300230|20

In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT fo**
You cannot use this form to an alteration of manner of with accounting requireme

WEDNESDAY

A8YMRH2A
A10 12/02/2020 #269
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	Brighthouse Finco Limited
UK establishment number	B R 0 2 0 1 0 5

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ❷	Jersey Law

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸	International Financial Resporting Standards (IFRS)

❸ Please insert the name of the appropriate accounting organisation or body.

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5.**

☑ **Yes.** Go to **Section A4.**

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	International Standards on Auditing (UK)	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. ☐ **No.** ☐ **Yes.**

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature	Signature X X
	This form may be signed by: Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name: Sarah Branson

Company name: Ogier Global (Jersey) Limited

Address: 3rd Floor

44 Esplanade

St Helier

Post town:

County/Region:

Postcode: J E 4 9 W G

Country: Jersey, Channel Islands

DX:

Telephone: 01534 514189

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

Jersey Registered No. 125524
UK Registered No. FC035011

BrightHouse FinCo Limited

Report and Financial Statements

Year ended 31 March 2019

Directors
G J Campbell
A D Mooney

Secretary
Ogier Global Company Secretary (Jersey) Limited
3rd Floor
44 Esplanade
St. Helier
Jersey
JE4 9WG

Auditor
Deloitte LLP
1 City Square
Leeds
LS1 2AL

Registered Office
3rd Floor
44 Esplanade
St. Helier
Jersey
JE4 9WG

Directors' report

The directors present their report and financial statements for the year ended 31 March 2019. These financial statements have been prepared under the International Financial Reporting Standards as adopted by the European Union.

Principal activity and review of the business

The Company was incorporated in Jersey on 10 January 2018. The Company's principal activity is to act as a financing company for the BrightHouse Group Limited group of companies.

On 2 February 2018 the BrightHouse Group entered into a debt for equity swap transaction. BrightHouse FinCo Limited was incorporated as part of the execution of this transaction and issued senior secured notes of £115m maturing on 15 May 2023. Interest is fixed at 9% and is payable on 15 May and 15 November every year to the date of expiry. These loan notes are listed on The International Stock Exchange.

Subsequent to this the Company entered into a loan agreement with BrightHouse Group Limited, the Company's immediate parent, for the same amount.

Future developments for the business

The Company is expected to continue to operate as a financing company for BrightHouse Group Limited and its subsidiaries.

Results and dividends

The loss for the year after taxation amounted to £130,000 (2018 – profit of £45,000). The directors do not recommend the payment of a final dividend (2018 - £nil).

Going concern

The Company operates as a financing entity for the wider BrightHouse Group and is reliant upon the repayment of the BrightHouse Group Limited intercompany loan receivable and its associated interest to service the borrowing commitments of the senior secured notes of £115m and remain a going concern.

In September 2018, in accordance with the five year business plan, the directors of BrightHouse Group Limited negotiated an additional super senior supplier finance facility of up to £35m and, as at 31 March 2019, we had drawn £10.7m from the facility.

On 5 March 2019, the FCA released their final High-cost Credit report on rent to own firms which included the new rules which they will put in place. These rules include for all such firms a price cap, which limits the cost of the product and the credit charges, and a ban on point of sale warranty products with a two day no contact period.

There is an uncertainty around the future volumes of affordability claims that the business might receive in the future, and although the business is seeing a reduction in the long term average number of complaints received, other firms in the market have experienced unexpected significant increases in the volumes so, whilst not expected, that cannot be excluded.

Since the year end, there has been a downturn in our monthly results which increases pressure on our liquidity and RCF covenant compliance of BrightHouse Group Limited. Management are taking initiatives to address this, which includes adjusting investment and growth plans to preserve liquidity. We expect our future results to improve once these initiatives start to deliver. If the initiatives fail to deliver the required improvements to performance, the Directors may need to seek alterations to the existing covenants or/and additional funding which may be secured against our contract portfolio. The Directors consider the risks around this and/or the possible need to obtain additional funding may represent a material uncertainty that may cast significant doubt on the Group's, and therefore the Company's, ability to continue as a going concern. These financial statements have been prepared on a going concern basis and do not contain adjustments that may result if the company were unable to continue as a going concern.

Directors' report (continued)

Impact of Brexit on the accounts

We have considered the potential impact on our business from the UK's vote to leave the EU and the on-going Brexit process.

The Company operates as a holding company for BrightHouse Group Limited and its subsidiaries and therefore has no direct risks from Brexit. However our group companies are exposed to potential impacts which we have considered as part of our assessment of the recoverablilty of the intercompany loans and concluded that the loans are still fully recoverable.

Recoverability of intercompany loans

Management have assessed the recoverability of intercompany receivables and using current budgets there is no impairment required. In other scenarios which represent the failure to deliver the improvements to current trading performance, as referred to above, there may be a corresponding impact on the ability for the company to fully recover the carrying value of the intercompany receivable.

Directors

The directors who served during the period and throughout the period to the signing of the accounts were as follows:

H S Paton	(resigned 29 March 2019)
A M Maby	(resigned 3 October 2018)
G J Campbell	(appointed 3 October 2018)
S J Deane	(appointed 29 March 2019) (resigned 1 July 2019)
A D Mooney	(appointed 1 July 2019)

Employees

The Company has no employees (2018 - nil).

Political contributions

The Company made no political contributions during the year (2018 - £nil).

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Ernst & Young LLP resigned as auditor and Deloitte LLP were appointed.

Pursuant to Jersey Company law, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

This report is authorised by the Board of Directors and sign on behalf of the Board.

G J Campbell
Director
26 July 2019

3rd Floor
44 Esplanade
St. Helier
Jersey
JE4 9W

Statement of directors' responsibilities

The directors are responsible for preparing this report and financial statements in accordance with applicable law and regulations.

Jersey Company law requires the directors to prepare financial statements for each financial year in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the year end and of the profit or loss of the Company for the year then ended. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of BrightHouse FinCo Limited

Opinion

In our opinion the financial statements of BrightHouse FinCo Ltd (the 'Company'):

- **give a true and fair view of the state of the Company's group's affairs as at 31 March 2019 and of its loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been properly prepared in accordance with Companies (Jersey) Law, 1991.**

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 11.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 1 in the financial statements, which indicates that there is uncertainty around future volumes of unaffordable lending complaints and there has been a downturn in trading results, which increase pressue on liquidity and covenant compliance.

In response to this, we:

- Reviewed management's projections including considering the impact of reasonable downside sensitivities;
- Evaluated management's downturn stress scenarios;
- Evaluated the directors' assessment of the principal risks facing the entity;

Independent auditor's report

to the members of BrightHouse FinCo Limited (continued)

- Evaluated the historic forecasting accuracy of management and performed sensitives to stress the budget position;
- Obtained the borrowings agreements and covenant workings and assessed whether all covenants are captured and that the calculations are mechanically accurate and in line with agreement definitions; and
- Held meetings with the Head of Compliance to discuss any regulatory matters.

As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • *Going concern (see material uncertainty relating to going concern section)* • *Recoverability of receivables from group undertakings*
Materiality	The materiality that we used in the current year was £1.9m which was determined on the basis of 2% of total assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty relating to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent auditor's report

to the members of BrightHouse FinCo Limited (continued)

Key audit matters

Recoverability of receivables from group undertakings	
Key audit matter description	Receivables from group undertakings are stated in the balance sheet at £127.6m. The receivables balance has arisen through an intercompany loan provided to BrightHouse Group Ltd. There is a significant level of judgement involved in determining the recoverability of these receivables from group undertakings based on the financial position and future prospects of the group undertakings. This takes into consideration a range of factors such as the trading performance of the group undertakings and the expected revenue growth. The determination of recoverability also assesses the credit risk of receivables in line with IFRS 9. Further details are included within the critical accounting estimates and judgements note in note 1. In the event that trading performance continues to underperform there may be a corresponding impact on the ability for the company to fully recover the carrying value of the intercompany receivable/investment in subsidiaries.
How the scope of our audit responded to the key audit matter	We challenged the directors' judgements regarding the appropriateness of the carrying value through obtaining a copy of the latest audited financial information and our understanding of the future trading performance of the group undertakings. The carrying value of the loans were reviewed for impairment at the balance sheet date. The assessment included a review of estimated future profits and the ability of the group to generate sufficient cash. We also reviewed the historical accuracy of management's forecasts by comparing the actual results to forecasts. As part of our review of management forecasts relevant controls in relation to the review of managements going concern paper and by extension managements forecasting were identified. We obtained an understanding of the relevant controls over the recoverability of receivables from group undertakings.
Key observations	Based on the work performed we concluded that receivables from group undertakings are appropriately stated.

Independent auditor's report

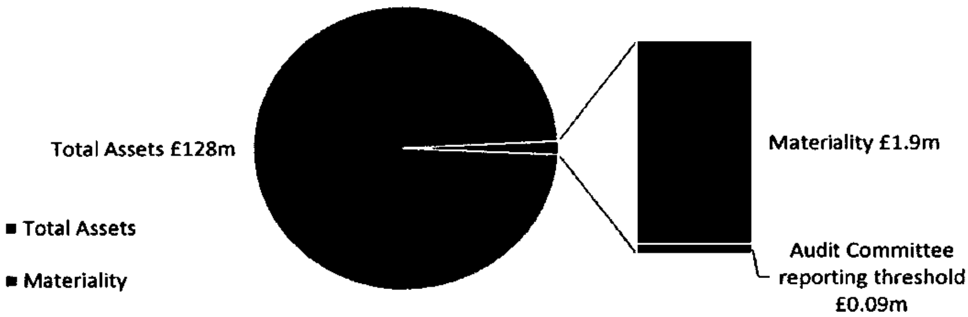
to the members of BrightHouse FinCo Limited (continued)

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£1.9m
Basis for determining materiality	2% of total assets
Rationale for the benchmark applied	We determined materiality based on total assets as this is the key metric used by management and investors with shareholder value being driven by total assets value movements.



We agreed with the directors that we would report to the directors all audit differences in excess of £0.09m as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report

to the members of BrightHouse FinCo Limited (continued)

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

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 auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

Independent auditor's report

to the members of BrightHouse FinCo Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept, or proper 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.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. 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.

Peter Birch (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

26 July 2019

Income statement
for the year ended 31 March 2019

	Notes	2019 £000	2018 £000
Operating Expenses		(85)	–
Operating loss		(85)	–
Finance income	3	10,794	1,676
Finance expense	3	(10,839)	(1,631)
(Loss) / profit before taxation		(130)	45
Tax charge	4	–	–
(Loss) / profit for the year		(130)	45

The results shown above all relate to continuing activities.

There are no recognised gains or losses other than the (loss) / profit for the year, therefore a statement of comprehensive income has not been presented.

Statement of financial position

at 31 March 2019

	Notes	2019 £000	2018 £000
Current assets			
Trade and other receivables	5	127,588	116,767
Total assets		127,588	116,767
Current liabilities			
Trade and other payables	6	4,306	1,631
Non-current liabilities			
Financial liabilities	7	123,367	115,091
Total liabilities		127,673	116,722
Net assets		(85)	45
Equity attributable to the parent			
Stated capital	8	–	–
Retained earnings		(85)	45
Total equity		(85)	45

These financial statements were authorised for issue by the board of directors on 26 July 2019 and were signed on its behalf by:

G J Campbell
Director

Statement of changes in equity

at and for the year ended 31 March 2019

	Stated capital £000	*Retained earnings £000*	*Total equity £000*
At 10 January 2018	–	–	–
Shares issued on incorporation	–	–	–
Total comprehensive profit for the year	–	45	45
At 31 March 2018	–	45	45
Total comprehensive expense for the year	–	(130)	(130)
At 31 March 2019	–	(85)	(85)

Statement of cash flows

at and for the year ended 31 March 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
(Loss) / profit for the year		(130)	45
Adjustments for:			
Financial income	3	(10,794)	(1,676)
Financial expense	3	10,839	1,631
Operating cash outflow before changes in working capital		(85)	–
Increase in trade and other payables	6	85	–
Net cash flow from operating activities		–	–
Cash flows from financing activities			
Proceeds of issue of senior secured notes 2023	7	–	115,091
Loan to immediate parent company	5	–	(115,091)
Net cash flow from financing activities		–	–
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents at 1 April		–	–
Cash and cash equivalents at 31 March		–	–

Directors' report

1. Accounting policies

General information

BrightHouse FinCo Limited is a private company limited by shares ("company") incorporated on 10 January 2018 in Jersey under the Companies (Jersey) Law 1991 (registration number 125524). The Company is domiciled in Jersey and its registered address is 3rd Floor, 44 Esplanade, St. Helier, Jersey, JE4 9WG. The Company is also registered as a United Kingdom establishment under company registration number FC035011.

The Company has in issue £115m senior secured notes which are listed on The International Stock Exchange.

Authorisation of financial statements and statement of compliance with IFRS.

The financial statements of BrightHouse FinCo Limited for the year ended 31 March 2019 were authorised for issue on 26 July 2019 by the board of directors and the balance sheet signed on the board's behalf by Graeme Campbell. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies (Jersey) Law 1991 applicable to companies reporting under IFRS.

Basis of preparation

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated and prepared under the historical cost convention.

A summary of the Company's accounting policies are set out below.

Going concern

The Company operates as a financing entity for the wider BrightHouse Group and is reliant upon the repayment of the BrightHouse Group Limited intercompany loan receivable and its associated interest to service the borrowing commitments of the senior secured notes of £115m and remain a going concern.

In September 2018, in accordance with the five year business plan, the directors of BrightHouse Group Limited negotiated an additional super senior supplier finance facility of up to £35m and, as at 31 March 2019, we had drawn £10.7m from the facility.

On 5 March 2019, the FCA released their final High-cost Credit report on rent to own firms which included the new rules which they will put in place. These rules include for all such firms a price cap, which limits the cost of the product and the credit charges, and a ban on point of sale warranty products with a two day no contact period.

There is an uncertainty around the future volumes of affordability claims that the business might receive in the future, and although the business is seeing a reduction in the long term average number of complaints received, other firms in the market have experienced unexpected significant increases in the volumes so, whilst not expected, that cannot be excluded.

Since the year end, there has been a downturn in our monthly results which increases pressure on our liquidity and RCF covenant compliance of BrightHouse Group Limited. Management are taking initiatives to address this, which includes adjusting investment and growth plans to preserve liquidity. We expect our future results to improve once these initiatives start to deliver. If the initiatives fail to deliver the required improvements to performance, the Directors may need to seek alterations to the existing covenants or/and additional funding which may be secured against our contract portfolio. The Directors consider the risks around this and/or the possible need to obtain additional funding may represent a material uncertainty that may cast significant doubt on the Group's, and therefore the Company's, ability to continue as a going concern.

These financial statements have been prepared on a going concern basis and do not contain adjustments that may result if the company were unable to continue as a going concern.

Notes to the financial statements

for the year ended 31 March 2019

1. Accounting policies (continued)

Financial assets

i) Initial recognition and measurement

The Company determines the classification of its financial assets at initial recognition. Financial assets are classified, at initial recognition, as loans and receivables. All financial assets are recognised initially at fair value plus in the case of financial assets not recorded at fair value through the profit and loss, transaction costs that are attributable to the acquisition of the financial asset.

ii) Subsequent measurement – loans classified under amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, interest bearing loans are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

iii) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Company assesses whether impairment exists individually for financial assets. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the income statement. Interest income (recorded as finance income in the income statement) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the income statement.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Notes to the financial statements (continued)

for the year ended 31 March 2019

1. Accounting policies (continued)

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Financial liabilities

i) Initial recognition and measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and loans and borrowings.

ii) Subsequent measurement – loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition, and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Net financing costs

Net financing costs comprise interest payable and interest receivable that are recognised in the income statement. Interest income and expenses are recognised in the income statement as they accrue, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

New standards and interpretations not applied

The Company has applied all relevant standards and interpretations in these financial statements.

Notes to the financial statements

for the year ended 31 March 2019

1. Accounting policies (continued)

Accounting estimates and judgements

Certain critical accounting judgements and estimates in applying the Company's accounting policies are described below.

Fair value at initial recognition and impairment of loans and receivables

Loans and receivables owed by the parent company have been initially recognised at the fair value of the contracted loan. The carrying amount is reviewed for impairment at each balance sheet date and assessments are made as to whether sufficient group profits or alternative funding will be available in the future to allow all or part of the asset to be recovered. The assessment includes estimates of future profits of the group and the ability of the group to generate sufficient cash, either through trade or through borrowings, to service the interest payments and final redemption of the loan.

2. Audit fees

The following costs are attributable to the Company in respect of auditors' remuneration.

	2019	*2018*
	£000	*£000*
Auditors' remuneration	10	20

3. Finance income and expense

Recognised in income statement:

	2019	*2018*
	£000	*£000*
Interest receivable on intra group loans	10,794	1,676
Finance income	10,794	1,676

	2019	*2018*
	£000	*£000*
Interest expense	10,839	1,631
Finance expense	10,839	1,631

Interest receivable on intra group loans includes £10,794,000 (2018 - £1,676,000) receivable on loans provided to BrightHouse Group Limited, the parent company.

Notes to the financial statements

for the year ended 31 March 2019

4. Taxation

The Company is registered as a United Kingdom business establishment at Companies House and registered with the United Kingdom tax authorities. It is therefore a United Kingdom tax resident and will be subject to the United Kingdom tax regime and pay United Kingdom corporation tax.

As the Company is controlled and managed in the United Kingdom, which has a maximum corporation tax rate higher than 10%, the Company is not a tax resident of Jersey and will not pay tax in Jersey.

(a) Tax on ordinary activities

Recognised in the income statement

	2019 *£000*	*2018* *£000*
Current tax:		
Corporation tax charge UK	–	–
Total taxation in income statement	–	–

(b) Reconciliation of the total tax charge

	*ETR** *%*	*2019* *£000*	*ETR* *%*	*2018* *£000*
Accounting (loss) / profit before tax		(130)		45
Accounting (loss) / profit before tax by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(19.0%)	(25)	19.0%	9
Group relief	19.0%	25	(19.0%)	(9)
Total taxation in income statement	0.0%	–	0.0%	–

* Effective Tax Rate

5. Trade and other receivables

	2019 *£000*	*2018* *£000*
Amounts falling due within one year:		
Loans and receivables: amounts owed by parent company	127,562	116,767
Trade and other receivables	26	–
	127,588	116,767

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. Within amounts owed by parent company is a loan for £115,091,000 to BrightHouse Group Limited,which is interest bearing at a fixed rate of 9% and is repayable on demand. During the period a total of £10,794,000 (2018 £1,676,000) of interest has been accrued within this balance.

Notes to the financial statements

for the year ended 31 March 2019

6. Trade and other payables

	2019	*2018*
	£000	*£000*
Accrued interest	4,195	1,631
Amounts due to group undertakings	46	–
Accrued expenses	65	–
	4,306	1,631

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

7. Financial liabilities

	2019	*2018*
	£000	*£000*
Non-current liabilities:		
Senior secured notes 2023	123,367	115,091
	123,367	115,091

Terms and debt repayment schedule

The £115 million senior secured notes are due on 15 May 2023. Interest is fixed at 9% and is payable on 15 May and 15 November every year to the date of expiry either in cash or with additional notes depending on the amount of cash within the Group during the period.

Changes in liabilities arising from financing activities

	£000
At 10 January 2018	–
Issue of senior secured notes 2023	115,091
At 31 March 2018	115,091
Issue of PIK interest notes	8,276
At 31 March 2019	123,367

Notes to the financial statements

for the year ended 31 March 2019

8. Stated capital

Authorised, allotted, called up and fully paid	*No.*	*2019* *£000*	*No.*	*2018* *£000*
Equity shares:				
Ordinary shares of no par value issued on incorporation	1	-	1	-

The ordinary shares carry voting rights exercisable in proportion to the number of shares held by each member. Any income and capital distributed by the Company shall be distributed amongst the ordinary shareholders in proportion to the number of ordinary shares held by them respectively.

9. Financial instruments

Capital management

On 2 February 2018 the BrightHouse Group entered into a debt for equity swap transaction. BrightHouse FinCo Limited was incorporated as part of the execution of this transaction and issued senior secured notes of £115m maturing on 15 May 2023. After the initial capital set up, very little capital management will be required as the capital structure of the company will not change. Capital funding requirement decisions will be made by the BrightHouse Group should there be a need in the future.

Categories of financial instruments

	2019 *£000*	*2018* *£000*
Financial assets		
Carried at amortised cost:		
Trade and other receivables	127,588	116,767
	127,588	116,767

	2019 *£000*	*2018* *£000*
Financial liabilities		
Carried at amortised cost:		
Borrowings	123,367	115,091
Trade and other payables	4,306	1,631
	127,673	116,722

Financial risk management objectives

The risk facing the Company comprises liquidity risk.

On 2 February 2018, £115m senior secured notes were issued by the Company, which are due on 15 May 2023. There are no covenants associated with the senior secured notes. Interest is fixed at 9% and is payable on 15 May and 15 November every year to the date of expiry. As discussed in the going concern section of note 1, the Company is reliant on both the interest and the repayment of the BrightHouse Group Limited loan receivable to service the interest payments and the final redemption payment.

Notes to the financial statements

for the year ended 31 March 2019

9. Financial instruments (continued)

The Company monitors its liquidity risk on an ongoing basis as part of the Group's liquidity risk management, by undertaking rigorous cash flow forecasting procedures. The objective of the Group's liquidity risk management is to ensure sufficient cash resources and the availability of funding as required by maintaining a balance between continuity of funding and flexibility through cash pooling and shareholder funding.

Liquidity and cash flow are monitored monthly and reported through the management accounts to the Board. All budgets and plans assess the impact on liquidity and banking covenants.

The Company's borrowings are all at fixed interest rates and therefore there is no exposure to cash flow interest rate risk.

The following table details the remaining capital and interest due on the Company's non-derivative interest bearing undiscounted financial liabilities until contractual maturity.

At 31 March 2019	*6 months or less £000*	*6 -12 months £000*	*1 - 2 years £000*	*2 - 5 years £000*	*Total £000*
Senior secured notes	5,551	5,801	12,398	155,155	178,906
Trade and other payables	4,306	–	–	–	4,306
	9,857	5,801	12,398	207,228	235,284

At 31 March 2018	*6 months or less £000*	*6 -12 months £000*	*1 - 2 years £000*	*2 - 5 years £000*	*Total £000*
Senior secured notes	2,964	5,179	10,358	151,344	169,845
Trade and other payables	1,631	–	–	–	1,631
	4,595	5,179	10,358	151,344	171,476

Fair value

Derivative financial instruments

As at 31 March 2019 and 31 March 2018 the Company held no derivative financial instruments.

Fair value compared to carrying value

The directors consider that the carrying amount of financial instruments approximates to their fair value.

Notes to the financial statements

for the year ended 31 March 2019

10. Related party transactions

Amounts are recharged between the Company and BrightHouse Group Limited relating to the financing cost of the Company. During the period, the Company entered into the following with related parties:

	Interest receivable £000	*Amounts owed by related parties £000*	*Amounts owed to related parties £000*
2019			
Immediate parent	10,794	127,562	–
Fellow subsidiary	–	–	46
	10,794	127,562	46

	Interest receivable £000	*Amounts owed by related parties £000*	*Amounts owed to related parties £000*
2018			
Immediate parent	1,676	116,767	–
	1,676	116,767	–

11. Ultimate parent undertaking

BrightHouse FinCo Limited is a subsidiary undertaking of BrightHouse Group Limited, a company incorporated in England and Wales. The ultimate parent company and ultimate controlling party of BrightHouse FinCo Limited is BrightHouse TopCo Limited, a company registered in Jersey and the largest group in which the results of the company are consolidated.

The group financial statements of this group are available to the public and may be obtained from the registered office at at 3rd Floor, 44 Esplanade, St. Helier, Jersey, JE4 9WG. The smallest group of which these results are consolidated are BrightHouse Group Limited, a company registered in England & Wales whose registered office is 5 Hercules Way, Leavesden, Watford, WD25 7GS, United Kingdom