together.
Common sense lending

Bracken Topco Limited
Annual Report and Financial Statements
For the year ended 30 June 2020

Company Registration No. 10162752

Contents

Officers and professional advisers

Directors

HN Moser
GD Beckett
J Lowe (Resigned 30 September 2020)

Company secretary

GD Beckett

Registered office

Lake View
Lakeside
Cheadle
Cheshire
SK8 3GW

Auditor

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3DF

Strategic report

The directors present their annual report and the audited financial statements for the year ended 30 June 2020.

Business review

Business model and strategy

The principal activity of Bracken Topco Limited ('the Company') is that of intermediate holding company, being the immediate parent of Bracken Midco1 PLC (Midco1). Midco1 is an issuer of loan notes and the immediate parent of Bracken Midco2 Limited. Bracken Midco2 Limited is the immediate parent of Together Financial Services Limited (TFSL) which with its subsidiaries forms the Together Group. The Company is a wholly owned subsidiary of Redhill Famco Limited (which together with its subsidiaries constitutes the 'Redhill Group').

The Company may make discretionary dividend payments to its parent Redhill Famco Limited, for which it is reliant on receiving dividends from its subsidiary Midco1. The Together Group has continued to report substantial profits, and 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, the Company made a profit after tax of £26,000 (2019: £24,563,000). The profit was reduced primarily because the Company received no dividend during the year (2019: £18.0m). Additionally, in 2019 the Company benefited from the one-off release of £6.3m of interest accruals on the earlier-than expected repayment of its deferred loans.

Financial position

As a result, the Company's net asset position increased slightly from £51,376,000 at 30 June 2019 to £51,402,000 at 30 June 2020, as shown in the Company's statement of financial position. The Company paid no dividend to its parent Redhill Famco Limited (2019: £9.1m).

Macroeconomic conditions

The Together Group's principal activity continues to be the provision of mortgage finance secured on property and land within the United Kingdom. Therefore by virtue of its ownership of Midco1 and indirect ownership of the Together Group, the Company is impacted by general business and economic conditions in the United Kingdom.

Many of the current economic indicators have shown improvement from those seen at the time of publication of the Together Group's Annual Report for the year to 30 June 2020, while the uncertainty associated with the outlook continues to be very high.

Annual inflation is higher at 0.9%, and Bank of England Base Rate remains at 0.1%. As expected, unemployment is rising, reaching 5.1% in the quarter to December 2020. The surge in house prices, seen after the easing of the initial lockdown and following reductions in stamp duty, appears to have slowed slightly, being 6.9% for the year to January 2021 according to the Nationwide, and 5.2% according to the Halifax. Following further lockdown restrictions in 2021, GDP fell by 2.9% in January 2021 with levels at c.9.0% below pre-pandemic levels.

The Government has now completed its Brexit negotiations with the EU and the UK has started to trade under the new terms. Notwithstanding this, the economic outlook continues to be highly uncertain due to the coronavirus pandemic. Stricter lockdown restrictions have been imposed within the UK again, partly in response to the emergence of new variants of the virus, and the economy is beginning to contract again. However, the UK's vaccination programme continues to progress, and on 22 February the Government set out a roadmap for easing restrictions, which is anticipated to have an impact on economic activity. The March budget saw the furlough scheme extended to September 2021, the stamp duty holiday extended by a further three months and corporation tax to rise to 25% by April 2023.

An economic downturn adversely impacts the Together Group, including reducing growth in its lending markets and potentially reducing the value of property used as security against loans extended. Against such a backdrop, the Together Group benefits from all its lending being secured on property and/or land within the UK at prudent average LTVs. It also benefits from its specialist through-the-cycle expertise and strong, diversified funding base. Management believes these factors continue to provide the Together Group with the resilience needed in such uncertain times.

Regulatory and legal considerations

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

Corporate governance

The Company is wholly owned by its parent, Redhill Famco Limited. The Company's Board provides leadership and oversight in line with legal and regulatory provisions. The Board has the responsibility for oversight of the risks set out in the Principal risks and uncertainties section below.

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 loan and the ability of its subsidiary, Midco1, to meet any contractual obligations. As the Company indirectly owns TFSL, the risk is mitigated by the underlying capital resources of the Together Group and the conservative average loan-to-value ratio of its lending.

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.

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.

The Company has a loan due to its parent and also a loan receivable from its subsidiary. The loan to the subsidiary is repayable at the same time as the loan from the parent company, thus mitigating any liquidity risk. Given that interest is rolled up, there is no need to raise funding to service liabilities thus mitigating funding risk.

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 variable-rate financial assets or liabilities.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and systems or from external events. The Company's only activities are the dividends received from its subsidiary and the 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

GD Beckett
Director
6 April 2021

Directors' report

The directors present their report for the year ended 30 June 2020. Certain information required to be included in a directors' report can be found in the other sections of the annual report, as referenced below and in each of the sections that follow. All of the information presented in these sections is incorporated by reference into this Directors' report and is deemed to form part of this report.

- The Company's strategy, business model and likely future developments can be found within the Strategic report.
- The Company's principal risks and uncertainties are set out in the Strategic report.
- The Group's governance arrangements can be found within the Strategic report.
- Events taking place after the reporting date are disclosed in Note 13 to the accounts

Directors

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

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Environment

As the Company is an intermediate holding company operating in the financial services sector, 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 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 the financial statements.

Audit information

The directors of the Redhill Group, having considered the requirements for rotation of auditors, voluntarily tendered the audit. After a competitive tender, Ernst & Young LLP were appointed as the Group's and, in turn, the Company's auditors for the year ended 30 June 2020.

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

GD Beckett
Director
6 April 2021

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 year. 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 FRS 101 *Reduced Disclosure Framework* has 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 TOPCO LIMITED

Opinion

We have audited the financial statements of Bracken Topco Limited (the 'Company') for the year ended 30 June 2020 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 FRC's Ethical Standard, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

DocuSigned by:
Stephen Littler
451D44ECCBE445C...

Stephen Littler
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
6 April 2021

Statement of comprehensive income
For the year ended 30 June 2020
Unless otherwise indicated, all amounts are stated in £000

Income statement	**Note**	**2020**	**2019**
Interest receivable and similar income	4	724	2,394
Interest payable and similar charges	5	(698)	(2,129)
Release of interest accrual on deferred loan notes	5	-	6,258
Net interest income		**26**	**6,523**
Dividend income from subsidiary		-	18,040
Profit before taxation		**26**	**24,563**
Income tax	7	-	-
Profit after taxation		**26**	**24,563**

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 2020
Unless otherwise indicated, all amounts are stated in £000

	Note	2020	2019
Assets			
Cash and cash equivalents		3	3
Other assets	8	6,724	6,000
Investments	9	50,932	50,932
Total assets		**57,659**	**56,935**
Liabilities			
Borrowings	10	6,257	5,559
Total liabilities		**6,257**	**5,559**
Equity			
Share capital	11	50	50
Share premium account		55	55
Subordinated shareholder funding reserve		36,720	37,418
Retained earnings		14,577	13,853
Total equity		**51,402**	**51,376**
Total equity and liabilities		**57,659**	**56,935**

These financial statements were approved and authorised for issue by the Board of Directors on 6 April 2021.

Company Registration No. 10162752

Signed on behalf of the Board of Directors

HN Moser
Director

GD Beckett
Director

Statement of changes in equity
For the year ended 30 June 2020
Unless otherwise indicated, all amounts are stated in £000

2020	Share capital	Share premium	Subordinated shareholder funding reserve	Retained earnings	Total
At beginning of year	50	55	37,418	13,853	51,376
Retained profit for the year	-	-	-	26	26
Transfer between reserves	-	-	(698)	698	-
At end of the year	**50**	**55**	**36,720**	**14,577**	**51,402**

2019	Share capital	Share premium	Subordinated shareholder funding reserve	Retained earnings	Total
At beginning of year	50	55	38,038	(2,250)	35,893
Retained profit for the year	-	-	-	24,563	24,563
Dividend paid	-	-	-	(9,080)	(9,080)
Transfer between reserves	-	-	(620)	620	-
At end of the year	**50**	**55**	**37,418**	**13,853**	**51,376**

Notes to the financial statements

Unless otherwise indicated, all amounts are stated in £000

1. Reporting entity and general information

Bracken Topco Limited (the Company) 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 a private company and is limited by shares. The principal activity of the Company is that of an 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 unless otherwise stated.

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 to the financial statements.

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 is not regarded as a financial institution, and as such is exempt 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 Company 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.

Going concern

The directors have assessed the Company's ability to continue as a going concern based on its activities and its current position.

The Company is an intermediate holding company with minimal trading activity. The Company is currently in a net asset position with no liabilities due to mature until 2036. The maturity of the liability due to the Redhill Famco Limited ('the parent') is matched by a receivable due from Bracken Midco 1 Limited ('the subsidiary').

As the Company's sole liability is the intercompany payable due to the parent, it is the view of the directors that there is no reasonable risk of the company being unable to meet its liabilities, as the only event which could result in such a situation is if the loan was called before its stated maturity date and the corresponding receivable from the subsidiary could not be repaid. The loan agreement has no provisions under which the loan may be called before its stated maturity, and interest accruing on the loan is 'rolled up' within the outstanding balance. Therefore the directors consider the risk to the Going Concern status of the company to be insignificant.

On this basis, the directors have a reasonable expectation that the Company will continue to operate as a going concern for the assessment period which is 12 months from the signing of this report. Accordingly, the directors of the Company have adopted the going concern basis in preparing the financial statements.

Additional disclosures have also been included within the Principal risks and uncertainties section of the Strategic report, which are cross-referenced to this note.

2. Significant accounting policies (continued)

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.

Cash and cash equivalents

Cash comprises cash in hand and demand deposits. 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 & liabilities

Financial assets

The majority of the Company's financial assets are amounts owed by the Company's subsidiary, Bracken Midco1 PLC 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. 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.

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 Redhill Famco 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. 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.

Unless otherwise indicated, all amounts are stated in £000

3. Critical accounting judgements and key sources of estimation uncertainty

The Company has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements. 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.

Critical judgements in applying the Company's accounting policies

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 Midco1 PLC. The Together Group, which is indirectly owned by Bracken Midco1 PLC, has continued to report substantial profits. 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.

Key sources of estimation uncertainty

At its inception, the Company received an interest-free loan from its parent and provided interest-free loans to its subsidiary. The loans were financial instruments initially recognised at their fair values. As the instruments were 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 were 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 details are set out below.

Intercompany receivables

The Company provided interest-free loans to its subsidiary consisting of £100.0m maturing in 2022, and £43.0m maturing in 2036. To determine their fair values at initial recognition, the £100.0m loan was discounted at a rate of 10.75%, and that for £43.0m was discounted at a rate of 12.0%. 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 loan for £100.0m was redeemed in the prior year; the current carrying value of the remaining instrument is disclosed in Note 9 and amortisation of the fair-value adjustments in Note 4.

Intercompany payables

The Company received an interest-free loan from its parent of £43.0m maturing in 2036. To determine its fair value at initial recognition, the loan was discounted at a rate of 12.5%. The discount to the nominal amount represented an economic benefit contributed by the parent, and so in the Company accounts the reduction in the loan amount was treated as a non-distributable capital contribution by the parent. The amortisation of the fair-value discount is recognised in the income statement as an interest expense and transferred to the related non-distributable reserve. The carrying value of the instrument is disclosed in Note 10 and amortisation of the fair-value adjustments in Note 5.

4. Interest receivable and similar income

	2020	2019
Amortisation of the fair-value adjustments to amounts owed by subsidiary	724	2,394

5. Interest expense and release on borrowings

	2020	2019
Interest payable on borrowings	-	1,509
Amortisation of the fair-value adjustments to borrowings	698	620
Interest payable and similar charges	698	2,129
Release of interest accrual on deferred loan notes	-	(6,258)

In the prior period, interest was payable on the deferred loan notes at increasing annual rates, and accrued at an average rate based on the expected life of the instruments. In the prior year, the repayment of the notes earlier than originally expected resulted in the release of any remaining accrual.

Unless otherwise indicated, all amounts are stated in £000

6. Audit fee

The audit fee for the year was £5,000 (2019: £3,000). This is borne by an indirect subsidiary company, Blemain Finance Limited.

The Company had no employees and paid no directors' emoluments during either year.

7. 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:

	2020	2019
Profit before tax for the year	26	24,563
Tax on profit at standard UK corporation tax rate of 19.00% (2019: 19.00%)	5	4,667
Effects of:		
Income not taxable	-	(3,428)
Group relief	(5)	(1,239)
Tax charge for the year	-	-

8. Other assets

	2020	2019
Amounts owed by subsidiary undertaking, Bracken Midco1 PLC	**6,724**	**6,000**

The loan to Bracken Midco1 PLC is due to mature in October 2036.

9. Investments

The Company held the following direct investment in a subsidiary undertaking:

	2020	2019
At beginning of year	50,932	81,573
Fair value adjustment following repayment of loan made to subsidiary	-	(30,641)
At end of year	**50,932**	**50,932**

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

	Country of registration	Interest in voting rights	Principal activity
Bracken Midco1 PLC	England and Wales	100%	Financial services holding company

Bracken Midco1 PLC (Midco1) is incorporated in Great Britain and operates throughout the United Kingdom. Its registered address is Lake View, Lakeside, Cheadle, Cheshire, SK8 3GW.

The amount of the Company's investment largely reflects the economic benefit it provided to Midco1 in the form of two long-term interest-free loans, one of £100.0m and the other of £43.0m. At initial recognition the loans were stated at their fair values by discounting their nominal amounts at market rates; the difference between nominal and fair value was recognised as an additional cost of the Company's investment. The early repayment of the £100.0m loan by Midco1 in the prior year means the full economic benefit originally expected was not fully realised, and the difference between the loan's carrying amount on termination and its nominal value was then deducted from the carrying value of the investment.

Unless otherwise indicated, all amounts are stated in £000

10. Borrowings

	2020	2019
Amounts owed to parent company, Redhill Famco Limited	**6,257**	**5,559**

The loan from Redhill Famco Limited is due to mature in October 2036.

11. Share capital

All amounts are stated in pounds.

Issued, allotted and fully paid	**2020**	**2019**
5,000,000 ordinary shares of £0.01 each	**50,000**	**50,000**

12. Ultimate parent company

The Company is a subsidiary undertaking of Redhill Famco 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 of Redhill Famco Limited is Lake View, Lakeside, Cheadle, Cheshire, United Kingdom, SK8 3GW, and this company is privately owned and limited by shares.

13. Events after the reporting date

In October 2020, the Company received a dividend of £10,004,500 from its subsidiary, Bracken Midco1 PLC. The Company in turn declared a dividend of £10,000,000 which was paid to its parent company, Redhill Famco Limited.