

IH (Jersey) Limited

Company Number: FC032795
UK establishment number BR017876
Jersey Registration Number: 109362

DIRECTORS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2018



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Directors' report

The Directors present their report and the financial statements of IH (Jersey) Limited ('the Company') for the year ended 31 December 2018.

The Company is incorporated in Jersey as a private limited company. Its registration number is 109362 and its Registered Office is Vistra (Jersey) Limited, 4th Floor, St Pauls Gate, 22-24 New Street, St Helier, Jersey, JE1 4TR.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards.

Business Review

Principal activities

The principal activity of the Company is that of an investment company, and this will continue to be the principal activity for the Company for the foreseeable future. The Company's principal place of business is the United Kingdom.

Result and dividends

The result of the Company for the year is shown in the statement of comprehensive income on page 5. The total comprehensive income for the year was £32.9m (2017: £32.1m).

Dividends of £153.6m were paid during the year (2017: £nil).

Position as at 31 December 2018

The net assets of the Company at 31 December 2018 were £1 (2017: £605.7m). The decrease reflects the profit after taxation arising in the year of £32.9m (2017: £32.1m), offset by the repayment of capital contributions of £485.0m (2017: £nil) and dividends of £153.6m (2017: £nil).

Principal risks and uncertainties

The Phoenix Group applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high level framework for the management of key risks within each business unit.

The principal risks and uncertainties facing the Company are:

- liquidity risk, exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements; and
- credit risk, arising from the default of the counterparty to a particular financial asset.

The Company's exposure to all these risks is monitored by the Directors who agree policies for managing each of these risks on an ongoing basis.

Key Performance Indicators ('KPIs')

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Going concern

Based on forecasts prepared for the Company, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors and their interests

The names of those individuals who served as Directors of the Company during the year or who held office as at the date of signature of this report are as follows:

J McConville
R Thakrar
G Watson

Secretary

The names of those individuals who served as Secretary of the Company during the year or who held office as at the date of signature of this report are as follows:

S Watts

Disclosure of indemnity

Qualifying third party indemnity arrangements were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

On behalf of the Board

A handwritten signature in black ink, appearing to be 'R Thakrar', written over a horizontal line.

R Thakrar
Director
20 November 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Jersey Company law requires the Directors to prepare financial statements for each financial year. Under that law, Directors have elected to prepare the financial statements in accordance with International Financial reporting Standards ('IFRS') as issued by the International Accounting Standards Board. The financial statements are required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

International Accounting Standards 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the fair representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Boards 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, the Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991 and IFRS. 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.

IH (JERSEY) LIMITED

Statement of comprehensive income
for the year ended 31 December 2018

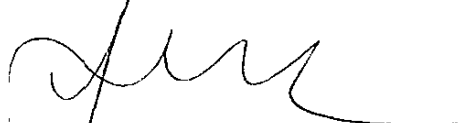
	Notes	2018 £m	2017 £m
Revenue			
<i>Investment income</i>	3	40.6	39.8
Profit before tax		<u>40.6</u>	<u>39.8</u>
Tax charge	6	(7.7)	(7.7)
Total comprehensive income for the year attributable to owners		<u><u>32.9</u></u>	<u><u>32.1</u></u>

IH (JERSEY) LIMITED

Statement of financial position as at 31 December 2018

	Notes	2018 £m	2017 £m
Equity attributable to owners			
Share capital	8	-	-
Capital contribution	9	-	485.0
Retained earnings		-	120.7
Total equity		<u>-</u>	<u>605.7</u>
Current liabilities			
Amounts due to Group entities	10	-	18.7
Total liabilities		<u>-</u>	<u>18.7</u>
Total equity and liabilities		<u>-</u>	<u>624.4</u>
Current assets			
Loans and receivables	11	-	601.0
Accrued income	12	-	23.4
Total current assets		<u>-</u>	<u>624.4</u>
Total assets		<u>-</u>	<u>624.4</u>

On behalf of the Board



R Thakrar
Director
20 November 2019

IH (JERSEY) LIMITED

Statement of cash flows
for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Cash generated by operations	13	37.6	-
Net cash flows from operating activities		<u>37.6</u>	<u>-</u>
Cash flows from investing activities			
Loans repaid by Group entities		601.0	-
Net cash flows from investing activities		<u>601.0</u>	<u>-</u>
Cash flows from financing activities			
Repayment of capital contribution		(485.0)	-
Dividends paid		(153.6)	-
Net cash flows from financing activities		<u>(638.6)</u>	<u>-</u>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		<u>-</u>	<u>-</u>
<u>Supplementary disclosures on cash flows from operating activities</u>			
Interest received		<u>64.0</u>	<u>-</u>

IH (JERSEY) LIMITED

Statement of changes in equity
for the year ended 31 December 2018

	Share capital (note 8) £m	Capital contribution (note 9) £m	Retained earnings £m	Total £m
At 1 January 2018	-	485.0	120.7	605.7
Total comprehensive income for the year	-	-	32.9	32.9
Repayment of capital contribution	-	(485.0)	-	(485.0)
Dividends paid (see note 7)	-	-	(153.6)	(153.6)
At 31 December 2018	-	-	-	-

	Share capital (note 8) £m	Capital contribution (note 9) £m	Retained earnings £m	Total £m
At 1 January 2017	-	485.0	88.6	573.6
Total comprehensive income for the year	-	-	32.1	32.1
At 31 December 2017	-	485.0	120.7	605.7

All of the retained earnings are considered to be distributable. The capital contribution is considered a distributable reserve with no restrictions.

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a historical cost basis except for those financial assets and financial liabilities that have been measured at fair value.

The Company's immediate parent is Impala Holdings Limited whose Registered Office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG. The results of the Company are consolidated into the accounts of the Company's ultimate parent Phoenix Group Holdings Public Limited Company ('PGH plc'), a company incorporated in the United Kingdom. The registered address of PGH plc is Juxon House, 100 St Paul's Churchyard, London, EC4M 8BU.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS').

The financial statements are presented in sterling (£) rounded to the nearest £0.1m except where otherwise stated.

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by an international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(b) Changes to accounting policies

In the current year, the Company has applied IFRS 9 *Financial Instruments* ('IFRS 9') which replaces IAS 39 *Financial Instruments: Recognition and Measurement* ('IAS39') for annual periods beginning on or after 1 January 2018. IFRS 9 introduces new requirements that are applicable to this Company for the classification, measurement and impairment of financial assets. The key change is the introduction of a new impairment model that is based on expected loss (rather than incurred loss as per IAS 39). The above changes have been incorporated in the financial assets accounting policy (see accounting policy (d) below).

In accordance with the transitional provisions in IFRS 9, the standard has been applied prospectively and comparative figures have not been restated. As a result, the comparative information continues to be accounted for in accordance with the Company's previous accounting policy under IAS 39. Any adjustments arising from the new impairment requirements are therefore not reflected in the comparative statement of financial position as at 31 December 2017, but would be recognised in opening retained earnings as at 1 January 2018.

Reclassifications of financial assets on adoption of IFRS 9 and reconciliation of impairment allowance balance from IAS 39 to IFRS 9

On the date of initial application, there have been no changes to the Company's classification, measurement and impairment of financial assets under both IAS 39 and IFRS 9. Accordingly, no adjustment is required to retained earnings at 1 January 2018.

(c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are set out below.

Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are classified and accounted for as set out in accounting policy (d). Where possible, financial assets and liabilities are valued on the basis of listed market prices by reference to quoted market bid prices for assets and offer prices for liabilities, without any deduction for transaction costs. These are categorised as Level 1 financial instruments and do not involve estimates. If prices are not readily determinable, fair value is determined using valuation techniques including pricing models, discounted cash flow techniques or broker quotes. Financial instruments valued where valuation techniques are based on observable market data at the period end are categorised as Level 2 financial instruments. Financial instruments valued where valuation techniques are based on non-observable inputs are categorised as Level 3 financial instruments. Level 2 and Level 3 financial instruments therefore involve the use of estimates.

1. Accounting policies (continued)

(c) Critical accounting estimates and judgements (continued)

Impairment of loans to Group entities

Loans to Group entities are subject to regular impairment reviews when management are aware of objective evidence of impairment. Impairments in loans to Group undertakings are measured at the difference between the carrying value and the present value of the estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the loans original effective interest rate. Impairments are recognised in the profit or loss in the period in which they occur. The Company's policy in relation to impairment testing of loans to Group entities is detailed in accounting policy (d).

(d) Financial assets

Classification of Financial assets

Policy applicable before 1 January 2018

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method.

Policy applicable from 1 January 2018

Financial assets are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset. Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest method.

Financial assets measured at amortised cost are included in note 11, Loans and receivables.

There has been no change in the classification of collective investment schemes which continue to be designated at fair value through profit or loss and accordingly are stated in the statement of financial position at fair value.

Impairment of financial assets carried at amortised cost

Policy applicable before 1 January 2018

The Company assesses at each period end whether a financial asset or group of financial assets held at amortised cost is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

Policy applicable from 1 January 2018

The Company assesses the expected credit losses associated with its loans and receivables and other receivables carried at amortised cost. The impairment methodology depends upon whether there has been a significant increase in credit risk.

The Company measures loss allowances which have low credit risk using the 12-month Expected Credit Loss ('ECL'). Interest revenue is recognised on a gross basis. A simplified approach is used to determine the loss allowances for other receivables as these are always measured at an amount equal to lifetime ECLs.

The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. ECLs are recognised using a provision for doubtful debts account in profit and loss. For other receivables, the ECL rate is recalculated each reporting period taking into account which counter parties are included in the reporting period.

1. Accounting policies (continued)

(d) Financial assets (continued)

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- 12-month ECLs - Total expected credit losses that result from default events that are possible within 12 months after the reporting date.
- Lifetime ECLs - Expected credit losses that result from all possible default events over the expected life of the financial asset.

No significant changes to estimation techniques or assumptions were made during the reporting period.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement.

(f) Dividends

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's owners. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Declared dividends are those that are appropriately authorised and are no longer at the discretion of the entity.

(g) Income recognition

Investment income

Investment income comprises interest and fair value gains and losses on financial assets.

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method.

Fair value gains and losses on financial assets at fair value through profit or loss are recognised in the income statement. Realised gains and losses are the difference between the net sale proceeds and the original cost. Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or purchase price, if acquired during the year.

(h) Share capital and capital contributions

Ordinary share capital

The Company has issued ordinary shares which are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in the statement of changes in equity, net of tax.

Capital contributions

Capital contributions received by the Company and which contain no agreement for their repayment are recognised directly in the statement of changes in equity as a distributable reserve.

(i) Events after the reporting period

The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

2. Financial information

The financial statements for the year ended 31 December 2018, set out on pages 5 to 16, were authorised by the Board of Directors for issue on 20 November 2019.

In preparing the financial statements the Company has adopted the following standards, interpretations and amendments which have been issued by the International Accounting Standards Board ('IASB') and have been adopted for use by the EU. Apart from IFRS 9, none of the following have a material effect on the results of the Company.

- IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a single comprehensive framework for determining whether, how and when revenue is recognised. The standard does not apply to insurance contracts or financial instruments within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*.
- IFRS 9 Financial Instruments (2018). Under IFRS 9, all financial assets will be measured either at amortised cost or fair value and the basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. In relation to the impairment of financial assets, IFRS 9 requires the use of an expected credit loss model, as opposed to the incurred credit loss model required under IAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Details of impacts of applying the new standard can be found in accounting policy 1(b). Additional disclosures are required by the standard and have been included in accounting policy 1(d) and note 14 to the financial statements.
- Annual Improvements Cycle 2014-2016: Amendments to IFRS 1 First-time adoption of IFRSs and Amendments to IAS 28 Investments in Associates and Joint Ventures. These are not applicable to the Company.

The IASB has issued the following new or amended standards and interpretations which apply from the dates shown. The Company has decided not to early adopt any of these standards, interpretations or amendments where this is permitted. None of the following statements or amendments will have a material effect on the results of the Company.

- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (2019). The proposed amendments would allow for a narrow exception to IFRS 9 that would permit particular financial instruments with prepayment features with negative compensation to be eligible for measurement at amortised cost or at fair value through other comprehensive income.
- IFRIC 23 Uncertainty over Income Tax Treatments (2019). This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.
- Amendments to References to the Conceptual Framework in IFRS Standards (2020).
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (2020). The amendments clarify the definition of material and how it should be applied and ensures that the definition of material is consistent across all IFRS Standards.
- Amendments to IFRS 3 Business Combinations (2020). The amendments have revised the definition of a business and aim to assist companies to determine whether an acquisition made is of a business or a group of assets. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others.

Changes excluded from above list as potentially not applicable:

- IFRS 16 Leases (2019).
- Annual Improvements Cycle 2015-2017: Amendments to IAS 12 Income Taxes, IAS 23 Borrowing Costs and IFRS 3 Business combinations/IFRS 11 Joint Arrangements (2019).
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement (2019).
- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term interests in Associates and Joint Ventures (2019).
- IFRS 17 Insurance contracts (2021).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) (Effective date deferred).