally, will or could exercise control over the Company immediately following Admission and there are no arrangements the operation of which could result in a change of control of the Company.

(f) No Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and was effected during the current or immediately preceding financial year or was effected during any earlier financial year which remains outstanding and unperformed in any respect.

(g) Save as set out in paragraph 14, there are no loans or guarantees granted or provided by the Company and/or any of its subsidiaries to or for the benefit of any of the Directors which are now outstanding.

7. Service agreements and remuneration of the Directors

(a) The Executive Directors have entered into the following service agreements with the Company on 11 April 2019 on the following terms.

Chris Dailey is employed as Chief Executive Officer. Mr. Dailey will receive an annual salary of £425,000.

Gavin Morris is employed as Chief Financial Officer. Mr. Morris will received an annual salary of £235,000.

Executive Directors' salaries will be reviewed, but not necessarily increased on an annual basis. The Executive Directors may receive the following benefits under the terms of their service agreements:

(i) an employer contribution to the Company's group pension plan up to a maximum of 7% of basic salary;

(ii) a discretionary annual bonus subject to targets set by the Remuneration Committee and subject to the rules of the plan from time to time;

(iii) the share incentive and bonus entitlements set out in paragraph 4 of this Part 4; and

(iv) entitlement to participate in the Company's life assurance scheme, private health insurance scheme, group income protection and any other schemes the Company may offer from time to time.

Chris Dailey's service agreement can be terminated by not less than 12 months' prior notice given in writing by either party to the agreement.

Gavin Morris' service agreement can be terminated by not less than six months' prior notice given in writing by either party to the agreement.

Each of the Executive Directors is subject to a confidentiality undertaking without limitation in time and to post-termination restrictions including 12 month non-solicitation of employees and customers provisions and a 12 month non-interference with suppliers provision, as well as a three month non-compete (in each case reduced by any time the Executive Director spends on garden leave).

Each of the Executive Directors has the benefit of a qualifying third-party indemnity from the Company (the terms of which are in accordance with the Companies Act) and appropriate directors' and officers' liability insurance.

The appointments of each of the Executive Directors are subject to annual re-election by the Company in annual general meetings.

The appointments of each of the Non-Executive Directors commenced on 11 April 2019 and are subject to annual re-election by the Company in annual general meetings.

Each of the Non-Executive Directors will receive an annual fee of £75,000. John Baines is entitled to an additional annual fee of £25,000 as Independent Chairman. Henry Kenner and James van den Bergh have waived their fee for the year ending 31 December 2019.

Each Non-Executive Director is also entitled to reimbursement of reasonable expenses.

The Non-Executive Directors are not entitled to receive any compensation on termination of their appointment and are not entitled to participate in the Company's share, bonus or pensions schemes.

The Non-Executive Directors are subject to confidentiality undertakings without limitation in time.

Each of the Non-Executive Directors has the benefit of a qualifying third-party indemnity from the Company (the terms of which are in accordance with the Companies Act) and appropriate directors' and officers' liability insurance.

(b) Save as set out in paragraph 7(a) above, on Admission there will be no existing or proposed service agreements between the Directors and any member of the Group. Furthermore, save as set out at paragraph 7(a) above and the share incentive arrangements described in paragraph 4 above, there are no commissions or profit-sharing arrangements with any of the Directors.

(c) There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver or emoluments during the financial year immediately preceding the date of this document other than Henry Kenner and James van den Bergh who have waived their fee for the year ending 31 December 2019.

8. Employees

DFC had the average monthly number of employees set out below.

Name	Number of Employees year ended 31 December 2016	Number of Employees year ended 31 December 2017	Number of Employees year ended 31 December 2018
Distribution Finance Capital Limited	9	18	51

9. Subsidiaries

The Company will upon completion of the Demerger, the Share Exchange and Admission have the following subsidiaries, subsidiary undertakings and other undertakings in which it has an interest held on a long-term basis. Details are shown below:

Name	Nature of business	Registered office and country of incorporation	Proportion of share capital held following Demerger	Proportion of share capital held following Share Exchange and Admission	Issued share capital at Admission
Distribution Finance Capital Limited	Trading	Incorporated in England and Wales whose registered office is 12 Groveland Court, London EC4M 9EH	91.3%	100[(1)]	23,943,547 A ordinary shares of £ 0.001 each

(1) The Company will own the beneficial interest in DFC on Admission until the stock transfer forms executed in relation to the Demerger and Share Exchange are stamped by HMRC and DFC's register of members is written up, whereupon the legal ownership will transfer. Until such time as the legal ownership is transferred, the Company has the benefit of a power of attorney to exercise all legal rights in relation to the shares.

10. Pensions

The Group operates a defined contribution pension scheme for the benefit of its employees.

11. Arrangements relating to the Placing

On 17 April 2019, the Company (1), Macquarie (2), Arrowgrass (3) and the TruFin EBT (4) entered into the Vendor Placing Agreement pursuant to which Macquarie has agreed, conditionally upon, inter alia, Admission taking place not later than 9 May 2019, to use its reasonable endeavours to procure purchasers for the Sale Shares held by Arrowgrass and the TruFin EBT at the Placing Price. Should any Placee fail to make payment for any Sale Shares allocated to it, Macquarie has agreed to use its reasonable endeavours to procure, to the extent reasonably practicable in the circumstances, alternative placees on or prior to Admission failing which Macquarie shall acquire the relevant Sale Shares as principal.

Under the Vendor Placing Agreement, Arrowgrass and the TruFin EBT has agreed to pay commissions to Macquarie and all other costs, charges and expenses of, or incidental to, the Placing.

The Vendor Placing Agreement, which contains certain warranties, undertakings and indemnities by Arrowgrass and the TruFin EBT in favour of Macquarie, is conditional, inter alia, on (i) Admission occurring not later than 9 May 2019 (or such later date as the Company and Macquarie may agree not being later than 16 May 2019) and (ii) the Introduction Agreement not having been terminated.

Macquarie may terminate the Vendor Placing Agreement in specified circumstances, including for breach of warranty at any time prior to Admission and in the event the Introduction Agreement is terminated.

12. Selling Shareholders

The following table contains details of the Selling Shareholders and the Sale Shares to be sold by them pursuant to the Placing.

Name	Business Address	Number of Sale Shares	Position, office or other material relationship with the Company or its affiliate during the past three years
Arrowgrass	PO Box 242, 45 Market Street, Gardenia Court, Camana Bay, Grand Cayman	19,443,907	Indirect shareholder of DFC
TruFin EBT	44 Esplanade, St Helier, Jersey, JE4 9WG	2,587,967	EBT to indirect shareholder of DFC, TruFin

13. United Kingdom taxation

The following statements do not constitute tax advice and are intended only as a general guide. They are based on current UK tax law and what is understood to be HM Revenue & Customs' ("HMRC") current published practice as at the date of this document (both of which may be subject to change at any time, possibly with retrospective effect). The statements are not exhaustive and relate only to certain limited aspects of the UK tax consequences of holding or disposing of Ordinary Shares.

The statements below may not apply to certain shareholders in the Company, such as (but not limited to): dealers in securities, insurance companies, collective investment schemes, pension schemes, shareholders who are exempt from UK taxation, shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment or shareholders who have acquired their Ordinary Shares other than for bona fide commercial reasons.

The statements below are intended to apply only to shareholders in the Company who:

- are resident (and, in the case of individuals, domiciled) in the UK for tax purposes (unless the position of non-UK resident shareholders is expressly referred to);
- are not subject to split-year treatment;
- are the absolute beneficial owners of their Ordinary Shares and dividends paid in respect of them;
- hold their Ordinary Shares as an investment (otherwise than through an individual savings account or a pension arrangement) and not as securities to be realised in the course of a trade; and
- are not subject to the UK tax rules concerning carried interest in relation to their holding or disposal of shares.

The statements set out in the paragraphs below do not constitute tax or legal advice. Any person who is in any doubt as to their tax position, or who is resident or otherwise subject to taxation in any jurisdiction other than the UK, should consult their own professional advisers immediately.

(a) ***Dividends***

Liability to UK income tax or UK corporation tax on income in respect of dividends payable on the Ordinary Shares will depend upon the individual circumstances of the shareholder. An overview of the UK tax rules applicable to dividends is set out below.

Under current UK tax legislation, the Company is not required to withhold tax at source from any dividend payments it makes.

Individual shareholders resident for tax purposes in the UK have the benefit of an annual dividend income tax-free allowance of £2,000 ("Nil Rate Amount") from 6 April 2018. Dividend income in excess of the Nil Rate Amount (taking account of any other dividend income received by the shareholder in the same tax year) is taxed at the following rates for 2019/2020:

- 7.5% to the extent that the dividend income falls within the basic rate band;
- 32.5% to the extent that the dividend income falls within the higher rate band; and
- 38.1% to the extent that the dividend income falls within the additional rate band.

"Dividend income" for these purposes means UK and non-UK source dividends and certain other distributions in respect of shares.

In calculating the band into which any dividend income above the Nil Rate Amount falls, the individual shareholder's total taxable dividend income for the tax year (including the amount of dividend income within the Nil Rate Amount) will be treated as the highest slice of the individual's income.

Dividends paid to UK resident trustees of a discretionary trust will be taxed at the dividend trusts rate of 38.1% to the extent the dividend income exceeds the standard rate band. Trustees of a discretionary trust do not benefit from the annual Nil Rate Amount allowance.

Corporate shareholders within the charge to UK corporate tax which are "small companies" (for the purposes of UK taxation of dividends legislation) should not generally expect to be subject to corporation tax on any dividends received in respect of the Ordinary Shares.

Other corporate shareholders within the charge to UK corporation tax should not be subject to tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met. In general, (i) dividends paid on non-redeemable shares that do not carry any present or future preferential rights to dividends or to the Company's assets on its winding up; and (ii) dividends paid to a UK resident corporate shareholder holding less than 10% of the issued share capital of the class in respect of which the dividend is paid should fall within an exempt class. However, it should be noted that the exemptions are not comprehensive and are subject to anti-avoidance rules. Shareholders will need to ensure that they satisfy the requirements of any exempt class and that no anti-avoidance rules apply before treating any dividend as exempt, and seek appropriate professional advice where necessary.

Non-UK resident shareholders should not generally be subject to UK tax on their dividend receipts (whether via withholding or direct assessment) but may be subject to foreign taxation on dividend income under local law. Such shareholders should consult their own advisers concerning their tax liabilities on dividends received.

(b) ***Chargeable gains***

Shareholders who are resident in the UK for tax purposes and who dispose of their Ordinary Shares at a gain will ordinarily be liable to UK taxation on chargeable gains, subject to any available exemptions or reliefs. The gain will be calculated as the difference between the sale proceeds and any allowable costs and expenses, including the original acquisition cost of the Ordinary Shares.

Individual shareholders will generally be charged at 10% capital gains tax to the extent that the total chargeable gains and taxable income for the year (after allowable deductions) is less than the upper limit of the income tax basic rate band. To the extent that chargeable gains arising in a tax year exceed the upper limit of the basic rate band when aggregated with taxable income, then capital gains tax will be chargeable at 20% on the amount of that excess. Individual shareholders

receive an annual exempt allowance for capital gains tax purposes, which for tax year 2019/2020 provides for the first £12,000 of gains realised to fall outside the scope of tax.

Individual shareholders who are not resident in the UK for tax purposes but who carry on a trade, profession or vocation in the UK through a permanent establishment, branch, agency or fixed place of business in the UK may be liable to UK taxation on chargeable gains on a disposal of their Ordinary Shares, if those Ordinary Shares are or have been held, used or acquired for the purposes of that trade, profession or vocation or for the purposes of that permanent establishment, branch, agency or fixed place of business.

If an individual shareholder ceases to be resident in the UK and subsequently disposes of Ordinary Shares, in certain circumstances any gain on that disposal may be liable to UK capital gains tax upon that shareholder becoming once again resident in the UK.

Trustees and personal representatives resident in the UK disposing of Ordinary Shares will be taxed at 20%, subject to any available reliefs or exemptions. Trustees and personal representatives receive an annual exempt amount for capital gains tax purposes, which for tax year 2019/2020 is £6,000.

Corporate shareholders resident in the UK will be taxed to corporation tax on chargeable gains at 19% for tax year 2019/2020, subject to any available reliefs or exemptions. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax (but may not give rise to, or increase, an allowable loss). Indexation allowance has been frozen since 1 January 2018, meaning that assets will be indexed to their December 2017 values; any further inflationary increases from that date will not be reflected in the allowance.

Corporate shareholders carrying on a trade in the UK through a branch, agency or permanent establishment with which their investment is connected may be liable to UK taxation on chargeable gains on the disposal of their Ordinary Shares.

(c) ***Stamp duty and stamp duty reserve tax ("SDRT")***

The statements below are intended as a general guide to the current position. The statements do not apply to certain intermediaries who are not liable to stamp duty or SDRT, or to persons connected with depositary arrangements or clearance services, who may be liable at a higher rate.

The allocation and issue of Ordinary Shares will not give rise to a liability to stamp duty or SDRT. Any subsequent conveyance or transfer on sale of shares would usually be subject to stamp duty on any instrument of transfer at a rate of 0.5% of the amount or value of the consideration (rounded up, if necessary, to the nearest £5), subject to certain exemptions and reliefs. A charge to SDRT at a rate of 0.5% would usually arise in relation to an unconditional agreement to transfer shares (where the SDRT charge is not cancelled by the execution of an instrument of transfer, within six years of the date of the agreement, and a corresponding payment of stamp duty).

However, neither stamp duty nor SDRT should arise on transfers of Ordinary Shares on AIM, including instruments transferring Ordinary Shares and agreements to transfer Ordinary Shares, provided AIM continues to be a "recognised growth market" and the Ordinary Shares are admitted to trading on AIM but not any other market.

14. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of publication of this document and which are, or may be, material to the Group or have been entered into by any member of the Group at any time and contain a provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

(a) the Demerger Agreement, as more fully described below;

(b) the Subscription and Share Exchange Agreement, as more fully described below;

(c) the Vendor Placing Agreement, as described more fully in paragraph 11 above;

(d) the Introduction Agreement, as more fully described below;

(e) the Arrowgrass Relationship Agreement, as more fully described below;

(f) the Watrium Relationship Agreement, as more fully described below;

(g) the Nominated Advisor and Broker Agreement, as more fully described below;

(h) the Registrar Agreement, as more fully described below;

(i) the DFC SHA, as more fully described below; and

(j) the Citi SFA, as more fully described below;

(k) the Loan Agreement, as more fully described below; and

(l) the Management Loan Agreement.

Demerger Agreement

The Company entered into the Demerger Agreement, on 17 April 2019, with TruFin, TruFin Holdings and DFC which sets out the principal actions required in connection with the Demerger including the process for the transfer of the DFC Shares by TruFin to the Company and the allotment and issue by the Company of the Demerger Shares to the holders of TruFin Ordinary Shares who will be registered on the TruFin share register at 5.00 p.m. on the 8 May 2019 (or such other time and date as the Directors may determine).

Subscription and Share Exchange Agreement

The Company entered into the Subscription and Share Exchange Agreement, on 17 April 2019, with the DFC Managers and the TruFin EBT and DFC which sets out the principal actions required in connection with the Share Exchange including the process for the transfer of the 1,335,114 A ordinary shares of £0.001 each in DFC, 430,000 B ordinary shares of £0.001 each in DFC and 317,000 C ordinary shares of £0.001 each in DFC that will be held by the DFC Managers and the TruFin EBT to the Company in consideration for the allotment and issue of, in aggregate, 9,273,505 Share Exchange Shares to the DFC Managers and the TruFin EBT. Prior to the transfer, the DFC Managers shall subscribe for 173,244 A ordinary shares of £0.001 each (in aggregate) pursuant to the Subscription and Share Exchange Agreement.

The Subscription and Share Exchange Agreement also contains certain restrictions on sale and forfeiture provisions that apply to the DFC Managers' Share Exchange Shares (other than the EBT). These restrictions and forfeiture provisions will apply to parcels of Share Exchange Shares held by the DFC Managers (other than the EBT) between Admission and 31 May 2023.

Introduction Agreement

The Company entered into the Introduction Agreement, on 17 April 2019, with Macquarie, TruFin and the Directors, which sets out the principal actions required in connection with Admission.

The Introduction Agreement, which contains certain warranties, undertakings and indemnities by the Company and the Directors in favour of Macquarie, is conditional, inter alia, on (i) completion of the Demerger; (ii) Admission occurring not later than 9 May 2019 (or such later date as the Company and Macquarie may agree not being later than 16 May 2019); (iii) the £25 million subscription by TruFin Holdings into DFC; and (iv) the Vendor Placing Agreement not having been terminated. A corporate finance fee is payable by the Company to Macquarie conditional upon Admission.

Macquarie may terminate the Vendor Placing Agreement in specified circumstances, including for breach of warranty at any time prior to Admission and in the event the Vendor Placing Agreement is terminated.

Relationship Agreements

Arrowgrass Relationship Agreement

The Company entered into the Arrowgrass Relationship Agreement, on 17 April 2019, with Arrowgrass and Macquarie which will regulate (in part) the degree of control that Arrowgrass and its affiliates may exercise over the management of the Company.

The principal purpose of the Arrowgrass Relationship Agreement is to ensure that the Company is capable at all times on carrying on its business independently of Arrowgrass.

The substantive provisions of the Arrowgrass Relationship Agreement will take effect on and from Admission (provided that it is not later than 16 May 2019 or such later date as Arrowgrass, the Company and Macquarie may agree, in which case the Arrowgrass Relationship Agreement will terminate).

The Arrowgrass Relationship Agreement will terminate once (i) the aggregate interest of Arrowgrass in the Ordinary Shares falls below 10%; (ii) the Ordinary Shares cease to be publicly traded; or (iii) the Company passes a resolution for its winding up or a court of competent jurisdiction makes an order for the Company's winding up or dissolution.

Subject to certain exemptions provided for under the AIM Rules for Companies, Arrowgrass has undertaken that it will not, for a period of one year from Admission, offer, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue any interest in any Ordinary Shares held by it.

The Arrowgrass Relationship Agreement regulates the continuing relationship between Arrowgrass and the Company on and after Admission. In particular:

- Arrowgrass shall have the right to nominate one person to be its Representative Director on the Board for as long as it holds an interest, either direct or indirect, in 10% or more of the aggregate voting rights in the Company from time to time and if it holds between 10% and 30% such appointment shall be subject to the approval of the Nomination Committee. Whilst Arrowgrass currently has no intention to appoint a Representative Director to the Board should it wish to do so, such appointment shall be conditional upon there being a majority of Non-Executive Directors on the Board of the Company following the appointment.
- Arrowgrass shall not act, and it shall use reasonable endeavours to procure that (subject to such Director complying with its fiduciary duties) any Representative Director shall not act, in a manner that prejudices the ability of the Company to carry on its business independently of Arrowgrass or which may seek to influence the running of any member of the Group at an operational level.
- All transactions and relationships between (a) Arrowgrass or any of its associates and (b) any member of the Group shall be conducted at arm's length and on normal commercial terms.
- Arrowgrass shall not, and shall use reasonable endeavours to procure that none of its associates shall, take any action which would have the effect of preventing the Company from complying with the FCA, the PRA, the AIM Rules for Companies, the London Stock Exchange, the FSMA, the Financial Services Act and the Market Abuse Regulation.
- Arrowgrass shall not, and it shall use reasonable endeavours to procure that none of its associates shall, propose or procure the proposal of any shareholder resolution of the Company to exercise its voting rights in a manner which is intended or appears to be intended to circumvent the proper application of the AIM Rules for Companies the PRA Rulebook, the FCA Handbook or would be contrary to the Company's independence.
- Arrowgrass shall not, and it shall use reasonable endeavours to procure (so far as it is legally able to do so) that none of its associates shall, exercise any voting rights (including procuring or seeking to procure any amendments to the Articles of Association) in a way that would be inconsistent with, or breach any provisions of, the Arrowgrass Relationship Agreement.
- Arrowgrass shall vote its shares, and (subject to such Director complying with his fiduciary duties) use reasonable endeavours to procure that any Representative Director votes, to give effect to Arrowgrass' obligations set out in the Arrowgrass Relationship Agreement.

The Directors believe that the terms of the Arrowgrass Relationship Agreement will enable the Company to carry on its business independently from Arrowgrass and its affiliates, and ensure that all transactions and relationships between the Company and Arrowgrass and its affiliates are, and will be, at arm's length and on a normal commercial basis.

Watrium Relationship Agreement

The Company entered into the Watrium Relationship Agreement, on 16 April 2019, with Watrium and Macquarie which will regulate (in part) the degree of control that Watrium and its affiliates may exercise over the management of the Company.

The Watrium Relationship Agreement is on broadly equivalent terms to the Arrowgrass Relationship Agreement save that the agreement does not contain any undertaking given by Watrium in accordance with AIM Rule 7 of the AIM Rules for Companies.

Nominated Adviser and Broker Agreement

Pursuant to a nominated adviser and broker agreement dated 17 April 2019 and made between Macquarie and the Company, the Company appointed Macquarie as its nominated adviser and broker in relation to and following Admission in accordance with the AIM Rules for Companies and the AIM Rules for Nominated Advisers. The agreement sets out the scope of Macquarie's engagement.

Macquarie will, following Admission, receive an annual fee of £60,000 payable by four equal instalments quarterly in advance. In addition, the Company will pay all reasonable costs and expenses which Macquarie may properly incur in connection with Macquarie's appointment. The agreement is terminable by either party giving the other party on three months' written notice, such notice not to be given prior to the first anniversary of the agreement. The agreement may also be terminated immediately by Macquarie in certain specified circumstances such as insolvency or material breach of the agreement by the Company.

Under the agreement, the Company gave certain customary indemnities to Macquarie in connection with its engagement as the Company's nominated adviser and broker.

Registrar Agreement

Pursuant to an agreement between the Registrar and the Company dated 17 April 2019, the Registrar has been retained by the Company to maintain the register of members. The agreement may be terminated by either party on service of 9 months' notice on the other, such notice to expire no earlier than the first anniversary of the date of the agreement. The agreement may also be terminated immediately by either party in certain specified circumstances such as insolvency or material breach of the agreement by one party or the other.

DFC SHA

Arrowgrass entered into the DFC SHA with DFC and certain executives of DFC on 3 October 2016, as amended and restated on 4 October 2018. The DFC SHA has regulated their relationship with DFC (in addition to DFC's articles of association). TruFin acceded to the DFC SHA in place of Arrowgrass on 29 December 2017.

In particular:

- For as long as the Company (together with its affiliates) is the beneficial owner of at least 50.1% of the issued share capital of DFC, it shall be entitled to appoint two directors to the board of DFC.
- There are a number of matters which require (i) Shareholder Majority Consent (being consent from the holders of more than 50.1% of all voting rights attaching to shares), including amending DFC's articles of association or issuing any further shares; and (ii) approval by DFC's board of directors.
- There are confidential information restrictions on the parties to the DFC SHA, subject to certain customary exceptions (including where required by law or by any regulatory authority to which it is subject or by the rules of any stock exchange upon which its shares are listed or traded).
- The Company may assign its rights under the DFC SHA to any person who has received a transfer of shares in DFC from the Company in accordance with DFC's articles of association and has executed a deed of adherence to the DFC SHA.
- In accordance with the terms of the DFC SHA and a deed of termination entered into between the parties to the DFC SHA on the date of this document, the DFC SHA will fall away immediately prior to Admission following which DFC will become a wholly-owned subsidiary of the Company.

Citi SFA

DFC Funding No. 1 Limited ("DFC Funding") has entered into a senior facility agreement (most recently amended on 16 April 2019) with (1) Citibank, N.A. London Branch (as senior lender and

facility agent), (2) Citicorp Trustee Company Limited (as security trustee) ("Citi Trustee") and (3) DFC (as seller and servicer) (the "Citi SFA") pursuant to which a £155,000,000 revolving facility (the "Facility") has been made available to DFC Funding. The purpose of the Facility is to finance the purchase of certain loan receivables by DFC Funding from DFC under and in connection with a receivables purchase agreement made between (1) DFC Funding (as purchaser), (2) DFC and (3) Citi Trustee. Under these arrangements, DFC Funding are prevented from buying loan receivables from DFC that are originated from borrowers whose businesses are either too small or too large according to certain thresholds. These restrictions are imposed by Citibank to avoid credit risk (from exposure to very small borrowers) and avoid concentration risk (from becoming reliant on certain very large borrowers and having insufficient diversification). The defined terms of the Citi SFA are as defined in a master framework agreement made between, among others, DFC Funding, Citi Trustee and DFC. DFC Funding has granted security in respect of its obligations under the Citi SFA in favour of Citi Trustee under a security trust deed.

The Facility is supported by a servicing agreement (most recently amended on 17 September 2018) between DFC as servicer, DFC Funding as purchaser and Citi Trustee as security trustee (the "Servicing Agreement"). Under this agreement DFC agrees to supply certain services including the collection of all sums due on the receivables purchased by DFC Funding from DFC under the Citibank Receivables Purchase Agreement. In the event that DFC breaches its obligations as servicer, there is a mechanism by which Citi Trustee can give notice for a back-up servicer to step into the shoes of DFC. The arrangement with the back-up servicer for them to provide the same function is governed by a back-up servicing agreement between DFC as servicer, Satago Financial Solutions Limited as back-up servicer, DFC Funding as purchaser and Citi Trustee as security trustee (most recently amended on 17 September 2018).

The interest on the senior loans made available under the Citi SFA is 4% per annum plus LIBOR and is payable monthly on the settlement date specified therein. Default interest is payable on any overdue amount at the rate of 2% higher than the rate which would otherwise have been payable. DFC Funding is required to make payments in respect of each senior loan monthly in accordance with a specified priority payment schedule. DFC Funding has made representations and warranties and has given undertakings under the Citi SFA. Early repayment of the Facility may be demanded on the occurrence of certain events of default. Upon the occurrence of certain early amortisation events (including if Arrowgrass ceases to indirectly own at least 30% of the shares in DFC) the senior loans have to be repaid monthly in accordance with a different priority payment schedule and no new loans can be borrowed.

As part of the arrangement, DFC has provided DFC Funding with a £20 million mezzanine revolving loan facility and a £5 million junior facility to allow DFC Funding to acquire from DFC certain loans made by DFC to dealers.

Loan Agreement

On 17 April 2019, DFC and TruFin Holdings entered into a loan agreement which governs the terms of all outstanding loans by TruFin Holdings in favour of DFC in the aggregate amount of £18,868,219.18. The loans shall accrue interest at a rate of 5% per annum, and (i) £5,000,000 is repayable by 1 December 2019; (ii) £5,000,000 is repayable by 1 June 2020; and (iii) 8,868,219.18 is repayable by 1 December 2020, in each case, together with any accrued but unpaid interest thereon.

The Management Loan Agreement

On 17 April 2019, a loan agreement was entered into between the DFC Managers and DFC pursuant to which DFC agreed to provide a loan to each of the DFC Managers to fund the tax liability arising as a result of the subscription for, in aggregate, 173,244 A ordinary shares of £0.001 each in DFC pursuant to the Subscription and Share Exchange Agreement and/or any historic acquisitions of shares in DFC by the DFC Managers. The loans to the DFC Managers amount to, in aggregate, up to £475,000, and in respect of Chris Dailey and Gavin Morris individually, up to £230,000 and £16,000, respectively. The loans will bear an annual rate of interest equal to the rate set by HMRC (currently 2.5%) and will be fully repayable upon the occurrence of certain circumstances, including if the relevant DFC Manager leaves the DFC Group.

15. Working capital

Having made due and careful enquiry, the Directors are of the opinion that, taking into account available banking facilities and the £25 million subscription by TruFin Holdings into DFC prior to completion of the Demerger, the Company and the Group will upon Admission have sufficient working capital available for their present requirements, that is, for at least the 12 months following the date of Admission.

16. Litigation and arbitration

Neither the Company nor any member of the Group is, nor has at any time in the 12 months immediately preceding the date of this document been, involved in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company or any member of the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months immediately preceding the date of this document, in each case which may have, or have had in the recent past, a significant effect on the Company's or the Group's financial position or profitability.

17. Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares

Mandatory bid

The Takeover Code applies to the Company. Under Rule 9 of the Takeover Code, if:

(a) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30% or more of the voting rights in the Company; or

(b) a person who, together with persons acting in concert with him, is interested in not less than 30% and not more than 50% of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquiror or its concert parties during the previous 12 months.

Compulsory Acquisition

Under sections 974 – 991 of the Companies Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90% of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer.

In addition, pursuant to section 983 of the Companies Act, if an offeror acquires or agrees to acquire not less than 90% of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

18. General

(a) The total costs and expenses relating to Admission are approximately £1.7 million (including value added tax).

(b) The Ordinary Shares will be in registered form and will be capable of being held in both certificated or uncertificated form. They are denominated in sterling. The ISIN for the Ordinary Shares is GB00BJ7HMR72.

(c) Deloitte has given and has not withdrawn its written consent to the inclusion in this document of its report set out in Part 3 of this document and references thereto in the form and context in which they appear.

(d) Macquarie has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name and references to it in the form and context in which they are included.

(e) Since incorporation, the Company has not made up any financial statements or published any financial information. The Group's reporting accountant for the period covered by the historical financial information of DFC in Part 3 of this document is Deloitte LLP, 1 New Street Square, London EC4A 3HQ. Deloitte LLP is registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales.

(f) The financial information set out in this document relating to DFC does not constitute statutory accounts within the meaning of section 434 of the Companies Act. The Company intends to publish its first annual report of the Company for the financial year ended 31 December 2019 and its first set of interim financial statements as at 30 June 2019. Part 3 of this document contains the details of post balance sheet events of DFC that have occurred since 31 December 2018.

(g) There are no arrangements in place under which future dividends are to be waived or agreed to be waived.

(h) Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made or refused nor are there intended to be any other arrangements for dealings in the Ordinary Shares.

(i) The Directors are not aware of any exceptional factors which have influenced the Group's activities other than as is described in the Admission Document.

(j) The Directors are not aware of any patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Group's business.

(k) There has been no significant change in the trading or financial position of DFC since 31 December 2018, being the date to which the financial information contained in Part 3 of this document was prepared and of the Company since incorporation.

(l) Save as disclosed in paragraphs 7, 13 and 18(a) above, no person (excluding the Company's professional advisers to the extent disclosed elsewhere in this document and trade suppliers) in the 12 months preceding the Company's application for Admission received, directly or indirectly, from the Company or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:

   (i) fees totalling £10,000 or more;

   (ii) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

   (iii) any other benefit with a value of £10,000 or more at the date of Admission.

(m) Other than as is described in paragraph 14 of this Part 4, since 31 December 2018, members of the Group have not entered into any related party transactions.

(n) Prior to the Demerger, TruFin Holdings will subscribe for 6,530,303 A ordinary shares of £0.001 each in the capital of DFC for an aggregate subscription price of £25 million which will in turn be acquired by the Company pursuant to the Demerger.

(o) There have been no public takeover bids by third parties in respect of the shares of the Company at any time.

(p) The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in conjunction with the application for Admission.

(q) To the extent that information in this document has been sourced from third parties, such information has been accurately reproduced and, as far as the Company is aware and has been able to ascertain from information published by the relevant third party, no facts have been omitted which render the reproduced information inaccurate or misleading.

(r) Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the Company's registered office from the date of this document and shall remain available for a period of one month following Admission. A copy of this document will also be available on the Company's website www.dfcapital.com.

Dated: 17 April 2019

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Admission"	the admission of the Enlarged Ordinary Share Capital to trading on AIM becoming effective in accordance with the AIM Rules for Companies
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Rules for Companies" . . .	the rules for AIM companies published by the London Stock Exchange
"AIM Rules for Nominated Advisers"	the rules for nominated advisers to AIM companies published by the London Stock Exchange
"Arrowgrass"	Arrowgrass Master Fund Ltd
"Arrowgrass Investment Manager"	Arrowgrass Capital Partners LLP (the "UK Investment Manager"), authorised and regulated by the FCA. Arrowgrass Capital Partners LLP and Arrowgrass Capital Partners (US) LP (the "US Investment Manager") each registered as an investment adviser with the SEC
"Arrowgrass Relationship Agreement"	the relationship agreement dated 17 April 2019 between the Company, Arrowgrass and Macquarie, summary details of which are set out in paragraph 14 of Part 4 of this document
"Articles"	the articles of association of the Company, a summary of which is set out in paragraph 3 of Part 4 of this document
"Audit Committee"	the Audit Committee of the Board
"Board" or "Directors"	the directors of the Company from time to time, being, as at the date of this document, those directors whose names are set out on page 4 of this document
"Citi SFA"	as defined in paragraph 14 of Part 4 of this document
"Companies Act"	the Companies Act 2006 (as amended)
"Company"	Distribution Finance Capital Holdings plc
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear UK & Ireland is the operator (as defined in the Uncertificated Securities Regulations 2001)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
"Deloitte"	Deloitte LLP
"Dealing Day"	a day on which dealings in domestic securities may take place on and with the authority of, the London Stock Exchange
"Demerger"	the proposed demerger of DFC from the TruFin Group on completion of which the Company will have acquired the DFC Shares
"Demerger Agreement"	the agreement between, amongst others, TruFin, DFC and the Company relating to the Demerger entered into on 17 April 2019
"Demerger Effective Time" . . .	the time at which the Demerger becomes effective, expected to be 11.00 p.m. on 8 May 2019
"Demerger Record Time"	5.00 p.m. on 8 May 2019

"Demerger Shares"	the 97,368,420 new Ordinary Shares to be allotted pursuant to the Demerger
"DFC"	Distribution Finance Capital Limited
"DFC Managers"	the management shareholders in DFC and the EBT
"DFC Shares"	the 21,861,433 A ordinary shares of £0.001 each in DFC held by TruFin at the Demerger Effective Time
"EBT"	the Distribution Finance Capital Ltd Employee Benefit Trust
"Enlarged Ordinary Share Capital"	the entire Ordinary Share capital of the Company at Admission
"Euroclear UK & Ireland"	Euroclear UK & Ireland Limited, the operator of CREST
"Executive Directors"	the executive directors of the Company being Chris Dailey and Gavin Morris, as at the date of this document
"FCA"	Financial Conduct Authority
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Group"	the Company and, following the Demerger Effective Time, DFC
"Introduction Agreement"	the conditional introduction agreement dated 17 April 2019 between the Company, the Directors, TruFin and Macquarie relating to Admission summary details of which are set out in paragraph 14 of Part 4 of this document
"Loan Agreement"	the loan agreement dated 17 April 2019 between the Company and TruFin Holdings, summary details of which are set out in paragraph 14 of Part 4 of this document
"loan book"	the aggregate outstanding loans from DFC to customers in any given period
"London Stock Exchange"	London Stock Exchange plc
"Macquarie" or "Nominated Adviser"	Macquarie Capital (Europe) Limited
"Manager Loan Agreement"	the loan agreement dated 17 April 2019 between the DFC Managers and DFC, summary details of which are set out in paragraph 14 of Part 4 of this document
"Market Abuse Regulation"	Regulation 596/2014/EU of the European Parliament and of the Council of 16 April 2014 on market abuse
"Nominated Adviser and Broker Agreement"	the nominated adviser and broker agreement dated 17 April 2019 between Macquarie and the Company summary details of which are set out in paragraph 14 of Part 4 of this document
"Nomination Committee"	the nomination committee of the Board
"Non-Executive Directors"	the non-executive Directors of the Company, being Mark Stephens, Carole Machell, Thomas Grathwohl, James van den Bergh and Simon Henry Kenner
"Official List"	the Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of one pence each in the share capital of the Company
"Oxygen Finance"	Oxygen Finance Group Limited and its subsidiary undertakings
"Performance Share Plan"	the Company's performance share plan the rules of which are summarised in Part 4 of this document

"Placee"	any person or entity subscribing for Sale Shares pursuant to the Placing
"Placing"	the conditional placing of the Sale Shares by Macquarie, at the Placing Price pursuant to the Vendor Placing Agreement and subject to the terms and conditions set out in the TruFin Transaction Announcement
"Placing Price"	£0.90 per Sale Share
"PRA"	the UK Prudential Regulation Authority
"Prospectus Rules"	the prospectus rules of the Financial Conduct Authority made under Part VI of the FSMA
"PSP Awards"	awards granted under the Company's performance share plan
"QCA Code"	QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2018 published by Quoted Company Alliance
"Registrar"	Equiniti Limited
"Registrar Agreement"	the agreement dated 17 April 2019 between the Company and the Registrar, a summary of which his set out in paragraph 14 of Part 4 of this document
"Relationship Agreements" . . .	the Arrowgrass Relationship Agreement and the Watrium Relationship Agreement
"Remuneration Code"	the rules contained in the Remuneration Part of the PRA Rulebook
"Remuneration Committee" . . .	the remuneration committee of the board
"Sale Shares"	22,031,874 of the Demerger Shares to be received by Arrowgrass and the TruFin EBT pursuant to the Demerger and sold by Arrowgrass and the TruFin EBT pursuant to the Placing
"Satago"	Satago Financial Services Limited and its subsidiaries
"Share Exchange"	the exchange of the Share Exchange Shares for Ordinary Shares in accordance with the Subscription and Share Exchange Agreement
"Share Exchange Shares"	9,723,505 Ordinary Shares to be issued pursuant to the Subscription and Share Exchange Agreement in consideration for the transfer to the Company of 1,335,114 A ordinary shares of £0.001 each in DFC, 430,000 B ordinary shares of £0.001 each in DFC and 317,000 C ordinary shares of £0.001 each in DFC held by the DFC Managers and the TruFin EBT
"subsidiary"	as defined in sections 1159 and Schedule 6 of the Companies Act
"Subscription and Share Exchange Agreement"	the conditional subscription and share exchange agreement dated 17 April 2019 between the DFC Managers, TruFin EBT, DFC and the Company relating to the Share Exchange, summary details of which are set out in paragraph 14 of Part 4 of this document
"Takeover Code"	the City Code on Takeovers and Mergers published by the Takeover Panel
"TruFin"	TruFin plc
"TruFin EBT"	the trustee of the TruFin plc Employee Benefit Trust
"TruFin Holdings"	TruFin Holdings Limited

"TruFin Group"	in respect of any period prior to the Demerger Effective Time (or in the case of TruFin's interests in Zopa, prior to completion of its sale), TruFin and its subsidiaries and subsidiary undertakings including TruFin's interests in Zopa and DFC and, in respect of any period following the Demerger Effective Time (or in the case of TruFin's interests in Zopa, following completion of its sale), the TruFin Group excluding DFC and TruFin's interests in Zopa
TruFin Transaction Announcement	the announcement dated 17 April 2019 issued by TruFin containing, inter alia, details of the Demerger and the terms and conditions of the Placing
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority"	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of admission to the Official List
"US" or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"US Investment Company Act"	United States Investment Company Act of 1940 (as amended)
"US Securities Act"	United States Securities Act of 1933 (as amended)
"VAT"	value added tax or any similar, replacement or additional tax chargeable in the United Kingdom
"Vendor Placing Agreement" . .	the conditional agreement dated 17 April 2019 between the Company, Macquarie, the TruFin EBT and Arrowgrass relating to the Placing, summary details of which are set out in paragraph 11 of Part 4 of this document
"Watrium"	Watrium AS
"Watrium Relationship Agreement"	the relationship agreement dated 17 April 2019 between the Company, Watrium and Macquarie, summary details of which are set out in paragraph 14 of Part 4 of this document
"Zopa"	Zopa Group Limited and its subsidiary undertakings

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