Registered number: 05671852

TEMPLE FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 27 MARCH 2020

TEMPLE FINANCE LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE PERIOD ENDED 27 MARCH 2020

Introduction

The directors present their strategic report for the period ended 27 March 2020.

Principal activities

The principal activities of the Company during the year were the sale of home furniture, domestic appliances and other home entertainment and technology products to domestic customers on hire purchase agreements and the provision of related services, maintenance and other financing agreements, and the intermediation of related insurance products.

Business review and future performance

The directors report a profit before tax of £1,479,834 (2019: loss of £2,971,460). The operating profit in the period is a result of a growth in sales and a strong focus on improving credit decisioning and collections performance in the Temple Finance Loan Book. This has meant that the Loan Book has performed significantly better than in the prior year.

The challenges facing the business in the year lay principally in the area of improving credit risk management to facilitate future growth in an increasingly regulated sector. The Company has been engaged in a thorough review of risk management methodologies and the development of an expanded Credit Risk function. While these developments have been implemented and embedded in the business, the Company has deliberately restricted sales growth to ensure that sales were only made within the Company's agreed risk appetite.

As a result of a review performed by the FCA into High-Cost Credit Review, new rules were introduced in March 2019. These required Rent to Own firms to bench-mark their retail prices against competitors, as well as barring the sale of associated warranty products at the point of sale. In anticipation of these proposals being given effect, the Company reviewed its product range and pricing to ensure its ability to work within them. It also decided, in the light of the additional costs that would be imposed by a prohibition on the sale of warranty products in conjunction with the sale of goods, to discontinue the sale of those warranty products entirely.

The additional price pressure that these requirements imposed meant that identifying better credit risks became even more important, and the Company has worked on the development of a new Credit-Decisioning System in conjunction with TransUnion, which went live in March 2020. This has facilitated the delivery of improved credit decisions and collections performance. Further developments of this system, including the ability to use data from multiple bureaux, are in hand and will be delivered in the course of 2021. These are expected to lead to an improved ability to identify good credit risks and to grow the business without impairing collections performance.

Key performance indicators

Customer contract numbers

Turnover is driven by the number of customers and customer hire purchase agreements. The changes referred to above have mandated stricter customer acquisition protocols and tighter policy rules for existing customers wishing to acquire additional products. In addition, pending implementation of the new Credit Decisioning System, credit scores were tightened in order to improve collection performances. Nonetheless, total customer agreements at the end of the period moved up to 54,396 (2019: 48,836), an increase of 11.4%. Turnover in the period amounted to £26,536,143, (2019: £25,450,851). This increase was due to increased investment in marketing and product as the improvements in the Credit Decisioning System began to feed through into improved collections performances.

Collections and Bad debts

The Company seeks to manage its arrears process with the intention of returning its customers to a successful payment profile or appropriate forbearance. Extensive work has been undertaken in the period to improve the quality of credit decisions and collections performance. Prior to this, tactical improvements were made to credit scoring which facilitated a year-on year improvement in First Payment Default of 63%. This fed through into further improvements on longer term (13 week) collections performances, which typically are a more robust measure, from 84% to 86% year on year. Since the end of the March 2020 financial year, additional developments have been made in the Credit Decisioning System, further improving credit risk decisions and collections performance.

Principal risk and uncertainties

The directors are of the opinion that the company has adopted a thorough risk management process that involves the formal review of all the risks identified below. The board monitors and reviews risks in order to assess each risk area on a regular basis and to mitigate its impact.

Regulation

The Company operates in a regulated market and has established processes and policies for ensuring its compliance with all applicable legislation and regulation. Staff participate in a programme of training designed to ensure that they understand the processes and policies that the directors have established.

The Company has a Head of Risk, reporting to the Chief Financial Officer, whose role is to monitor the risks faced by the business, including assessment of existing risks as well as horizon scanning, to help establish the Group's risk appetite, and to develop, monitor and maintain systems and procedures to ensure that risks are properly understood and managed. In addition, the Head of Compliance and the Head of Audit & Security provide the second and third lines of defence.

All staff must be accredited to perform functions that have regulatory implications by attesting and demonstrating that they understand the processes and policies that the company has established. This protects the reputation of the company, customers and staff.

Temple Finance Limited is authorised and regulated by the Financial Conduct Authority.

Financing

The Group is funded via a facility made available to PerfectHome Capital Limited, a subsidiary set up for the purpose, by Kaluga Investments SARL. This facility is currently capped at £75m and was drawn down to the extent of £44.6m as of the date these accounts were signed. Kaluga is controlled by Elliott Management Corporation, which also controls the Funds that own the Group. It is expected that funds will continue to be made available to support the operations of the Group, and the financing risk has been considered by the Directors and is more fully set out in Note 2.3.

Economic risk

The spending power of the company's customer base is at risk from inflation and the government's review of benefits. Management build the impact of external market risk into their credit scoring methodology and monitor the product offering to ensure that the company remains competitive.

Economic risk is considered to be elevated at the present time due to the measures taken by Government to combat the effects of Covid19. These risks, along with potential mitigations, have been more fully set out in Note 2.3. In summary, the Directors believe that appropriate actions have been taken to manage and mitigate the risks arising from the pandemic, but the situation remains under constant review.

Financial risk management objectives and policies

The Company's principal financial instruments comprise cash at bank, revolving credit facilities, finance lease and hire purchase arrangements and other loans. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments such as amounts receivable from hire purchase contracts and trade creditors which arise directly from its operations. The Company does not enter into any derivative transactions.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company's financial instruments are liquidity risk, interest rate risk, credit risk and currency risk.

Employee welfare

Equal opportunities and employee incentives
The Company employs people from the communities it serves and aims to be the employer of choice within its market sector. The company aims to attract, select, recruit and retain top quality employees based only on their ability and aptitude, through a number of people policies.

Its success in doing this has improved the Company's rating on Glassdoor in the last year from 2.7 to 4.8/5. The company also uses social media channels to share employee experiences of working for PerfectHome.

The Company offers a selection of employee benefits, such as:

- Pension scheme available to all staff;
- Life insurance available to all staff;
- Employee Assistance Programme;
- Company sick-pay available to all staff after one year's service;
- Childcare vouchers;
- Market-leading bonus and commission schemes where appropriate;
- Family-friendly policies which include an enhanced maternity and paternity policies;
- Performance-related pay based on annual reviews for all staff.

Recruitment
Most recruitment activity is conducted in-house by a newly appointed Employee Experience Manager. Where specialised roles are required, the Company uses the services of LinkedIn to head-hunt potential candidates, before considering the use of a specialist recruitment agency.

Training and development
A structured induction programme is in place which is regularly reviewed for relevance and quality. This programme ensures that all new employees receive timely and effective induction training, including both operational and soft skills.

The Company is also now utilising funds accumulated through the Apprenticeship Levy requirement, including Customer Services, Team leading and Digital Marketing.

Employee consultation
The Company has continued its practise of keeping employees informed of matters affecting them and the financial and economic factors affecting the performance of the Company.

Health and Safety

Temple Finance Limited recognises its obligations under the Health and Safety at Work Act 1974 and other relevant legislation and has a full programme of risk assessment and risk management activities, overseen by its designated Compliance Manager, to ensure that these are met.

This report was approved by the board on 18 May 2021 and signed on its behalf.

A N Russell
Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 27 MARCH 2020

The directors present their report and the financial statements for the period ended 27 March 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Going Concern

The directors believe that the Company is a going concern, as explained further in note 2.3 to the financial statements.

Results and dividends

The profit for the period, after taxation, amounted to £1,479,834 (2019 - loss £2,971,460).

There were no dividends paid in the period (2019: £Nil)

Directors

The directors who served during the period, and subsequently, were:

Alaric Michael Smith (resigned 7 April 2021)
Anthony Winter
Andrew Nicholas Russell
Mark Blakelock (appointed 19 December 2019)
Rodney Jensen Bulmer (appointed 12 March 2020)

Disabled employees

The Company gives full and fair consideration to applications for employment from disabled persons, where they have the necessary abilities and skills for that position, and wherever possible will retain employees who become disabled, so that they can continue their employment in another position. The company engages, promotes, and trains staff on the basis of their capabilities, qualifications and experience, without discrimination, giving all employees an equal opportunity to progress.

Qualifying indemnity provisions

The Company has provided qualifying third party indemnity provisions in respect of its directors which were in force during the period and at the date of this report.

Matters covered in the strategic report

Matters included in the Strategic Report include the business review and future performance, key performance indicators, principal risks and uncertainties and financial risk management.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Grant Thornton UK LLP, have indicated their wish to step down as auditors. MHA Macintyre Hudson LLP will be proposed for appointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

A N Russell
Director
Date: 18 May 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEMPLE FINANCE LIMITED

Opinion

We have audited the financial statements of Temple Finance Limited (the 'Company') for the period ended 27 March 2020, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 March 2020 and of its profit for the period 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the Company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

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 the Directors' report.

Matters on which we are required to report by exception

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 for the financial statements

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.

Auditors' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TEMPLE FINANCE LIMITED (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.

Grant Thornton UK LLP

John Coates BSc BFP FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

19 May 2021

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 27 MARCH 2020

	Note	**Period ended 27 March 2020 £**	Period ended 27 March 2019 £
Turnover	5	**26,536,143**	25,450,851
Cost of sales		**(16,387,319)**	(18,627,693)
Gross profit		**10,148,824**	6,823,158
Administrative expenses		**(4,571,811)**	(12,973,677)
Exceptional administrative (expenses)/credit	12	**(147,617)**	6,053,961
Operating profit/(loss)	6	**5,429,396**	(96,558)
Interest payable and similar charges	10	**(3,949,562)**	(2,874,902)
Profit/(loss) before and after tax		**1,479,834**	(2,971,460)

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019: £NIL).

The notes on pages 14 to 34 form part of these financial statements.

All activities of the Company are classed as continuing.

STATEMENT OF FINANCIAL POSITION
AS AT 27 MARCH 2020

	Note		27 March 2020 £		As restated 27 March 2019 £
Fixed assets					
Intangible assets			**944,042**		656,246
Tangible assets	14		**87,407**		8,904
			1,031,449		665,150
Current assets					
Stocks	15	**32,417**		41,681	
Debtors: amounts falling due after more than one year	16	**11,549,748**		12,095,958	
Debtors: amounts falling due within one year	16	**20,391,370**		10,659,239	
Cash at bank and in hand	18	**1,292,840**		1,559,170	
		33,266,375		24,356,048	
Creditors: amounts falling due within one year	19	**(31,678,487)**		(23,824,980)	
Net current assets			**1,587,888**		531,068
Total assets less current liabilities			**2,619,337**		1,196,218
Provisions for liabilities					
Other provisions	20	**(553,760)**		(610,475)	
			(553,760)		(610,475)
Net assets			**2,065,577**		585,743
Capital and reserves					
Called up share capital	21		**20,000,001**		20,000,001
Capital redemption reserve	22		**43,875,889**		43,875,889
Profit and loss account	22		**(61,810,313)**		(63,290,147)
Total shareholders' funds			**2,065,577**		585,743

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

A N Russell
Director
Date: 18 May 2021

The notes on pages 14 to 34 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 27 MARCH 2020

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 28 March 2018	**20,000,001**	**43,875,889**	**(60,318,687)**	**3,557,203**
Comprehensive losses for the period				
Loss for the period	-	-	(2,971,460)	(2,971,460)
Total comprehensive losses for the period	-	-	(2,971,460)	(2,971,460)
At 27 March 2019	**20,000,001**	**43,875,889**	**(63,290,147)**	**585,743**
Comprehensive income for the period				
Profit for the period	-	-	1,479,834	1,479,834
Total comprehensive income for the period	-	-	1,479,834	1,479,834
At 27 March 2020	**20,000,001**	**43,875,889**	**(61,810,313)**	**2,065,577**

The notes on pages 14 to 34 form part of these financial statements.

1. General information

Temple Finance Limited is a private company limited by shares and is registered in England and Wales. Its registered head office is located at Eagle Court 2, Hatchford Way, Sheldon, Birmingham, B26 3RZ. The financial statements are prepared in Sterling (£).

The principal activities of the Company during the year were the sale of home furniture, appliances and other products to domestic customers on hire purchase agreements and the provision of related services, maintenance and other financing agreements.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Brixworth Investments (UK) Ltd. as at 30 March 2020 and these financial statements may be obtained from Eagle Court 2, Hatchford Way, Sheldon, Birmingham, B26 3RZ.

2. Accounting policies (continued)

2.3 Going concern

At the balance sheet date, the Company had net assets of £2,065,577 (2019: £585,743), including cash of £1,292,840 (2019: £1,559,170) and therefore is deemed to have sufficient funds to meet its liabilities as and when they fall due for at least twelve months from the date of approval of the financial statements. The directors have also received support from the Group owners should further financial support be required.

The Company therefore continues to adopt the going concern basis in preparing its financial statements.

Economic impact of the Covid-19 pandemic

The advent of the Covid-19 pandemic during 2020 has raised questions over the trading models of and positions of many businesses. Whilst the Company is not immune from this uncertainty, it has been able to manage through the current situation without experiencing major impacts either to sales volumes or to arrears and delinquency rates.

The Covid-19 crisis has had a number of potential impacts on the business of Temple Finance Limited.

Sales Impact

Because PerfectHome's business is exclusively online, there has been no reduction in demand by virtue of the restrictions on movement or customers' reluctance to venture out. In addition, PerfectHome's principal competitor, BrightHouse, went into administration on 30 March 2020. However, at the same time a decision was made to cease active marketing in the early stages of the crisis to allow an evaluation of the situation to take place. In addition, management decided to tighten the credit criteria required for customers to pass the credit check in order to protect the Company against any deterioration in payment performance as a result of potential pressures on household incomes. The combined effect of these measures was to lead to a shortfall against budget in Turnover of 9.9% in the first three months of the year to 30 June 2020, at £7.43m (budget: £8.25m). In May and June 2020, with the reintroduction of active marketing, web visits recovered to previous levels and conversion rates also rose from first quarter levels. While there has been pressure on costs and capacity in the supply chain, these have been managed by good forecasting of volumes and by sourcing increasing quantities of goods in the UK. There has therefore been no serious problem of product availability, and sales in the last three months of 2020 and the first two months of 2021 were just 4.8% below forecast at £10.8m (forecast: £11.4m).

Collections Impacts

The improvements in credit scoring and collections activities undertaken over the last two years, as well as the tightening of the credit score mentioned above, have allowed collections to be maintained at relatively normal levels. In the three months to 30 June 2020, collections were £6.6m, only 4.7% below forecast (£6.9m). In the final three months of 2020 and the first two months of 2021, this shortfall to forecast grew slightly to 4.9% (£12.4m against a forecast of £13m). In the eleven months to February 2021, draw-down against the Group's borrowing facilities was £10.2m against a forecast of £7.9m. The total draw-down at this date was £43.6m against a maximum facility of £75m.

2. Accounting policies (continued)

Operational Impacts

The Group took action in the final week of March 2020 to facilitate the vast majority of its staff to work from home and to vacate its offices. At the same time, the field-based collections team was taken off the road and some of those staff redirected to telephone work. A total of 70 members of staff were furloughed under the Government's Coronavirus Employment Retention Scheme. This had no major impacts on operational effectiveness. As a result of the changes mandated by the need to take Field Staff off the road during the lock-down, the Group was able to evaluate the cost-effectiveness of certain parts of its activities. As a result, the Group entered into consultation with its employees in the areas of Field Collections and Telesales on 1 July 2020, and this has resulted in a reduction in headcount in these areas of 62, taking effect over the course of August 2020. The cost of this restructuring was c. £250,000, and the saving from this change will amount to c. £2M per annum. The Group continues to operate effectively with staff working from home, and it is expected that this will continue for as long as Government restrictions remain in place.

The Company has not taken advantage of any other form of Government support made available during the pandemic.

End of Brexit Transition Period

There have been no significant impacts on the business and none are expected. The Group has taken steps to ensure that its supply chain is diversified and there has been no significant disruption to supply. Freight costs have gone up substantially in the year, however, largely due to disruption caused by the pandemic.

Funding and Capitalisation

On 26 March 2020, the Board of Brixworth Investments (UK) Ltd resolved to issue a total of 458,670,000 shares of £0.01 each to the Company's existing shareholders Brixworth Investments Ltd and Brixworth Investments LLP. These shares were issued on 2 April 2020. This sum generated from the share issue, £4,586,700, was then used to pay down Group borrowings from Kaluga S.A.R.L., thereby increasing the headroom on the Group Borrowing Facilities.

On 5 January 2021, the Board of Brixworth Investments (UK) Ltd resolved to issue a total of 620,000,000 shares of £0.01 each to the Company's existing shareholders Brixworth Investments Ltd and Brixworth Investments LLP. These shares were issued on 2 February 2021. This sum generated from the share issue, £6,200,000, was then used to pay down Group borrowings from Kaluga S.A.R.L., thereby increasing the headroom on the Group Borrowing Facilities.

In addition, in a Letter of Amendment to the Facility Agreement from Kaluga S.A.R.L. to PerfectHome Capital Limited (a subsidiary company of Brixworth Investments (UK) Ltd.) dated 30 July 2020 it was agreed to increase the Facility Cap from £50M to £75M and to extend the Facility end-date to 1 September 2022, providing a further £25M of funding to the business and demonstrating the shareholders' ongoing commitment to the development of the business.

2. Accounting policies (continued)

Available Facilities

The Group has drawn up commercial and financial forecasts which are expected to be deliverable within the Facilities that have been made available to the Group, and it is expected that a minimum of headroom of £9m can be maintained based on expected trading patterns up to the end of April 2022. In addition, written assurances have been received from the Group's principal shareholders as to their continuing support for the business for the foreseeable future, and on this basis the Directors are of the opinion that the Group and the Company are in a position to meet their liabilities as they fall due for a period of not less than 12 months from the date of approval of these financial statements, and have accordingly drawn the financial statements up on a Going Concern basis.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods under hire purchase contracts

Goods sold to customers by the company are usually under hire purchase contracts and often in conjunction with service agreements (such as PerfectCare) and extended warranties. Hire purchase agreements enable the customer to acquire title of the goods in question through a purchase option after payment of all required payments. The directors believe that, at the point of the initial sale, it is the intention of both the Company and the customer that the customer should acquire ownership and control of the goods sold. There is no right of return other than the statutory rights held by the customer by virtue of having entered into a Hire Purchase Agreement. The customer is therefore considered to retain substantially all the risks and rewards of ownership at the inception of the agreement. Accordingly, agreements entered into are treated as hire purchase contracts with anticipated turnover being recognised at the point in time that control passes to the customer (usually on delivery). Service agreements and extended warranties are sold under fixed sum loan agreements. An assessment is made of the likelihood of customers returning goods and a provision is made against sales to reflect the likely diminution in turnover caused by such returns.

Income relating to extended warranties and service agreements is recognised to allocate earnings evenly over the period of the contract. Insurance policies are recognised over the term of the lease.

Interest receivable under hire purchase contracts
Interest under hire purchase contracts is allocated to accounting periods so as to give a constant periodic rate of return on the Company's net cash investment in the lease in each period.

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately within intangible assets as negative goodwill and amortised over the expected period in which the company expects to benefit from the assets acquired.

Other intangible assets

Intangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method.

The estimated useful lives range as follows:

Software development	-	5	years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2. Accounting policies (continued)

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

2.10 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, and amounts due to and from group undertakings.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Operating leases: the Company as lessee

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

2. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.16 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

2.17 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of financial statements requires management to make significant judgements and estimates. The areas where these judgements and estimates have been made include;

Deferred tax
The Company has deferred tax losses brought forward. Deferred tax assets are recognised relating to these losses to the extent that the directors anticipate that they will reverse in the foreseeable future, based on the group's current forecast.

Bad debt provision
Trade debtors consist of amounts due from customers. An allowance for doubtful debt is maintained for estimated losses resulting from the viability of the Company's customers to make required payment. The allowance is based on the company's regular assessment of the credit worthiness and financial conditions of customers.

Other provisions
The Company has been subject to a review by the FCA (as set out in note 20). There is uncertainty regarding the outcome of these matters, and the directors have made an informed assessment of the likely outcome and made provisions where they consider appropriate.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the financial year.

Going concern
When preparing the financial statements, directors are required to make an assessment of the group's ability to continue as a going concern and prepare the financial statements on this basis unless it either intends to liquidate the group or to cease trading or has no realistic alternative but to do so. After reviewing the most recent forecast as set out in note 2.3 the directors have formed the judgement that it is appropriate to prepare the financial statements on the going concern basis.

4. Restatement of intangibles

The intangible assets for the prior year have been restated to correct an error in application of accounting policy, identifying software development which had previously been included in tangible assets. The restatement did not have an impact on net assets or profit or loss.

	As reported	Effects of adjustments	As restated
	£	£	£
Statement of financial position			
Intangible assets	-	656,246	656,246
Tangible assets	665,150	(656,246)	8,904

5. Turnover

An analysis of turnover by class of business is as follows:

	Period ended 27 March 2020 £	Period ended 27 March 2019 £
Sales of goods under hire purchase contracts	**11,920,024**	11,629,216
Interest receivable under hire purchase contracts	**12,092,423**	12,923,996
Warranty services	**2,523,696**	897,639
	26,536,143	25,450,851

All turnover arose within the United Kingdom.

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	Period ended 27 March 2020 £	Period ended 27 March 2019 £
Tangible fixed assets - depreciation	**8,780**	151
Intangible fixed assets - amortisation	**226,569**	169,297
Defined contribution pension cost	**236,129**	159,989

7. Auditors' remuneration

	Period ended 27 March 2020 £	Period ended 27 March 2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**20,000**	31,970

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

8. Employees and directors

Staff costs, including directors' remuneration, were as follows:

	Period ended 27 March 2020 £	Period ended 27 March 2019 £
Wages and salaries	**7,055,674**	6,901,063
Social security costs	**694,366**	728,552
Other pension costs	**236,129**	159,989
	7,986,169	7,789,604

The average monthly number of employees, including the directors, during the period was as follows:

	Period ended 27 March 2020 No.	Period ended 27 March 2019 No.
Store staff	**-**	11
Administrative staff	**223**	214
Warehouse and distribution staff	**23**	20
	246	245

9. Directors' remuneration

	Period ended 27 March 2020 £	Period ended 27 March 2019 £
Directors' emoluments	**836,797**	1,372,757
Company contributions to defined contribution pension schemes	**51,250**	9,588
	888,047	1,382,345

During the period retirement benefits were accruing to 3 directors (2019 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £268,179 (2019 - £461,835).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £21,000 (2019 - £NIL).

The directors deem there to be no other members of key management personnel.

10. Interest payable and similar charges

	Period ended 27 March 2020 £	Period ended 27 March 2019 £
Bank interest payable	**3,944,875**	2,874,902
HP interest payable	**4,687**	-
	3,949,562	2,874,902

11. Taxation

	Period ended 27 March 2020 £	Period ended 27 March 2019 £
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

The Company had an unrecognised deferred tax asset of £9,345,788 as at 27 March 2020 (2019: £10,091,772).

Factors affecting tax charge for the period

The tax charge assessed for the year is lower than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	Period ended 27 March 2020 £	Period ended 27 March 2019 £
Profit/(loss) on ordinary activities before tax	**1,479,834**	(2,971,460)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	**281,168**	(564,577)
Effects of:		
Tax effect of unrelieved tax losses carried forward	**(567,522)**	(104,041)
Effect of expenses that are not deductible/(income not taxable)	**362,402**	668,618
Deferred tax not provided on fixed asset timing differences	**(76,048)**	-
Total tax charge for the period	-	-

Factors that may affect future tax charges

11. Taxation (continued)

In the Spring Budget 2021, the Government announced that the corporation tax rate would increase to 25% with effect from 1 April 2023. This has not yet been substantively enacted and therefore its effects are not included in these financial statements.

12. Exceptional items

	Period ended 27 March 2020 £	Period ended 27 March 2019 £
Redundancy expense	**147,617**	433,019
Waiver of intercompany balance	**-**	(6,486,980)
	147,617	(6,053,961)

The balance of £6,486,980 in period ended 27 March 2019 relates to a waiver of intercompany balances with Perfect Home Finance Ltd and Temple Retail Limited who both went into administration during 2018.

13. Intangible assets

	Software development £
Cost	
At 28 March 2019 (as previously stated)	**-**
Prior Year Adjustment	**970,144**
At 28 March 2019 (as restated)	**970,144**
Additions	**514,365**
At 27 March 2020	**1,484,509**
Amortisation	
At 28 March 2019 (as previously stated)	**-**
Prior Year Adjustment	**313,898**
At 28 March 2019 (as restated)	**313,898**
Charge for the period on owned assets	**226,569**
At 27 March 2020	**540,467**
Net book value	
At 27 March 2020	**944,042**
At 27 March 2019 (as restated)	656,246

14. Tangible fixed assets

	Fixtures and fittings £
Cost	
At 28 March 2019 (as previously stated)	**979,198**
Prior Year Adjustment	**(970,144)**
At 28 March 2019 (as restated)	**9,054**
Additions	**87,283**
At 27 March 2020	**96,337**
Depreciation	
At 28 March 2019 (as previously stated)	**314,048**
Prior Year Adjustment	**(313,898)**
At 28 March 2019 (as restated)	**150**
Charge for the period on owned assets	**8,780**
At 27 March 2020	**8,930**
Net book value	
At 27 March 2020	**87,407**
At 27 March 2019 (as restated)	8,904

15. Stocks

	27 March 2020 £	27 March 2019 £
Refurbished and display stock	**32,417**	41,681

An impairment loss of £1,060,283 (2019: £1,163,629) was recognised in cost of sales against stock during the period due to slow-moving, obsolete and second hand stock.

Stock recognised in cost of sales during the period as an expense was £260,467 (2019: £2,046,037).

16. Debtors

	27 March 2020 £	27 March 2019 £
Due after more than one year		
Net Investment in HP contracts	**11,549,748**	12,095,958

	27 March 2020 £	27 March 2019 £
Due within one year		
Amounts owed by group undertakings	**13,152,333**	4,853,529
Other debtors	**1,003,910**	392,011
Prepayments and accrued income	**721,720**	766,269
Net investment in HP contracts	**5,513,407**	4,647,430
	20,391,370	10,659,239

An impairment loss of £9,733,762 (2019: £10,130,943) was recognised at the period end against the net investment in HP contracts.

The amounts owed by group undertakings are unsecured and repayable on demand, bearing no interest.

17. Net investment in HP contracts and loan agreements

	27 March 2020 £	27 March 2019 £
Gross investment		
Not later than one year	**24,845,061**	25,420,375
Later than one year and not later than five years	**17,014,978**	18,273,698
Unearned finance income	**(16,840,267)**	(16,819,742)
Bad debt provision	**(7,956,617)**	(10,130,943)
	17,063,155	16,743,388

	£	£
Present value of minimum lease payments receivable		
Not later than one year	**5,513,407**	4,647,430
Later than one year and not later than five years	**11,549,748**	12,095,958
	17,063,155	16,743,388

18. Cash and cash equivalents

	27 March 2020 £	27 March 2019 £
Cash at bank and in hand	**1,292,840**	1,559,170

19. Creditors: Amounts falling due within one year

	27 March 2020 £	27 March 2019 £
Trade creditors	**553,207**	132,629
Amounts owed to group undertakings	**30,240,249**	20,582,126
Other taxation and social security	**226,393**	1,802,192
Other creditors	**195,261**	201,912
Accruals and deferred income	**463,377**	1,106,121
	31,678,487	23,824,980

The amounts owed to group undertakings are unsecured and repayable on demand, bearing no interest.

20. Provisions

	Other provisions £
At 28 March 2019	**610,475**
Utilisation	**(56,715)**
At 27 March 2020	**553,760**

The above provision was recognised in 2016 following a thorough review carried out into the Company by the FCA. The FCA ruled that credit had been granted to customers that should not have been granted and the company undertook in agreement with the FCA to put in place a voluntary scheme of redress to address the issue. This sum therefore amounts to a redress expense that the company is liable to pay, which is nearing completion as at the date of these financial statements being approved. An amount of £478,686 has been paid out after the balance sheet date, and the remainder is expected to be paid within the coming months.

21. Share capital

	27 March 2020 £	27 March 2019 £
Allotted, called up and fully paid		
20,000,001 (2019 - 20,000,001) Ordinary shares of £1.00 each	**20,000,001**	20,000,001

22. Reserves

Capital redemption reserve

The capital reserve arises from historical impairments and waivers of intercompany balances.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

23. Contingent liabilities

Income tax

HMRC have raised an enquiry into the company's corporation tax computations for the year ended 31 March 2013, regarding the deductibility of GSOP payments made by the Company, which is currently ongoing. If HMRC is successful in its challenge, there is a possibility of loss of corporation tax relief if the GSOP is ultimately treated as a distribution.

Furthermore, PAYE and NICs could be due and payable by the company. HMRC have issued a letter to the Company stating that they consider the GSOP to be a tax avoidance scheme and that they are prepared to litigate to recover tax, including penalties and interest. The Company has obtained legal advice which indicates that the planning is robust and at this point in time the Company believes that the payment is not probable but is possible as there is a small possibility that HMRC will be successful in their claim.

Lead cases have been taken and were listed to be heard commencing 12 March 2021, although it is likely that judgement will not be delivered in less than three months, and any judgement at that stage may be appealed. The potential liability amounts to c. £500,000 (including interest but excluding any penalties). There would be a corresponding off-set due from employees of c. £203,000 relating to Capital Gains Tax paid in respect of the GSOP that would be recoverable in the event that the Tribunal found income tax to be due.

24. Capital commitments

The Company had no capital commitments at 27 March 2020 or 27 March 2019.

25. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The pension cost charge represents contributions payable by the Company to the fund and amounted to £236,129 (2019: £159,989). An amount of £37,620 was payable (2019: £25,688) to the fund at the balance sheet date.

26. Commitments under operating leases

The Company had no commitments under non-cancellable operating leases at the reporting date.

27. Related party transactions

The Company recorded a benefit of £5,801,885 (2019: £7,790,459) within administrative expenses for service charges with PerfectHome Capital Limited to cover the costs of collection activities performed by the Company on behalf of PerfectHome Capital Limited.

No other transactions with fellow wholly owned related parties in the Brixworth Investments (UK) Ltd. group were undertaken during the period that were required to be disclosed under Section 33 of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland

28. Post balance sheet events

In March 2020, the Board of Brixworth Investments (UK) Limited the Company's parent company resolved to issue a total of 458,670,000 shares of £0.01 each to the Company's existing shareholders. These shares were issued on 2 April 2020. This sum was then invested in an equal number of shares in Coleshill Retail Limited, and the funds received by Coleshill Retail (£4,586,700) were used to pay down inter-company indebtedness with Temple Finance Limited, its sister company. Temple Finance Limited, in turn paid down an equivalent sum against its inter-company position with PerfectHome capital Limited, which was then used to pay down its borrowing from Kaluga S.A.R.L., thereby increasing the headroom accordingly on the Group Borrowing Facilities.

In January 2021, the Board of Brixworth Investments (UK) Limited resolved to issue a total of 620,000,000 shares on £0.01 each to Company's existing shareholders. The funds received (£6,200,000) were re-invested in the Group in exactly the same way and used to pay down the facility with Kaluga S.A.R.L., once again increasing headroom on the Groups' Facilities.

In addition, in a Letter of Amendment to the Facility Agreement from Kaluga S.A.R.L. to PerfectHome Capital Limited (a subsidiary company of Brixworth Investments (UK) Limited) dated 30 July 2020, it was agreed to increase the Facility cap from £50m to £75m and to extend the Facility end-date to 1 September 2022. This increased the facilities available to the Group by £25m

29. Immediate parent and ultimate controlling party

The immediate parent company, Brixworth Investments (UK) Ltd., is owned by Brixworth Investments LLC and Brixworth Investments LP, who are owned by Elliott Associates L.P. and Elliott International Limited respectively, these being the ultimate controlling parties.