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# Bracken Midco1 PLC
# Annual Report and Financial Statements
## For the year ended 30 June 2019

Company Registration No. 10219097

# Bracken Midco1 PLC
Annual report and financial statements for the year ended 30 June 2019

## Contents

# Officers and professional advisers

## Directors

GD Beckett
J Lowe (Appointed 10 June 2019)
HN Moser

## Company secretary

GD Beckett

## Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

## Auditor

Deloitte LLP
Statutory Auditor
2 Hardman Street
Manchester
M3 3HF

# Strategic report

The directors present their annual report and the audited financial statements for the year ended 30 June 2019.

# Business review

### Business model and strategy

The principal activity of Bracken Midco1 PLC ('the Company') is that of an issuer of loan notes and intermediate holding company of Bracken Midco2 Limited, which is in turn the parent of Together Financial Services Limited (TFSL). The Company is a wholly owned subsidiary of Bracken Topco Limited, which is an intermediate holding company and consolidates into Redhill Group (Redhill Famco Limited and its subsidiaries). The directors do not expect any significant change to the activities of the Company.

In September 2018, the Company issued £350m 8.875% Senior PIK Toggle Notes (the Notes) due in 2023, which are listed on the Official List of Euronext Dublin (formerly the Irish Stock Exchange). The proceeds were primarily used to repay the original £220m 10.5% Senior PIK Toggle Notes due in 2021 and the £100m deferred loan notes previously issued by Bracken Topco Limited, the parent company of Bracken Midco1 PLC. This transaction reduced the ongoing funding costs and extended the maturity of the borrowings of the Redhill Group.

During the year, the Company received a dividend of £29.9m (2018: £22.9m) from Bracken Midco2 Limited and paid interest of £28.0m (2018: £23.1m) on the original and new Notes. A premium of £8.8m was also paid on redemption of the £220m Senior PIK Toggle Notes.

The Company has paid a dividend of £18.0m during the year.

### Results

As shown in the Company's statement of comprehensive income on page 11, the Company made a profit before tax of £2.2m (2018: £6.4m).

### Financial position

As shown in the Company's statement of financial position on page 12, the Company has a net asset position of £42.4m at 30 June 2019 (2018: £88.8m).

As part of the refinancing of the Notes, the Company repaid an interest-free loan from its parent company of £100m. To derive the original fair value of the interest-free loan, the expected future cash flows were discounted at the time of initial recognition. The discount to the nominal amount represented economic benefits contributed to the Company by its parent. Therefore in the Company accounts the reduction in the loan amount was treated as a non-distributable capital contribution by the parent. The carrying value of the loan was £69.4m at the time it was repaid. The difference of £30.6m between the £100m repayment and the carrying value of the loan was recognised as a capital reduction, which reversed fair value adjustments which had previously been recognised within non-distributable reserves.

### Macroeconomic conditions

The Company, by virtue of being the issuer of the Notes and indirect owner of the Together Group (TFSL and its subsidiaries), is impacted by general business and economic conditions in the United Kingdom. The UK's economic performance has been mixed for some years, and the outlook continues to be highly uncertain, primarily due to Brexit but also now because of increasing trade tensions.

Average house prices have continued to rise, but with some falls in London and the south east. Unemployment has fallen year on year, and average wages are showing real growth, but increases in productivity remain low. GDP growth has been lower than historical averages, though some commentators expect it to outperform some major economies such as Germany and Japan and whilst austerity has played a part in this, public finances are considerably more robust.

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. In addition, the Company still has over four years until maturity of the Notes which provides time for the current challenges to be resolved. The Company's approach to managing risks is explained in the Principal Risks and Uncertainties section below.

# Strategic report (continued)

### Regulatory and legal considerations

The Company's operations are affected by a number of laws and regulations. The Company also has to comply with the relevant UK and EU regulations including anti-money laundering regulations and the EU General Data Protection Regulation.

# 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. Bracken Midco2 Limited wholly owns the Together Group; the Company's credit risk is therefore mitigated by the underlying capital resources of the Together Group and the conservative loan-to-value ratio of its lending. Such risk is further mitigated as the Company has direct control of its subsidiary.

### Liquidity and funding risk

Liquidity risk is the risk that the Company is unable to access sufficiently liquid financial resources to meet the Company's financial obligations as they fall due.

Funding risk is the risk of being unable to access funding markets or to only be able to do so at excessive cost. This includes the risk of reduced funding options due to adverse conditions in the wholesale funding market, potentially caused by political and economic uncertainty leading to the inability to secure additional funding or refinance existing facilities.

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 the Company has direct control of its subsidiary and the underlying Together Group has reported substantial and increasing profits.

The Notes have over four years until maturity and the Company has demonstrated an ability to refinance its funding during the year, underpinned by the strong financial performance of the Together Group.

### Market risk

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

The Company has no significant interest-rate risk as it has no material variable-rate financial assets or 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's only activities are the receiving of cash flows from its subsidiary, ongoing payments made to service the Notes, refinancing the Notes and any payment of dividends, which mean that its exposure to operational risk is not significant.

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

J Lowe
Director
16 September 2019

# Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2019.

### Directors

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

### Directors' indemnities

There is no third party indemnity provision for the benefit of its directors at the date of this report.

### Environment

As the Company operates in the financial services sector as a Note issuer, its actions do not have a significant environmental impact.

### Statement of going concern

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

In order to fund the payment of interest due on the Notes the Company is reliant on the receipt of dividends from TFSL. The payment of dividends from TFSL is subject to the Together Group having sufficient distributable reserves. The directors of the Company have therefore 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 the financial statements.

### Principal risks and uncertainties

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

### Dividends

The Company has paid a dividend of £18.0m during the year. The directors do not recommend a final dividend (2018: nil).

### 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.

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

J Lowe
Director
16 September 2019

# 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

## 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 (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 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 14.

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 matters** | The key audit matter that we identified in the current year was the recognition and measurement of intercompany funding to subsidiaries.<br><br>Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with . |
| **Materiality** | The materiality that we used in the current year was £933.5k 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. |

# Independent auditor's report (continued)

## Conclusions relating to going concern

| | |
|---|---|
| We are required by ISAs (UK) to report in respect of the following matters where:<br>• the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or<br>• 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 £254.9m (2018: £236.1m) which are not interest bearing.<br><br>Under IFRS 9 financial instruments 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 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.<br><br>We also challenged the directors' judgements regarding the appropriateness of the carrying value through our assessment of forecast trading performance of the group entities including challenge of the underlying assumptions in light of economic uncertainty as a result of Brexit. |
| 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. |

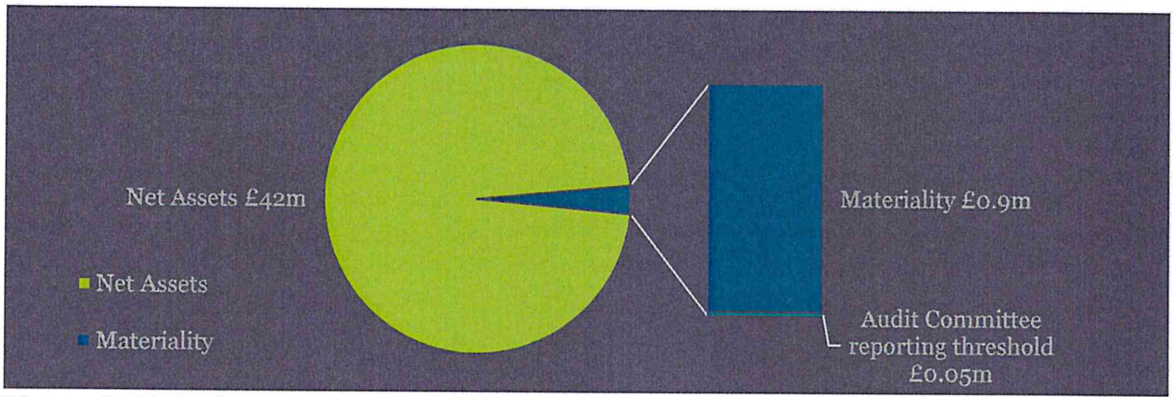
# Independent auditor's report (continued)

### 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** | £933.5k (2018: £2.66m) |
| **Basis for determining materiality** | The materiality was determined at the planning stage of the audit based upon 3% of forecast net assets, this equates to 2.2% of net assets at the year-end (2018: 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 £0.05m (2018: £0.13m), 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

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.

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

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.

### 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 Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester
16 September 2019

# Statement of comprehensive income

## Year ended 30 June 2019

Unless otherwise indicated, all amounts are stated in £m

| Income statement | Note | 2019 | 2018 |
|---|---|---|---|
| Interest receivable and similar income | 4 | 18.9 | 17.4 |
| Interest payable and similar charges | 5 | (46.6) | (33.9) |
| **Net interest payable** | | **(27.7)** | **(16.5)** |
| Dividend income | 6 | 29.9 | 22.9 |
| **Operating income** | | **2.2** | **6.4** |
| Administrative expenses | 7 | - | - |
| **Profit before taxation** | | **2.2** | **6.4** |
| Income tax | 8 | - | - |
| **Profit after taxation** | | **2.2** | **6.4** |

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

# Statement of financial position

## As at 30 June 2019

Unless otherwise indicated, all amounts are stated in £m

| | Note | 2019 | 2018 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 0.5 | 0.1 |
| Amounts owed by subsidiary undertaking | 9 | 254.9 | 236.1 |
| Investments | 10 | 147.5 | 147.5 |
| **Total assets** | | **402.9** | **383.7** |
| **Liabilities** | | | |
| Borrowings | 11 | 352.4 | 289.8 |
| Other liabilities | 12 | 8.1 | 5.1 |
| **Total liabilities** | | **360.5** | **294.9** |
| **Equity** | | | |
| Share capital | 13 | 0.1 | 0.1 |
| Share premium account | | - | - |
| Non-distributable reserves | | 37.0 | 70.0 |
| Retained earnings | | 5.3 | 18.7 |
| **Total equity** | | **42.4** | **88.8** |
| **Total equity and liabilities** | | **402.9** | **383.7** |

These financial statements were approved and authorised for issue by the Board of Directors on 16 September 2019.

Company Registration No. 10219097

Signed on behalf of the Board of Directors

HN Moser
Director

J Lowe
Director

# Statement of changes in equity

## Year ended 30 June 2019

Unless otherwise indicated, all amounts are stated in £m

| 2019 | Called-up share capital | Non-distributable reserves | Retained earnings | Total |
|---|---|---|---|---|
| At beginning of the year | 0.1 | 70.0 | 18.7 | 88.8 |
| Retained profit | - | - | 2.2 | 2.2 |
| Dividend paid | - | - | (18.0) | (18.0) |
| Capital reduction | - | (30.6) | - | (30.6) |
| Transfer between reserves | - | (2.4) | 2.4 | - |
| **At end of the year** | **0.1** | **37.0** | **5.3** | **42.4** |

| 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 | - | - | 6.4 | 6.4 |
| Transfer between reserves | - | (7.2) | 7.2 | - |
| **At end of the year** | **0.1** | **70.0** | **18.7** | **88.8** |

# 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 intermediate 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 year.

### 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 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's ultimate parent undertaking, Redhill Famco Limited, includes the Company in its consolidated financial statements, and therefore the Company is exempt from the obligation to prepare and deliver consolidated accounts. The consolidated financial statements of Redhill Famco Limited may be obtained from Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW. In these financial statements, the Company has taken advantage of the disclosure exemptions under FRS 101 in relation to presentation of comparative information in respect of certain assets, presentation of a cashflow statement, standards not yet effective and related party transactions. The Company raises funding by way of issuing Notes and funds group companies; therefore it is not regarded as a financial institution. As such, the Company has taken an exemption from preparing disclosures required by IFRS 7 and IFRS 13.

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

These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### Adoption of new accounting standards, amendments and interpretations

*IFRS 9 Financial Instruments*

The Company has adopted IFRS 9 Financial Instruments issued by the IASB in July 2014 with a date of application of 1 July 2018. The adoption of IFRS 9 represents a significant change from the requirements of IAS 39 Financial instruments: recognition and measurement, and has resulted in changes in accounting policies for recognition, classification and measurement of financial instruments, and the impairment of financial assets.

*Classification of financial instruments*

IFRS 9 has replaced the classification categories of IAS 39, determining the appropriate classification of financial instruments based on the business model in which the assets are managed and the nature of the contractual cash flows, specifically whether they represent solely payments of principal and interest (SPPI). In practice this change has no effect for the Company as all of its financial instruments continue to be held at amortised cost.

*Measurement of financial instruments and impairment of financial assets*

IFRS 9 introduced a significant change in measurement of financial instruments, relating to non-substantial modifications of liabilities. Under IAS 39, the Company's policy for such modifications was to defer any related transaction costs as adjustments to carrying value that were charged to income over the liability's remaining life. Under IFRS 9 however, gains or losses on non-substantial modifications are recognised immediately in the income statement and the Company also considers qualitative factors in determining whether a modification is substantial. IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected loss' model that also applies to loan commitments. IFRS 9 therefore recognises credit losses earlier than IAS 39.

# Notes to the financial statements (continued)

## 2. Significant accounting policies (continued)

*Transition to IFRS 9*

The key potential impact of transition to IFRS 9 for the Company is the requirement to measure impairment allowances on an expected credit loss (ECL) basis. As explained further in Note 3, no ECL has been recognised in respect of intercompany loans on transition to IFRS 9. As such, there has been no financial impact on transition.

### 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 the financial statements.

### IFRS 15

IFRS 15 was issued in May 2014 and is effective for annual periods beginning on or after 1 January 2018. The effects of IFRS 15 have no impact on the Company, as all its income is outside the scope of IFRS 15.

### 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.

### Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all financial instruments measured at amortised cost using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial asset or a financial liability and allocates the interest income or interest expense over the expected life of the instrument. The effective interest rate is the rate that, at inception of the instrument, discounts its estimated future cash payments or receipts to the net carrying amount of the financial instrument. When calculating the effective interest rate, the Company takes into account all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees, transaction costs and other premiums or discounts that relate to the origination of the instrument. Interest on impaired financial assets is recognised at the original effective interest rate applied to the carrying amount as reduced by an allowance for impairment.

### Dividend income

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

### Taxation

Tax on the profit or loss for the year 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 year. Taxable profit differs from profit before tax 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.

## 2. Significant accounting policies (continued)

### Cash and cash equivalents

Cash comprises cash in hand, demand deposits and bank overdrafts. Cash equivalents comprise highly liquid investments which are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition, including short-term highly liquid debt securities.

### Investments

Investments are stated at cost less provision for impairment.

### 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 of the Company's financial assets are initially recognised at fair value plus any directly attributable transactions costs. From 1 July 2018, all of the Company's financial assets are classified as measured at amortised cost, being the gross carrying amount less expected impairment allowance, using the effective interest rate method. The definition of amortised cost prior to 1 July 2018 excluded impairment allowances (which were subsequently deducted), in contrast to the definition of amortised cost applied after 1 July 2018 where impairment allowances are included. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset have expired or where substantially all the risks and rewards of ownership have been transferred.

### Financial liabilities

The Company's financial liabilities largely consist of borrowings and amounts owed to Bracken Topco Limited. They are all classified as measured at amortised cost for both the current and prior period. All of the Company's financial liabilities are recognised initially at fair value, less any directly attributable transaction costs. 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. An exchange of financial liabilities with substantially different terms or a substantial modification to the terms of an existing financial liability is treated as an extinguishment of the original liability and the recognition of a new one. It is assumed that terms are substantially different if the discounted present value of the cash flows under the new terms is at least 10% different from the discounted present value of the remaining cash flows of the original liability. From 1 July 2018, all gains or losses on non-substantial modifications, calculated as a change in the net present value of future cash flows, will be recognised immediately in the income statement. The Company may also consider qualitative factors in determining whether a modification is substantial. Prior to 1 July 2018, the Company's policy for such modifications was to defer related transaction costs as adjustments to the carrying value of the instrument, amortised over its remaining expected life.

## 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.

### Judgement

*Impairment of financial assets*

The Company regularly assesses whether there is evidence that financial assets are impaired. The financial assets of the Company consist of term loans to its subsidiary, Bracken Midco2 Limited. The Together Group, which is directly owned by Bracken Midco2 Limited, has continued to report substantial, increasing profits and has paid dividends to its parent which have allowed the latter in turn to make dividend payments to the Company. The directors consider that there has been no significant increase in the credit risk of the loans to its subsidiary and accordingly any ECL for the loans, which should be calculated on a 12-month basis, is immaterial.

Unless otherwise indicated, all amounts are stated in £m

## 3. Critical accounting estimates and judgements (continued)

**Estimates**

*Intercompany receivables*

The Company provides interest-free loans to its subsidiary. The loans are financial instruments initially recognised at their fair values. As the instruments are interest-free rather than at market rates, their original fair values differed from their nominal amounts. Their fair values were estimated by discounting the related expected future cash flows. As market rates are not observable for these loans the discount rates were 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 Company provided interest-free loans to its subsidiary consisting of £100.0m and £212.4m, both maturing in 2022, and £43.0m maturing in 2036. To determine the fair value of the loans at initial recognition £100.0m was discounted at a rate of 7.75%, £212.4m was discounted at a rate of 8.0% and £43.0m was discounted at a rate of 9.0%. 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 were treated as investments in the subsidiary. The current carrying value of these instruments is disclosed in Note 9 and amortisation of the fair value adjustments in Note 4.

## 4. Interest receivable and similar income

| | 2019 | 2018 |
|---|---|---|
| Amortisation of the fair value adjustments to amounts owed by subsidiary | **18.9** | **17.4** |

## 5. Interest payable and similar charges

| | 2019 | 2018 |
|---|---|---|
| On borrowings | 44.2 | 26.7 |
| Amortisation of fair value adjustments to amounts owed to parent company | 2.4 | 7.2 |
| | **46.6** | **33.9** |

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.

## 6. Dividend income

| | 2019 | 2018 |
|---|---|---|
| Dividend income from subsidiary | **29.9** | **22.9** |

## 7. Administrative expenses

| | 2019 | 2018 |
|---|---|---|
| Administrative expenses | - | - |

The audit fee which is borne by a subsidiary company, Blemain Finance Limited, in respect of the Company for the year is £6,200 (2018: £4,000).

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

Unless otherwise indicated, all amounts are stated in £m

## 8. Income tax

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

| | 2019 | 2018 |
|---|---|---|
| **Profit before tax for the year** | 2.2 | 6.4 |
| Tax on profit at standard UK corporation tax rate of 19.00% (2018: 19.00%) | 0.4 | 1.2 |
| Effects of: | | |
| Income not taxable | (5.7) | (4.3) |
| Group relief | 5.3 | 3.1 |
| **Tax charge for the year** | - | - |

The group referred to is a tax group headed by Redhill Famco Limited, the ultimate parent company of Bracken Midco1 PLC.

## 9. Other assets

| | 2019 | 2018 |
|---|---|---|
| Amounts owed by subsidiary undertaking, Bracken Midco2 Limited | **254.9** | **236.1** |

## 10. Investments

The Company held the following direct investment in subsidiary undertakings:

| | 2019 | 2018 |
|---|---|---|
| At beginning of year | 147.5 | 147.5 |
| Additions | - | - |
| **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 in the United Kingdom. Its registered address is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

Unless otherwise indicated, all amounts are stated in £m

## 11. Borrowings

| | 2019 | 2018 |
|---|---|---|
| Senior secured notes | 350.0 | 220.0 |
| Debt issue costs | (3.6) | (3.2) |
| Amounts owed to parent company, Bracken Topco Limited | 6.0 | 73.0 |
| | **352.4** | **289.8** |

All borrowings are due for settlement after 12 months in both the current and preceding year.

In September 2018, the Company issued £350m 8.875% Senior PIK Toggle Notes (the Notes) due in 2023, which are listed on the Official List of Euronext Dublin (formerly the Irish Stock Exchange). The proceeds were primarily used to repay the original £220m 10.5% Senior PIK Toggle Notes due in 2021 and the £100m deferred loan notes previously issued by Bracken Topco Limited, the parent company of Bracken Midco1 PLC. This transaction reduced the ongoing funding costs and extended the maturity of the borrowings of the Redhill Group.

As part of the refinancing of the Notes, the Company repaid an interest-free loan from its parent company of £100m. On repayment of the £100m interest-free intercompany loan, the carrying value of the loan was £69.4m. The difference of £30.6m between the £100m repayment and the carrying value of the loan has been recognised as a capital reduction, which reversed fair value adjustments previously recognised within non-distributable reserves.

The Company received an interest-free loan of £43m from its parent company maturing in 2036. The loan was discounted to its fair value at the time of initial recognition. The discount to the nominal amount represented economic benefits contributed to the Company by its parent and therefore in the Company accounts had been treated as a non-distributable capital contribution.

## 12. Other liabilities

| | 2019 | 2018 |
|---|---|---|
| Accruals and deferred income | **8.1** | **5.1** |

## 13. Share capital

All amounts are stated in pounds.

| **Authorised, issued, allotted and fully paid** | **2019** | **2018** |
|---|---|---|
| **5,500,000 ordinary shares of £0.01 each** | **55,000** | **55,000** |

The dividend paid of £18.0m (2018: nil) represents £3.27 per share (2018: nil).

## 14. 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 (Company's ultimate parent undertaking). The registered office Redhill Famco Limited is Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW.