Company Number
08147651

Brand Extension (UK) Limited

FINANCIAL STATEMENTS

for the year ended 31 December 2015

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Officers and Professional Advisors

Director

Mr M Williams

Registered Office

15 Olympic Court
Whitehills Business Park
Blackpool
Lancashire, FY4 5GU

Banker

Royal Bank of Scotland Plc
Abbey Gardens
4 Abbey Street
Reading, RG1 3BA

Auditor

KPMG LLP
15 Canada Square
London E14 5GL

Solicitor

Dorsey & Whitney
199 Bishopsgate
London, EC2M 3UT

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

Principal Activities

The Company's principal activity was the provision of loft and cavity wall insulation under government funded schemes to qualifying households in the United Kingdom, and the provision of solar panel installation to households in the United Kingdom.

The Company is part of the Watchstone Group.

Financial Review

The results for the year are set out in detail on page 7. The loss for the year was £5,542,000 (2014: £1,537,000). The results were impacted upon by exceptional costs in relation to investment write-downs, tax related matters and provisions against intercompany debtors, so the underlying EBITDA attributable to trading as shown in note 5 to the accounts was a loss of £1,064,000 (2014: loss of £825,000).

The trading loss in 2014 and 2015 was the result of changes in government policy which had a detrimental impact on the sales value of the carbon savings certificates, and changes in the solar feed in tariff. Consequently trade was wound down and all property related activities were consolidated into subsidiary undertaking BE Initial Limited (formerly BE Insulated (UK) Limited).

Acquisition and Post balance sheet disposal

On 5 March 2015, the Company acquired the 50% of the issued share capital of BE Initial Limited not already owned by the Company, and the entire issued share capital of BE Insulated Limited (formerly Carbon Reduction Company (UK) Limited), for consideration of 3,666,667 ordinary shares of 15 pence in Watchstone Group Plc plus up to a further 200,000 ordinary shares of 15 pence in Watchstone Group Plc by way of contingent consideration. The Directors did not consider that the contingent consideration would become payable and therefore fair valued the further shares at £nil.

As part of the ongoing strategic review by the parent company Watchstone Group, management took the strategic decision to discontinue the business of loft and cavity wall insulation and, on 7 January 2016, BE Initial Limited and BE Insulated Limited were disposed of, marking Watchstone Group's exit from the sector.

Under the terms of the disposal of BE Initial Limited and BE Insulated Limited, the contingent consideration was waived. The Company's investment in BE Initial Limited and BE Insulated Limited was fully impaired as at 31 December 2015, reflecting the terms of the subsequent disposal.

The Company status will be non-trading in future.

Going Concern

During 2015 the directors took the decision to cease trading since the trade of the Company no longer forms part of the core business of the wider Watchstone Group. As they do not intend to acquire a replacement trade, the directors have not prepared the financial statements on a going concern basis. No adjustments were necessary to the amounts at which the remaining net liabilities are included in these financial statements.

Dividends

The Directors do not recommend the payment of a final dividend (2014: £nil).

Directors' Report (continued)

Directors and company secretary

The name of the current Director is shown on page 3. The Directors who served during the year are as follows:

Mr L Moorse (resigned 29 May 2015)
Mr M P Williams (appointed 29 May 2015)

Mr E Walker was appointed Company Secretary on 3 May 2016.

Small Companies Exemption

The Company has taken the small companies exemption in relation to the preparation of a strategic report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and 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 they have elected to prepare the Financial Statements in accordance with IFRSs as adopted by the EU and applicable law. 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 its profit or loss for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. (As explained in note 2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to the auditor

The Director who held office at the date of approval of this Directors' report confirms that:

a) so far as he is each aware, there is no relevant audit information of which the Company's auditor is unaware; and

b) the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

Mark P Williams
Director

Independent Auditor's Report to the members of Brand Extension (UK) Limited

We have audited the financial statements of Brand Extension (UK) Limited for the year ended 31 December 2015 set out on pages 7 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - non-going concern basis of preparation

In forming our opinion on the financial statements, which is not further modified in this respect, we have considered the adequacy of the disclosure made in note 2 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

N. Hughes

Neil Hughes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
5 October 2016

Financial Statements

Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue	5	**1,266**	5,361
Cost of sales		**(1,107)**	(4,285)
Gross profit		**159**	1,076
Administrative expenses			
- Normal		**(1,263)**	(1,914)
- Exceptional costs	7	**(4,442)**	(828)
Total administrative expenses		**(5,705)**	(2,742)
Operating loss	6	**(5,546)**	(1,666)
Finance income	9	**4**	134
Loss before taxation		**(5,542)**	(1,532)
Taxation	10	**-**	(5)
Loss for the year from discontinued operations		**(5,542)**	(1,537)
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Comprehensive expense for the year		**(5,542)**	(1,537)

The notes on pages 11 to 22 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Property, plant and equipment	11	-	40
Investments	12	-	-
		-	40
Current assets			
Trade and other receivables	13	91	3,499
Cash	14	1	459
		92	3,958
Total assets		92	3,998
Current liabilities			
Trade and other payables	15	(6,609)	(4,723)
Provisions	16	(578)	(828)
Total liabilities		(7,187)	(5,551)
Net liabilities		(7,095)	(1,553)
Equity			
Share capital	17	-	-
Retained earnings		(7,095)	(1,553)
Total equity		(7,095)	(1,553)

The notes on pages 11 to 22 form an integral part of the financial statements.

The Financial Statements of Brand Extension (UK) Limited, registered number 08147651, on pages 7 to 22 were approved and authorised for issue by the Directors on 5 October 2016 and signed on its behalf by:

Mark P Williams
Director

Statement of Changes in Equity

for the year ended 31 December 2015

	Share Capital £'000	Retained Earnings £'000	Total £'000
At 1 January 2015	-	(1,553)	(1,553)
Loss for the year	-	(5,542)	(5,542)
At 31 December 2015	-	(7,095)	(7,095)
At 1 January 2014 (unaudited)	-	(16)	(16)
Loss for the year	-	(1,537)	(1,537)
At 31 December 2014	-	(1,553)	(1,553)

The notes on pages 11 to 22 form an integral part of the financial statements.

Cash Flow Statement

for the year ended 31 December 2015

	Note	2015 £'000	2013 £'000
Cash flows from operating activities			
Cash used in operations before net finance income and tax	**18**	**(365)**	(264)
Corporation tax received		**-**	18
Cash used by operations before net finance income		**(365)**	(246)
Cash flows from financing activities			
Finance income received	**9**	**-**	134
Cash used by operating activities		**(365)**	(112)
Cash flows from investing activities			
Purchase of property, plant and equipment		**-**	(28)
Related party loan made		**(296)**	(132)
Net cash used in investing activities		**(296)**	(160)
Cash flows from financing activities			
Intercompany loans received		**203**	261
Net cash generated by financing activities		**203**	261
Decrease in cash and cash equivalents		**(458)**	(11)
Cash and cash equivalents at the beginning of the year		**459**	470
Cash and cash equivalents at the end of the year		**1**	459

The notes on pages 11 to 22 form an integral part of the financial statements.

Notes to the Financial Statements

1. General information

Brand Extension (UK) Limited is a company registered and domiciled in the United Kingdom. The Financial Statements are presented in pounds sterling, to the nearest thousand, as this is the currency of the primary economic environment in which the Company operates. The address of the registered office is 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire, PO15 5UA. The nature of the Company's operations and its principal activities are set out on page 4.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations adopted by the European Union ("EU"). The Financial Statements have been prepared under the historical cost convention. A summary of the significant Company accounting policies, which have been applied consistently across the Company, is set out below. The Company has reviewed its accounting policies in accordance with IAS 8 and determined that they are appropriate for the Company and have been consistently applied.

The Company is not required to prepare consolidated IFRS Financial Statements under section 401 of the Companies Act 2006 and IAS 27 "Presentation of consolidated financial statements" as it is a subsidiary of another entity that prepares consolidated financial statements which are drawn up in a manner equivalent to those drawn up in accordance with the provisions of the EC 7th Directive. As such the results presented here are for the Company as an individual undertaking and not of its group.

Going Concern

During 2015 the directors took the decision to cease trading since the trade of the Company no longer forms part of the core business of the wider Watchstone Group. As they do not intend to acquire a replacement trade, the directors have not prepared the financial statements on a going concern basis.

No adjustments were necessary to the amounts at which the net liabilities are included in these financial statements.

Revenue recognition

Revenue from the rendering of a particular service is recognised upon the delivery of that service to the customer. Revenue includes an assessment of accrued income where appropriate.

The company has been engaged in performing loft and cavity insulation work on domestic properties which qualify for carbon saving measures under the Energy Company Obligation ('ECO') scheme within the United Kingdom.

Insulation of qualifying properties generates tradeable carbon which is sold to brokers, who ultimately sell the carbon to energy companies to enable them to fulfil their carbon reduction targets.

The company recognises revenue on completion of insulation of individual properties, which is judged to be the time the carbon is submitted to brokers, measured at the contractually agreed rate for the carbon. Sales are invoiced following acceptance of the carbon by the energy company once their compliance checks are completed.

This leads to a timing difference between the recognition of revenue and invoicing, and carbon submitted to brokers but not invoiced are included in accrued income.

The Company recognises revenue from the installation of solar panels on completion of the installation, at the cash consideration receivable.

Operating profit

Operating profit is profit stated before finance income, finance expense and tax.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write off the cost less estimated residual values over their estimated useful lives as follows:

- Plant and equipment: 20%-33⅓% per annum reducing balance

Residual value is based on the estimated amount that would currently be obtained from disposal.
Estimated residual values and useful economic lives are reviewed annually and adjusted where necessary.

Investments

Investments in subsidiaries are carried at cost less any provision for impairment.

Leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Trade receivables

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

Trade payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using effective interest method.

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at banks and in hand. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash as defined above, net of outstanding bank overdrafts.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation in respect of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

Taxation

The tax expense represents the sum of current tax and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in equity in which case it is recognised in equity. The current tax is based on taxable profit for the year calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

3. Adoption of new and revised Standards

Standards, amendments and interpretations not significantly affecting the reported results nor the financial position

There are no new standards, amendments or interpretations adopted by the Company that have a material impact on the Financial Statements for this year.

New standards, amendments and interpretations not yet adopted

There are no new standards and amendments to standards and interpretations which are effective for annual periods beginning after 1 January 2015 that are expected to have a significant effect on the Financial Statements of the Company.

4. Critical accounting judgements and key sources of estimation uncertainty

Management do not consider that there are any significant accounting judgements or sources of estimation uncertainty.

5. Key performance indicators

	Note	2015 £'000	2014 £'000
Revenue:			
Revenue from services		**1,266**	5,361
Total revenue		**1,266**	5,361
Adjusted EBITDA:			
Loss before taxation		**(5,542)**	(1,532)
Depreciation	11	**17**	13
Impairment of fixed assets		**23**	-
Exceptional Item – tax related matter	7	**-**	828
Exceptional Item – write down of investments	12	**3,328**	-
Exceptional costs – provision against amounts due from fellow subsidiaries	7	**757**	-
Exceptional costs – provision against amounts due from BE Initial Limited	7	**357**	-
Net finance income	9	**(4)**	(134)
Adjusted EBITDA		**(1,064)**	(825)

6. Operating Loss

The operating loss for the year is stated after charging:

	2015 £'000	2014 £'000
Depreciation of property, plant and equipment	**17**	13
Impairment of fixed assets	**23**	-
Staff costs (note 8)	**857**	496

Audit fees of £15,000 (2014: £11,000) were borne by its parent, Watchstone Group Plc and not recharged.

7. Exceptional Items

	2015 £'000	2014 £'000
Exceptional costs - tax related matters	**-**	828
Exceptional costs - impairment of investments	**3,328**	-
Exceptional costs - provision against amounts due from fellow subsidiaries	**757**	-
Exceptional costs - provision against amounts due from BE Initial Limited	**357**	-
	4,442	828

Costs are classified as exceptional where they are not incurred in the ordinary course of business and are expected to be non-recurring.

In the current year the investment in BE Initial Limited (formerly BE Insulated (UK) Limited) and BE Insulated Limited (formerly Carbon Reduction Company (UK) Limited) of £3,328,000 was fully impaired to reflect its post year end disposal valuation. The amounts due from BE Initial Limited of £357,000 were fully provided to reflect the post year end disposal agreement. The amounts due from certain fellow subsidiaries of £757,000 were fully provided.

In the prior year a provision for tax-related matters was established with respect to judgemental tax positions which have not yet been resolved (note 16). It is expected that this settlement will be made by the immediate parent company Watchstone Limited, formerly Quindell Technologies Limited.