



Bracken Midco1 PLC
Annual Report and Financial Statements
For the year ended 30 June 2020

Company Registration No. 10219097



Bracken Midco1 PLC
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Officers and professional advisers

Directors

GD Beckett

J Lowe

HN Moser

(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 Midco1 PLC ('the Company') is that of an issuer of loan notes ('the Notes') which are listed on the Official List of Euronext Dublin (formerly Irish Stock Exchange), and holding company of Bracken Midco2 Limited, which is in turn is the holding company of Together Financial Services Limited (TFSL). The Company is a wholly owned subsidiary of Bracken Topco Limited, which in turn is a wholly owned subsidiary of Redhill Group (Redhill Famco Limited and its subsidiaries). The directors do not expect any significant change to the activities of the Company.

Covid-19 and the macroeconomic environment

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 Together Group's principal activity continues to be the provision of mortgage finance secured on property and land within the United Kingdom.

The emergence and spread of the Covid-19 pandemic has led to significant disruption to the world economy and there is little certainty in the economic outlook. The UK, in common with other countries around the world, has fallen into a severe recession, GDP at the end of June 2020 had fallen 22% from its pre-pandemic level, although the initial easing of lockdown restrictions has resulted in some recovery. Amongst other impacts, macroeconomic uncertainty may affect the availability and pricing of wholesale funding, our ability to comply with the covenants, reduce customer confidence and demand for our products, reduce customers' ability to service and repay their loans, increase operating costs and negative impact on property values.

The Together Group's response to the pandemic was to focus on: supporting its customers including those requesting a mortgage-payment deferral or other support; protecting its colleagues; and safeguarding the financial resilience of the business, rapidly adapting to new ways of working and taking early and decisive actions to preserve and improve capital and liquidity buffers.

The Together Group was in a strong position entering the Covid-19 pandemic and, with the actions taken during the crisis and the Together Group's ongoing programme to modernise the business, we believe it will be well positioned for the future. As we emerge from the crisis we believe a significant market opportunity will exist for specialist lenders like the Together Group to play a part in helping our customers, wider society and by doing so supporting the UK's economic recovery.

The Together Group's ongoing strategy of prudent loan-to-value (LTV) lending provides significant mitigation from such uncertain economic times further supporting its strong financial position. The Company's and Together's Group's approach to managing risks is explained in the Principal risks and uncertainties section below.

Results

As shown in the Company's statement of comprehensive income on page 12, the Company made a loss before tax of £3.0m (2019: £2.2m profit before tax).

During the year, the Company received a dividend of £15.6m (2019: £29.9m).

In light of the significant market uncertainty resulting from the Covid-19 pandemic, the Company and Together Group took prudent measures on commencement of the lockdown to preserve capital and liquidity and to enhance financial flexibility. As part of these measures the Company elected to service the bi-annual interest due in April 2020 on its Senior PIK Toggle Notes in the form of payment in kind ('PIK') as opposed to in cash, as it was entitled to do under the notes' terms. As a result interest charge for the year increased by £3.2m, primarily due to the higher coupon rate attached to servicing the interest in PIK form as opposed to in cash.

Financial position

As shown in the Company's statement of financial position on page 13 the Company has a net asset position of £39.4m at 30 June 2020 (2019: £42.4m).

The size of the borrowing facility increased from £350.0m to £368.2m as a result of electing to service the April 2020 interest in the form of PIK as set out in the Results section above.

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.

Strategic report (continued)

Section 172 statement

Section 172 of the Companies Act 2006 describes and defines the legal requirement for a director to promote the success of the company. A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. Section 172 (s.172) requires that directors, in doing so, have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term
- b) the interests of the company's employees
- c) the need to foster the company's business relationships with suppliers, customers and others
- d) the impact of the company's operations on the community and the environment
- e) the desirability of the company maintaining a reputation for high standards of business conduct, and
- f) the need to act fairly between members of the company

The details below sets out how the Board has complied with s.172. Many of the requirements are integral to the way that the Company operates within the Redhill Group. The Redhill Group is the ultimate parent of Together Financial Services Limited ('TFSL') which operates as the Together Group. Where appropriate, references have been provided in this report to the TFSL annual report where more information can be found and which does not form part of this report.

S.172 requirement to have regard to:	How the Board has fulfilled its s.172 duties
(a) the likely consequences of any decision in the long term	<ul style="list-style-type: none"> The Board meets to consider its statutory, financial, legal, governance and oversight obligations in the context of protecting the long-term value of the business within the Redhill Group. Further information on the Company's activity can be found in the Strategic report. The overall governance and risk management frameworks are structured to enable the directors of all entities within the Redhill Group to have the necessary tools to make the key principal decisions crucial for creating long-term value. Further information can be found in the TFSL annual report, including actions in response to the Covid-19 pandemic. The Board has approved the going concern basis of accounting for the year ending 30 June 2020. The Statement of Going Concern can be found in the Directors' report.
(b) the interests of the company's employees	<ul style="list-style-type: none"> The Company has no employees and undertakes all its statutory, financial, legal, governance and oversight responsibilities via colleagues of TFSL. Further details can be found in the TFSL annual report.
(c) the need to foster the company's business relationships with suppliers, customers and others	<ul style="list-style-type: none"> Maintaining positive stakeholder relationships is crucial to the Redhill Group's long-term sustainability. Further information on the stakeholder engagement can be found in the TFSL annual report.
(d) the impact of the company's operations on the community and the environment	<ul style="list-style-type: none"> Support for charities and community projects continues within TFSL's six pillars of Charity, Community, Environment, Enterprise, Mentoring and Creativity. More information on this work can be found in the TFSL annual report.
(e) the desirability of the company maintaining a reputation for high standards of business conduct, and	<ul style="list-style-type: none"> Policies and procedures are in place throughout the Redhill Group to facilitate high standards of governance and compliance in line with best practice and legal and regulatory expectations for all Redhill Group companies.
(f) the need to act fairly between members of the company	<ul style="list-style-type: none"> The Company is an intermediate holding company within the Redhill Group, which is wholly controlled by Henry Moser who sits on the Board. The overarching Governance arrangements within the Group are regularly reviewed to ensure they continue to meet the requirements of all the Redhill Group entities and their respective stakeholders.

Strategic report (continued)

Corporate Governance

The Company is wholly owned by its ultimate parent undertaking, 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 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 prudent LTV 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.

In light of the significant market uncertainty resulting from the Covid-19 pandemic, the directors of the Company along with the directors of TFSL took additional measures to preserve the Company and the Together Group's liquidity and capital buffers. One such measure at the onset of the pandemic was, having satisfied the requirement to do so, for the Company to 'pay in kind' the interest due in April 2020 on its loan notes through the issuance of additional notes rather than paying in cash.

Subject to certain conditions the Company has contractual obligations to cash service the interest on the PIK toggle notes. The Company is reliant on receiving dividends from its subsidiary, Bracken Midco2 Limited, to fulfil its contractual obligations. In turn Bracken Midco2 Limited is reliant on receiving dividends from its subsidiary TFSL. Such risk is mitigated as the Company has direct control of its subsidiary and the underlying Together Group remained highly profitable, despite the challenge of the Covid-19 pandemic.

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, 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



Gary Beckett
Director
23 October 2020

Directors' report

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 risk management processes are set out in the Strategic report.
- The Group's governance arrangements can be found within the Strategic report.
- Events taking place after the balance sheet are disclosed in note 16 to the accounts.

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 cash service the payment of interest due on the Notes as may be, subject to certain conditions, contractually required the Company is reliant on receiving dividends from its subsidiary, Bracken Midco2 Limited. In turn Bracken Midco2 Limited is reliant on receiving dividends from its subsidiary 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, liquidity positions and sensitivity analysis performed 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 a period of 12 months from the date of approval of the accounts and will continue to be able to meet its liabilities as they fall due. 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 s.418 (2) of the Companies Act 2006.

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



Gary Beckett
Director
23 October 2020

Statement of directors' responsibilities

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 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

Independent auditor's report to the members of Bracken Midcol PLC Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Bracken Midcol PLC (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 16 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 loss 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 as applied to listed public interest 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.

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.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none">• Recoverability of Intercompany Loan• Impact of COVID-19
Materiality	<ul style="list-style-type: none">• Overall materiality of £4.2m which represents 1% of total assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Risk	Our response to the risk	Key observations communicated to those charged with governance
<p>Recoverability of intercompany loan £275.2m (2019: £254.9m)</p> <p><i>Refer to Note 3 (page 17) and Note 9 of the Financial Statements (page 18)</i></p> <p>Bracken Midcol PLC holds non-interest-bearing intercompany loan assets to a subsidiary undertaking. There is a risk that the loan assets should be impaired as the value is dependent on the performance of the underlying counterparty.</p>	<p>We obtained underlying supporting documentation to establish the existence of the facility.</p> <p>We challenged the judgements used within management's impairment assessment and where appropriate obtained corroborative evidence.</p> <p>We reperformed Management's ECL calculation and independently completed a sensitivity analysis to ascertain the materiality of any potential provision.</p> <p>We considered the borrower's ability to repay the intercompany loan through an assessment of their financial position.</p>	<p>We communicated that the intercompany loan balance was not materially misstated.</p>
<p>Impact of COVID-19</p> <p><i>Refer to the Director's Report (page 5); and Note 2 of the Financial Statements (page 15)</i></p> <p>COVID-19 has resulted in a rapidly changing economic environment which could impact the financial position of the Company. There is judgement required in determining the extent of this impact and the related disclosures.</p> <p>The risks include:</p> <ul style="list-style-type: none"> the basis of the assessment made by the Company in assessing its ability to continue as a going concern for a period of at least twelve months from the date of the financial statements; the reasonableness of the assumptions regarding future dividend receipts and the subsidiary's ability to distribute them; and the completeness of disclosures made in regard to the impact of COVID-19 on the financial position and performance of the Company. 	<p>We performed procedures to obtain an understanding of the Directors' process for assessing the impact of COVID-19 on the Company's financial position, financial performance and business operations.</p> <p>We reviewed and considered the reasonableness of the Directors' going concern assessment, including the Group's reverse stress testing exercise, to assess the impact of COVID-19 on the Company's going concern basis. We agreed key assumptions and inputs to transaction documents and supporting evidence.</p> <p>We considered the ability of Company to receive dividends from its subsidiary in the period twelve months from the date of the financial statements and the distributable reserves of the subsidiary.</p> <p>We reviewed and assessed the adequacy of the going concern disclosures to establish whether they adequately reflect the COVID-19 impact on the Company.</p>	<p>We concluded that the Directors had an appropriate basis on which to make the assessment that COVID-19 does not give rise to material uncertainty over the going concern of the Company.</p> <p>We concluded that the disclosures are appropriate and in compliance with the Accounting Standards.</p>

Independent auditor's report (continued)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the company to be £4.2 million, which is 1% of total assets. We believe that total assets provides us with the primary focus of the users of the financial statements.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £2.1 million. We have set performance materiality at this percentage due to the fact this is a first year audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £211,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

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.

Independent auditor's report (continued)

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' reports 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 6, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, Market Abuse Regulations, Transparency regulations, Tax legislation, Financial Reporting Council rules and guidance.
- We understood how Bracken Midco1 Plc is complying with those frameworks by reviewing relevant committee minutes and reports and through holding discussions with Group legal counsel and internal audit. We inquired as to any known instances of non-compliance with laws and regulations. We also reviewed the Group's complaints' management policy and whistleblowing policy.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by holding discussions with senior management and, at a Group level, internal audit and the Group Audit Committee.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiring of key management and reviewing board meeting minutes.

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.

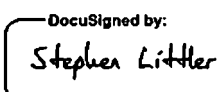
Independent auditor's report (continued)

Other matters we are required to address

- We were appointed by the Company on 14 October 2020 to audit the financial statements for the year ending 30 June 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 1 year, covering the year ending 30 June 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the those charged with governance.

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.

Stephen Littler 
(Senior statutory auditor) 451D44ECC8E445C...

for and on behalf of Ernst & Young LLP, Manchester

26 October 2020

Statement of comprehensive income

Year ended 30 June 2020

Unless otherwise indicated, all amounts are stated in £m

Income statement	Note	2020	2019
Interest receivable and similar income	4	20.3	18.9
Interest payable and similar charges	5	(38.9)	(46.6)
Net interest payable		(18.6)	(27.7)
Dividend income	6	15.6	29.9
Operating (expense)/income		(3.0)	2.2
Administrative expenses	7	-	-
(Loss)/profit before taxation		(3.0)	2.2
Income tax	8	-	-
(Loss)/profit after taxation		(3.0)	2.2

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 £m

	Note	2020	2019
Assets			
Cash and cash equivalents		0.5	0.5
Amounts owed by subsidiary undertaking	9	275.2	254.9
Investments	10	147.5	147.5
Total assets		423.2	402.9
Liabilities			
Borrowings	11	372.8	352.4
Other liabilities	12	11.0	8.1
Total liabilities		383.8	360.5
Equity			
Share capital	13	0.1	0.1
Share premium account		-	-
Non-distributable reserves		36.3	37.0
Retained earnings		3.0	5.3
Total equity		39.4	42.4
Total equity and liabilities		423.2	402.9

These financial statements were approved and authorised for issue by the Board of Directors on 23 October 2020.

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 2020

Unless otherwise indicated, all amounts are stated in £m

2020	Called-up share capital	Non-distributable reserves	Retained earnings	Total
At beginning of the year	0.1	37.0	5.3	42.4
Loss for the financial year	-	-	(3.0)	(3.0)
Transfer between reserves	-	(0.7)	0.7	-
At end of the year	0.1	36.3	3.0	39.4

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 for the year	-	-	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

Notes to the financial statements

Unless otherwise indicated, all amounts are stated in £m

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 a public company and is limited by shares. The principal activity of Bracken Midco1 PLC 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.

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 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 the presentation of a cashflow statement, disclosures in respect of IFRS 7 and IFRS 13, 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 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, in the light of current and anticipated economic conditions, the Company's ability to continue as a going concern.

In order to fund the payment of interest due on the Notes the Company is reliant on receiving dividends from its subsidiary, Bracken Midco2 Limited. In turn Bracken Midco2 Limited is reliant on receiving dividends from its subsidiary 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, liquidity positions and sensitivity analysis performed over a period of 12 months from the date of approval of the accounts in order to confirm that the preparation of the Company's financial statements on a going concern basis is appropriate. The Company and Together Group closely monitors and manages its liquidity, funding and capital position and compliance with financial covenants and produces regular forecasts and scenarios.

These projections have been updated in light of the changing outlook due to the coronavirus outbreak to assess the impact of a range of factors which might arise and in particular the impact that this has on Together Groups' customers, the property market and on the wholesale-funding market. Specific consideration was given to the impact of: offering mortgage-payment deferrals in line with government guidance, the slowing of customer repayment behaviour, increases in credit risk, declining property values, reduced access to wholesale-funding markets, changes in market rates of interest, reductions to new mortgage-origination volumes and changes to operating costs.

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 a period of 12 months from the date of approval of the accounts and will continue to be able to meet its liabilities as they fall due. 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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies

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 method. The effective interest 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 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 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 years, 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

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. 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 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. 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.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

2. Significant accounting policies

Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, which is reliably measurable and where it is probable that the Company will be required to settle that obligation. Where matters are less certain, such as when it is possible an obligation exists, or where the outflow of economic resources is possible but not probable, then a contingent liability is disclosed. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Where matters are less certain, such as when it is possible an obligation exists, or where the outflow of economic resources is possible but not probable, then a contingent liability is disclosed.

3. Critical accounting judgements and key sources of estimation uncertainty

In preparing these financial statements, the Company's management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the amounts reported for the Company's performance and financial position. Where possible, estimates and associated assumptions are based on historical experience, objective information, or other relevant factors and are reviewed at each reporting date. Actual results may differ from these estimates, and revisions to estimates are recognised prospectively.

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 Midco2 Limited. The Together Group, which is directly owned by Bracken Midco2 Limited, has continued to report substantial profits and has paid dividends to its parent which have allowed the latter in turn to make dividend payments to the Company for it to cash service the interest on its PIK toggle notes where deemed appropriate and/or required. 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

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.

Intercompany payables

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 11 and amortisation of the fair value adjustments in Note 5.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

4. Interest receivable and similar income

	2020	2019
Amortisation of the fair value adjustments to amounts owed by subsidiary	20.2	18.9

5. Interest payable and similar charges

	2020	2019
On borrowings	38.2	44.2
Amortisation of fair value adjustments to amounts owed to parent company	0.7	2.4
	38.9	46.6

As a result of electing to pay in kind ('PIK') the payment due in April 2020, an additional interest charge of £3.2m was recognised within borrowings in the year.

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

	2020	2019
Dividend income from subsidiary	15.6	29.9

7. Administrative expenses

The audit fee which is borne by an indirect subsidiary company, Blemain Finance Limited, in respect of the Company for the year is £7,800 (2019: £6,200).

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. The amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows:

	2020	2019
(Loss)/profit before tax for the year	(3.0)	2.2
Tax on (loss)/profit at standard UK corporation tax rate of 19.00% (2019: 19.00%)	(0.6)	0.4
Effects of:		
Income not taxable	(3.0)	(5.7)
Group relief*	3.6	5.3
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. Amounts owed by subsidiary undertaking

	2020	2019
Amounts owed by subsidiary undertaking, Bracken Midco 2 Limited	275.2	254.9

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

10. Investments

The Company held the following direct investment in subsidiary undertakings:

	2020	2019
At beginning and 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.

11. Borrowings

	2020	2019
Senior secured notes	368.2	350.0
Debt issue costs	(2.0)	(3.6)
Amounts owed to parent company, Bracken Topco Limited	6.6	6.0
	372.8	352.4

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

In light of the significant market uncertainty resulting from the Covid-19 pandemic, the Company and the Together Group (TFSL and its subsidiaries) took prudent measures on commencement of the lockdown to preserve capital and liquidity and to enhance financial flexibility by servicing the interest that was due in April 2020 on Senior PIK Toggle Notes as payment in kind ('PIK') rather than servicing in cash. A higher coupon rate attaches to the servicing in PIK form opposed to cash which meant that as a result of such election the charge for the period increased from £15.5m to £18.2m. The election to PIK also increased the principal balance of the notes from £350m to £368.2m and hence the amount on which subsequent interest is calculated.

When it was founded 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 is treated as a non-distributable capital contribution.

12. Other liabilities

	2020	2019
Accruals and deferred income	11.0	8.1

13. Share capital

All amounts are stated in pounds.

Authorised, issued, allotted and fully paid	2020	2019
5,500,000 ordinary shares of £0.01 each	55,000	55,000

The dividend paid of £15.6m (2019: £18.0m) represents £2.84 per share (2019: £3.27).

14. Contingent liabilities

The Company has fixed and floating charges in respect of £368m Senior PIK Toggle Notes against shares in its subsidiary, Bracken Midco2 Limited ('Midco2'), and against amounts owed to the Company by Midco2.

Notes to the financial statements (continued)

Unless otherwise indicated, all amounts are stated in £m

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 Company's ultimate parent undertaking). 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.

16. Events after the reporting date

On 15 October 2020, the Company paid in cash £16.3m to service the October 2020 interest due on the Senior PIK Toggle Notes. Also in October 2020, an interim dividend of £26,351,447 was paid on the B shares of TFSL which are 100% owned by the Company's subsidiary, Bracken Midco2 Limited ('Midco2'). On receipt of the interim dividend, Midco2 in turn declared an interim dividend of £26,350,000 to the Company, who in turn declared an interim dividend of £10,004,500 to its parent company, Bracken Topco Limited.