# Bracken Midco1 PLC
# Annual Report and Financial Statements
## For the year ended 30 June 2018

Company Registration No. 10219097

## Contents

# Officers and professional advisers

## Directors

HN Moser
GD Beckett

## Company secretary

GD Beckett

## Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

## Auditor

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF

## Principal banker

National Westminster Bank PLC
135 Bishopsgate
London
EC2M 3UR

# Strategic report

The directors present their annual report and the audited financial statements for the year ended 30 June 2018.

## Business review

### Business model and strategy

The principal activity of Bracken Midco1 PLC is that of immediate parent holding company of Bracken Midco2 Limited, which is in turn the parent of Together Financial Services Limited. During the period to 30 June 2017 the majority shareholders of Together Financial Services Limited indirectly acquired the equity interest of the minority shareholders, (the ‘Exit Transactions’). The related transactions resulted in a series of holding companies being incorporated above Together Financial Services Limited and its subsidiaries (‘the Together Group’), the ultimate parent being Redhill Famco Limited (which together with its subsidiaries constitutes the ‘Redhill Group’). The Company is a wholly owned subsidiary of Bracken Topco Limited, which is an intermediate holding company.

The business model is to continue to service the senior notes (‘the Notes’) issued by the Company. As detailed in Note 16 the Company has since the year end announced the refinancing of its Senior PIK Toggle notes, increasing and extending the facility on more favourable terms. The directors do not expect any significant change to the activities of the Company.

### Results

As shown in the Company’s statement of comprehensive income on page 11, the Company made a profit before tax of £6.4m (2017: £0.8m).

The Company is an intermediate holding company within the Redhill Group. During the year, the Company received dividends of £22.9m (2017: £12.4m) from its subsidiary, Bracken Midco2 Limited, from the proceeds of which it made interest payments to the Company’s noteholders. On 26 September 2018, the Company received a dividend of £15m from its subsidiary Bracken Midco2 Limited and proposes to pay a dividend of £18m to its parent company Bracken Topco Limited.

### Financial position

As shown in the Company’s statement of financial position on page 12, the Company has a net asset position of £88.8m at 30 June 2018 (2017: £82.4m).

### Liquidity

To support the Exit Transactions in the period to 30 June 2017, £220.0m of senior PIK toggle notes were issued by the Company. This facilitated the purchase of Together Financial Services Limited by the Company’s subsidiary, Bracken Midco2 Limited. During the year the Company received dividend of £22.9m (2017: £12.4m) from Bracken Midco2 Limited and paid coupons of £23.1m (2017: £12.4m) on the Notes.

### Macroeconomic conditions

The Company by virtue of its issue of the Notes and ownership of Bracken Midco2 Limited, which in turn owns Together Financial Services Limited is impacted by general business and economic conditions in the United Kingdom. During the twelve months to 30 June 2018 the UK’s economic performance has continued to be mixed, influenced by the continued uncertainty surrounding the ongoing Brexit negotiations.

Following the raising of its base rate from 0.25% to 0.5% in November 2017, the Bank of England announced a further increase to 0.75% in August 2018. This was driven by expectations of continued inflationary pressures from falling unemployment (now standing at its lowest level since 1971) fueling gradual wage growth in the first quarter of 2018. However, UK GDP growth has remained weak as growth in productivity remains muted and the boost to spending from high levels of consumer credit has cooled. The consumer price index having peaked at 3.1% in November 2017, fell back to 2.3% in June 2018 as the impact of weaker sterling following the Brexit referendum reduced.

Whilst uncertain and adverse economic conditions may present challenges, they may also reduce competition and present opportunities for the Together Group, and consequently the Company.

### Regulatory and legal considerations

The Company’s operations are affected by a number of laws and regulations. The Company has to comply with the relevant UK and EU regulations including anti-money laundering regulations and the Data Protection Act 1998, the latter being replaced by the EU General Data Protection Regulation from May 2018.

## Principal risks and uncertainties

### Credit risk

Credit risk is the risk arising as result of default by counterparties due to failure to honour obligations when they fall due.

The Company's only material credit risk relates to its intercompany loans and the ability of its subsidiary, Bracken Midco2 Limited, to meet any contractual obligations. Such risk is mitigated as both the Company and its subsidiary are under common control.

### Liquidity and funding risk

Liquidity risk is the risk that the Company is unable to meet its current and future financial obligations as they fall due, or can do so only at excessive cost.

Subject to certain conditions the Company has contractual obligations to pay an interest coupon on the Notes. The Company is reliant on receiving dividends from its subsidiary, Bracken Midco2 Limited, to fulfil its contractual obligations. Such risk is mitigated as both the Company and its subsidiaries are under common control.

### Market risk

Market risk is the risk arising from adverse movements in market values, including movements in interest rates.

The Company does not carry out proprietary trading or hold positions in assets or equity which are actively traded, nor does it engage in any treasury trading operations. It also has no foreign currency exposure. Therefore the main market risk potentially faced by the Company is interest-rate risk, the risk of loss through mismatched asset and liability positions sensitive to changes in interest rates. Interest-rate risk is mitigated by matching fixed-rate assets with fixed-rate liabilities.

### Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Company uses a system of internal controls to mitigate these risks, including policies and procedures to manage specific risks.

Approved on behalf of the Directors
and signed on behalf of the Board

GD Beckett
Director
26 September 2018

# Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2018.

### Directors

The directors of the Company are set out on page 1.

### Directors' indemnities

The Redhill Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Environment

As the Company operates as a financial services holding company, its actions do not have a significant environmental impact. However, the Company does recognise the importance of the environment, and acts to minimise its impact on the environment wherever it can, including recycling and reducing energy consumption.

### Statement of going concern

As set out in the statement of directors' responsibilities, the directors are required to prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors of the Company have considered the Company's and the Together Group's forecast funding and liquidity positions in order to confirm that the preparation of the Company's financial statements on a going-concern basis is appropriate.

On this basis, the directors have a reasonable expectation that the Company will have sufficient liquidity to ensure that it will continue in operational existence for the foreseeable future. Accordingly the directors of the Company have adopted the going-concern basis in preparing financial statements.

### Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Company is contained in the strategic report.

### Dividends

On 26 September 2018 the Company received a dividend of £15m from its subsidiary Bracken Midco2 Limited. The directors propose to pay a dividend of £18m to Bracken Topco Limited.

### Audit information

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- as far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any audit information and to establish that the Company's auditor is aware of that information.

This statement is given and should be interpreted in accordance with the provisions of S418(2) of the Companies Act 2006.

### Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

GD Beckett
Director
26 September 2018

# Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent auditor's report to the members of Bracken Midco1 PLC

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of Bracken Midco1 PLC:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related Notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Summary of our audit approach

| | |
|---|---|
| **Key audit matter** | The key audit matter that we identified in the current year was the recognition of intercompany funding to subsidiaries. |
| **Materiality** | The materiality that we used in the current year was £2.66m which was determined on the basis of 3% of net assets. |
| **Scoping** | Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team. |
| **Significant changes in our approach** | There have been no significant changes in our approach this year. |

## Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

***We have nothing to report in respect of these matters.***

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

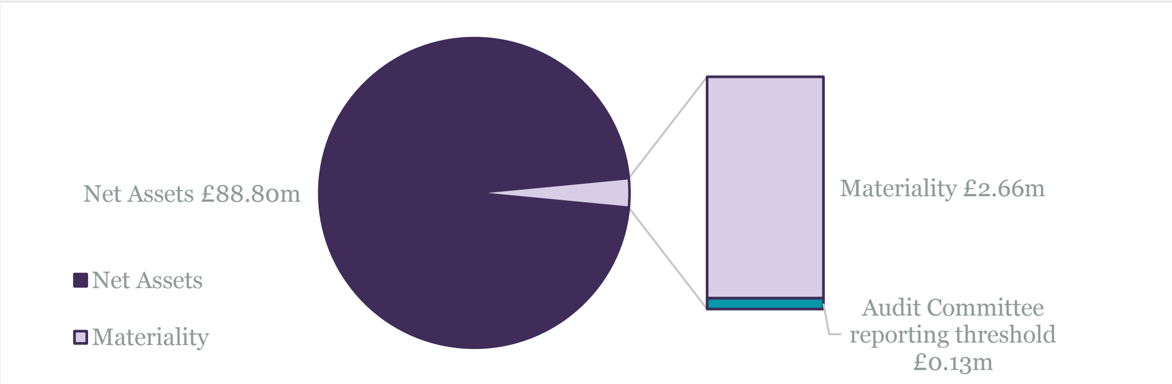
| **Recognition of intercompany funding to subsidiaries** | |
|---|---|
| **Key audit matter description** | The Company has intercompany fixed term loans to subsidiaries of £236m (2017: £219m) which are not interest bearing.<br><br>Under IAS39 *financial instruments: recognition and measurement*, loans are recognised initially at fair value and then subsequently measured at amortised cost. Fair value is established using the market price, which may be the transaction price for an arms-length transaction, or if this is not available then a valuation technique such as a discounted cashflow approach can be applied.<br><br>As the loans were not an open market transaction, the directors calculated a market rate for the loans, using external facilities as a starting point and adjusting for the specific features of the loans. The market rate was then imputed for the intercompany loans and the difference between the nominal and discounted amounts was recognised as a capital contribution within the subsidiary and as an investment in the holder's accounts. As such there is significant judgement in determining the market interest rate for intercompany loan arrangements.<br><br>Further details are included within the critical accounting estimates and judgements note in note 3 to the financial statements. |
| **How the scope of our audit responded to the key audit matter** | We evaluated the design and implementation of the key controls related to calculation of the discount factor.<br><br>We reviewed the accounting policy applied for compliance with accounting standards.<br><br>We assessed the underlying calculation of the fair value at inception and agreed inputs to third party information sources. |
| **Key observations** | Based on the work performed we concluded that the market rates calculated for the intercompany loans are appropriate and that the loan balances are appropriately stated. |

## Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| **Materiality** | £2.66m (2017: £2.48m) |
| **Basis for determining materiality** | 3% of net assets (2017: 3% of net assets) |
| **Rationale for the benchmark applied** | We determined materiality based on net assets as this is the key metric used by management, investors, analysts and lenders, with shareholder value being driven by total assets value movements. |




We agreed with the directors that we would report to them all audit differences in excess of £0.13m (2017: £0.12m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

## Other information

***We have nothing to report in respect of these matters.***

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

# Independent auditor’s report (continued)

### Responsibilities of directors

As explained more fully in the statement of directors’ responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.

### Matters on which we are required to report by exception

*Adequacy of explanations received and accounting records*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

***We have nothing to report in respect of these matters.***

*Directors’ remuneration*

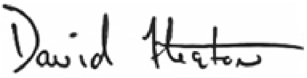
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors’ remuneration have not been made.

***We have nothing to report in respect of this matter.***

# Independent auditor’s report (continued)

**Use of our report**

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.



David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
26 September 2018

# Statement of comprehensive income

## Year ended 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

| **Income statement** | **Note** | **Year ended 30 June 2018** | **Period from 7 June 2016 to 30 June 2017** |
|---|---|---|---|
| Interest receivable and similar income | 4 | 17.4 | 10.9 |
| Interest payable and similar charges | 5 | (33.9) | (22.0) |
| **Net interest income** | | **(16.5)** | **(11.1)** |
| Other income | 6 | 22.9 | 12.4 |
| **Operating income** | | **6.4** | **1.3** |
| Administrative expenses | 7 | - | (0.5) |
| **Profit before taxation** | | **6.4** | **0.8** |
| Income tax | 8 | - | - |
| **Profit after taxation attributable to equity shareholders of the company** | | **6.4** | **0.8** |

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

# Statement of financial position

## As at 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

| | Note | 2018 | 2017 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 0.1 | 1.8 |
| Other assets | 9 | 236.1 | 218.6 |
| Investments | 10 | 147.5 | 147.5 |
| **Total assets** | | **383.7** | **367.9** |
| | | | |
| **Liabilities** | | | |
| Borrowings | 11 | 289.8 | 280.4 |
| Other liabilities | 12 | 5.1 | 5.1 |
| **Total liabilities** | | **294.9** | **285.5** |
| | | | |
| **Equity** | | | |
| Share capital | 14 | 0.1 | 0.1 |
| Share premium account | | - | - |
| Non-distributable reserves | | 70.0 | 77.2 |
| Retained earnings | | 18.7 | 5.1 |
| **Total equity** | | **88.8** | **82.4** |
| | | | |
| **Total equity and liabilities** | | **383.7** | **367.9** |

These financial statements were approved and authorised for issue by the Board of Directors on 26 September 2018.

Company Registration No. 10219097

Signed on behalf of the Board of Directors

HN Moser
Director

GD Beckett
Director

# Statement of changes in equity

## Year ended 30 June 2018

Unless otherwise indicated, all amounts are stated in £m

| 2018 | Called-up share capital | Non-distributable reserves | Retained earnings | Total |
|---|---|---|---|---|
| At beginning of the year | 0.1 | 77.2 | 5.1 | 82.4 |
| Retained profit for the year | - | - | 6.4 | 6.4 |
| Transfer between reserves | - | (7.2) | 7.2 | - |
| **At end of the year** | **0.1** | **70.0** | **18.7** | **88.8** |

| Period ended 30 June 2017 | Called-up share capital | Non-distributable reserves | Retained earnings | Total |
|---|---|---|---|---|
| At beginning of the period | - | - | - | - |
| Issuance of share capital | 0.1 | - | - | 0.1 |
| Capital contribution | - | 81.5 | - | 81.5 |
| Retained profit for the period | - | - | 0.8 | 0.8 |
| Transfer between reserves | - | (4.3) | 4.3 | - |
| **At end of the period** | **0.1** | **77.2** | **5.1** | **82.4** |

# Notes to the financial statements

## 1. Reporting entity and general information

Bracken Midco1 PLC is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The registered address of the Company is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. The Company is limited by shares. The principal activity of Bracken Midco1 PLC is that of immediate parent holding company.

## 2. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and preceding period.

### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, *Reduced Disclosure Framework* (FRS 101). This applies the recognition and measurement requirements of International Financial Reporting Standards (IFRS) but provides certain exemptions from the disclosure requirements of IFRS.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the individual accounting policies and in Note 3.

The Company has taken advantage of the disclosure exemptions under FRS 101 in relation to presentation, including presentation of a cash flow statement, standards not yet effective and related party transactions.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### Going concern

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

### Operating segments

The Company has listed PIK instruments in issue, and thus whilst in the scope of IFRS 8, *Operating Segments*, the Company only has one segment and accordingly does not disclose segment information in these financial statements.

### Dividend income

Dividend income is recognised in the statement of comprehensive income when the Company's right to receive payment is established.

# 2. Significant accounting policies (continued)

**Taxation**

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income. Tax is calculated at rates which have been substantively enacted.

Current tax is the expected tax payable on the taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other periods and items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of the assets and liabilities in the financial statements and the corresponding amounts used for taxation purposes, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable timing differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible timing differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and liabilities on a net basis.

**Investments**

Investments are stated at cost less provision for impairment.

**Financial assets & liabilities**

*Financial assets*

The majority of the Company's financial assets are amounts owed by the Company's subsidiary, Bracken Midco2 Limited that are held at amortised cost. All financial assets are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset have expired or where substantially all the risks and rewards of ownership have been transferred.

*Financial liabilities*

The Company's financial liabilities are designated as financial liabilities held at amortised cost and largely consist of borrowings and amounts owed to Group undertakings. A financial liability is measured initially at a fair value less the transaction costs that are directly attributable to its issue. Interest and fees payable on the borrowings are recognised in the income statement over the term of the instruments using the effective interest rate method.

Financial liabilities are derecognised when their contractual obligations are discharged, cancelled or have expired.

**Impairment of financial assets**

The Company regularly assesses whether there is evidence that financial assets are impaired. Financial assets are impaired and impairment losses incurred if, and only if, there is objective evidence of impairment as a result of one of more loss events that occurred after the initial recognition of the assets and prior to the reporting date and that have had an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed. Impairment losses and any subsequent reversals are recognised in the income statement.

Unless otherwise indicated, all amounts are stated in £m

## 3. Critical accounting estimates and judgements

The Company has to make judgements in applying its accounting policies which affect the amounts recognised in the accounts. In addition, estimates and assumptions are made that could affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. The most significant areas where judgements and estimates are made are:

### Intercompany loans

As part of the Exit Transactions described in the strategic report, the Company has received interest-free loans from its parent and provided interest-free loans to its subsidiary. The loans represent financial instruments and should initially be recognised at their fair values. As the instruments are interest-free rather than at market rates, their fair values differ from their nominal amounts. Their fair values are estimated by discounting the related expected future cash flows. As market rates are not observable for these loans the discount rates have been derived by management by reference to other arm's length transactions with investors and making allowance for the tenor, seniority and payment terms of the loans. The details are as follow:

### Intercompany receivables

In the period to 30 June 2017, the Company provided interest-free loans to its subsidiary consisting of £312.4m maturing in 2022 and £43.0m maturing in 2036. As a consequence of discounting the expected future cash flows at time of initial recognition, the 2022 loan was discounted by £112.2m and the 2036 loan by £35.3m. The discounts to the nominal amounts represent economic benefits contributed to the subsidiary, and so in the Company accounts the reductions in the loan amounts have been treated as increases in the investment in the subsidiary. The amortisation of the fair value adjustments to the loans are recognised in the income statement as interest income. The current carrying value of these instruments can be seen in Note 9.

### Intercompany payables

In the period to 30 June 2017, the Company received interest-free loans from its parent, consisting of £100.0m, maturing in 2022, and £43.0m maturing in 2036. As a consequence of discounting the expected future cash flows, the 2022 loan was discounted at the time of initial recognition by £43.0m and the 2036 loan by £38.5m. The discounts to the nominal amounts represent economic benefits contributed to the Company by its parent, and so in the Company accounts the reductions in the loan amounts have been treated as additional non-distributable capital contributions by the parent. The unwind of the fair-value discount is recognised in the income statement as an interest expense on the intercompany payable and transferred to the related non-distributable reserve. The current carrying value of these instruments can be seen in Note 11.

## 4. Interest receivable and similar income

| | Year ended 30 June 2018 | Period from 7 June 2016 to 30 June 2017 |
|---|---|---|
| Amortisation of the fair value adjustments to amounts owed by subsidiary | **17.4** | **10.9** |

## 5. Interest payable and similar charges

| | Year ended 30 June 2018 | Period from 7 June 2016 to 30 June 2017 |
|---|---|---|
| On borrowings | 26.7 | 17.7 |
| Amortisation of fair value adjustments on amounts owed to parent company | 7.2 | 4.3 |
| | **33.9** | **22.0** |

Unless otherwise indicated, all amounts are stated in £m

## 6. Other income

| | Year ended 30 June 2018 | Period from 7 June 2016 to 30 June 2017 |
|---|---|---|
| Dividend income from subsidiary | **22.9** | **12.4** |

## 7. Administrative expenses

| | Year ended 30 June 2018 | Period from 7 June 2016 to 30 June 2017 |
|---|---|---|
| Administrative expenses | **-** | **0.5** |

The audit fee which is borne by a subsidiary company, Blemain Finance Limited, in respect of the Company for the year is £4,000 (2017: £1,500).

The company had no employees and paid no directors' emoluments during the year.

## 8. Income tax

There was no tax charge to the income statement for the year/period. The amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | Year ended 30 June 2018 | Period from 7 June 2016 to 30 June 2017 |
|---|---|---|
| **Profit before tax for the year/period** | 6.4 | 0.8 |
| Tax on profit at standard UK corporation tax rate of 19.00% (2017: 19.75%) | 1.2 | 0.1 |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 0.1 |
| Income not taxable | (4.3) | (2.4) |
| Group relief | 3.1 | 2.2 |
| **Tax charge for the year/period** | **-** | **-** |

Unless otherwise indicated, all amounts are stated in £m

## 9. Other assets

| | 2018 | 2017 |
|---|---|---|
| Amounts owed by subsidiary undertaking, Bracken Midco2 Limited | **236.1** | **218.6** |

## 10. Investments

The Company held the following direct investment in subsidiary undertakings:

| | 2018 | 2017 |
|---|---|---|
| At beginning of year | 147.5 | - |
| Additions | - | 147.5 |
| **At end of year** | **147.5** | **147.5** |

The fixed asset investment comprises ordinary shares in the following subsidiary undertaking:

| | Country of registration | Shares and voting rights | Principal activity |
|---|---|---|---|
| Bracken Midco2 Limited | England and Wales | 100% | Financial services holding company |

Bracken Midco2 Limited is incorporated in Great Britain and operates throughout the United Kingdom. Its registered address is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

## 11. Borrowings

| | 2018 | 2017 |
|---|---|---|
| Senior secured notes | 220.0 | 220.0 |
| Debt issue costs | (3.2) | (5.4) |
| Amounts owed to parent company, Bracken Topco Limited | 73.0 | 65.8 |
| | **289.8** | **280.4** |

## 12. Other liabilities

| | 2018 | 2017 |
|---|---|---|
| Accruals and deferred income | **5.1** | **5.1** |

Unless otherwise indicated, all amounts are stated in £m

## 13. Financial instruments and fair values

All the Company's financial assets and liabilities are held at amortised cost. The carrying value is a reasonable approximation of fair value for all financial instruments other than for borrowings. For borrowings, fair value is calculated based upon the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The following tables analyse the fair values of borrowings into different levels according to the degree to which the fair values are based on observable inputs:

**Level 1:** Quoted prices in active markets for identical assets or liabilities;
**Level 2:** Measurements derived from observable data, such as market prices or rates;
**Level 3:** Measurements rely on significant inputs not based on observable market data

| | Level 1 | Level 2 | Level 3 | Fair value | Carrying value |
|---|---|---|---|---|---|
| **2018** | | | | | |
| **Financial assets** | | | | | |
| Other assets | - | - | 244.5 | **244.5** | **236.1** |
| **Financial liabilities** | | | | | |
| Borrowings | - | 229.2 | 75.7 | **304.9** | **289.8** |
| **2017** | | | | | |
| **Financial assets** | | | | | |
| Other assets | - | - | 229.0 | **229.0** | **218.6** |
| **Financial liabilities** | | | | | |
| Borrowings | - | 235.2 | 70.2 | **305.4** | **280.4** |

## 14. Share capital

All amounts are stated in pounds.

| Authorised, issued, allotted and fully paid | 2018 | 2017 |
|---|---|---|
| **5,500,000 ordinary shares of £0.01 each** | **55,000** | **55,000** |

## 15. Ultimate parent company

The Company is a subsidiary undertaking of Bracken Topco Limited, a company incorporated in Great Britain and registered in England and Wales.

The smallest and largest group of which the Company is a member, and for which group financial statements are drawn up, is that headed by Redhill Famco Limited. The registered office Redhill Famco Limited is Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW, from where consolidated financial statements can be obtained.

## 16. Post-balance sheet events

On 13 September 2018, the Company's indirect subsidiary, Together Financial Services Limited, announced the refinancing of its revolving funding facility via the special purpose vehicle Charles Street Asset Backed Securitisation ('CABS'). The facility has been increased from £1bn to £1.25bn extending the facility's maturity date to September 2023. The loan notes issued by CABS are secured on financial assets from a number of subsidiaries within the Together Group. The proceeds will be used to support the Together Group's growth strategy.

On 18 September 2018, the Company completed the pricing of its £350m Senior PIK Toggle notes due 2023, with the expectation that the issuance will close on 28 September 2018. The proceeds will principally be used to refinance the existing £220m Senior PIK Toggle notes due 2021 and repay £100m of intercompany payables owed to its parent company Bracken Topco Limited (see Note 3), to allow that company to repay the £100m loan notes (the'vendor notes') issued to support the Exit Transactions. Following receipt of a dividend of £15m from Bracken Midco2 Limited, the Company intends to pay a dividend of £18m to Bracken Topco Limited to enable it to pay the accrued interest due on the vendor notes, and make a distribution to its parent company Redhill Famco Limited.