1133421 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**
You cannot use this form an alteration of manner with accounting require

WEDNESDAY

A7XAQEXF
A12 16/01/2019 #267
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	BRIGHTHOUSE FINCO LIMITED FC035011 Jersey Registered 125524
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 COMPANIES (Jersey) Law 1991

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 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'**.

Name of organisation or body ❶

INTERNATIONAL STANDARDS ON AUDITING

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

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 [signature] 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	DAVID HARWOOD
Company name	BRIGHTHOUSE GROUP LTD
Address	5 HERCULES WAY
Post town	WATFORD
County/Region	HERTS
Postcode	WD25 7GS
Country	UK
DX	
Telephone	01923 488222

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

113342/20

Jersey Registered No. 125524
UK Registered No. FC035011

BrightHouse FinCo Limited

Report and Financial Statements

31 March 2018

Directors

H S Paton
G J Campbell

Secretary

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

Auditors

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Registered Office

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

Directors' report

The directors present their report and financial statements for the period from incorporation of the Company on 10 January 2018 to 31 March 2018. 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 profit for the period after taxation amounted to £45,000. The directors do not recommend the payment of a final dividend.

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 February 2018, the BrightHouse Group successfully completed both its FCA authorisation and refinancing. The new bond, with a maturity in 2023 and without financial covenants, provides security to our capital structure in the period under review.

In September 2018, and in accordance with the five year business plan the Directors negotiated an additional super senior supplier finance facility of up to £35m. This facility is ongoing subject to a 12 month termination notice.

On 22 November 2018, the FCA proposed certain measures on rent to own firms in relation to its High Cost Credit review. These proposed measures include 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.

Any changes to the financing structure of the BrightHouse group and arising from the outcome of the High Cost Credit review will have an impact on this company in terms of the ability to service the borrowing commitments of the company.

We have modelled the financial impact of these proposals and note that, with the continuation of the supplier finance facility noted above, the Group has sufficient resources to continue for the foreseeable future.

Whilst we believe that no significant changes will be made to the FCA proposals, we highlight that these proposals are subject to ongoing consultations and therefore could change with adverse consequences for our business. In such a situation we would clearly look to mitigate such changes by adapting the business model and reducing the cost base.

Directors' report

Going concern (continued)

Considering all the above, the directors believe that the continuation of the funding facility and the conclusion of the High Cost Credit review represents material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding this uncertainty, the Directors expect the current FCA proposals to remain unchanged and that the supplier finance facility will continue, and therefore that the business continues to be a going concern. These financial statements have been prepared on a going concern basis and do not contain adjustments that would result if the Company were unable to continue as a going concern.

Impact on 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 financing entity for the wider BrightHouse Group and therefore has no direct risks from Brexit. However our group companies are exposed to potential impacts.

All of the stores and customers are based in the UK which limits potential impacts and we are not directly exposed to currency volatility as all of our stock payments made are in pounds Sterling.

The principal risk identified is a period of disruption to our product supply chain caused by delays at entrance ports.

We carry multiple weeks of stock cover which would mitigate some of the impact and are in discussions with our key suppliers to make alternative plans should the risk arise.

Directors

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

H S Paton (appointed 1 February 2018)
A M Maby (appointed 1 February 2018) (resigned 3 October 2018)
G J Campbell (appointed 3 October 2018)

Employees

The Company has no employees.

Political contributions

The Company made no political contributions during the period.

Auditors

The Company is currently undertaking a tender process with a view to appointing auditors for the year ended 31 March 2019.

By order of the Board

G J Campbell
Director
19 December 2018

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 period 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 period end and of the profit or loss of the company for the period 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 auditors' report

to the members of BrightHouse FinCo Limited

Opinion

We have audited the financial statements of BrightHouse FinCo Limited (the 'company') for the period ended 31 March 2018 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in equity, the Statement of Cash flows and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed 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 in relation to going concern

We draw attention to note 1 in the financial statements, which indicates the uncertainties relating to the continuation of the funding facility and the conclusion of the Financial Conduct Authority's High Cost Credit consultation due in January 2019 and the impact this may have on the company. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that material uncertainties 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.

Independent auditors' report

to the members of BrightHouse FinCo Limited

Overview of our audit approach

Key audit matters	► Assessment of Going concern ► Valuation of intercompany receivable
Materiality	► Overall materiality of £580,000 which represents 0.5% of gross assets.

Key audit matters

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

Risk	Our response to the risk	Key observations
Carrying value of loan receivable and going concern The principal activity of the company is to act as a debt issuer on behalf of the BrightHouse Group and to ensure the external bonds are matched with internal loan arrangements. The company does not trade and the profit or loss represents the net cost on the internal and external debt arrangements. The Company is reliant on the repayment of the BrightHouse Group Limited loan receivable to service the interest payments on the external bond and the final redemption payment of the bond in 2023. As a result there is a potential risk of the ability of the company to continue as a going concern should BrightHouse Group not be able to make interest and loan repayments on the internal loan. The Directors' expectation is that the current FCA proposals will remain unchanged and that the revolving credit facility will continue. Should this situation	We verified the intercompany receivable from the BrightHouse Group, confirming that the accounting treatment is in line with the signed agreement. We engaged EY valuation specialists to ensure that the external loan was correctly recorded at fair value at inception as there are variations in terms between the internal loan and external bonds. We performed procedures to assess the ability of the BrightHouse Group to repay the loan receivable and to assess whether a loss event under IAS 39 had arisen since the inception of the loan that would trigger an impairment loss. The financial statements of the ultimate parent company of the company disclose material uncertainties in relation to going concern relating to the rolling 12 month notice period from the group revolving credit facility and the final conclusion in	The loan value recorded at inception of £115m represented the fair value of the loan receivable. We have concluded that the carrying value of the loan receivable recognised at fair value is not impaired. There has been no trigger for an impairment test as there has been no loss event since the date of the valuation in February 2018. BrightHouse Group Limited remains a going concern notwithstanding there are material uncertainties regarding the ability of the group to remain a going concern.

Independent auditors' report

to the members of BrightHouse FinCo Limited

Risk	Our response to the risk	Key observations
change the impact could be mitigated by adapting the business model and reducing the cost base. Therefore the business continues to be a going concern and the financial statements have been prepared on this basis.	relation to the outcome of the FCA's high cost credit review. We therefore considered the findings from our assessment of the Group's funding agreements and overall going concern assessment.	

An overview of the scope of our audit

Tailoring the scope

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

Our application of materiality

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

Materiality

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

We determined materiality for the company to be £580,000, which is 0.5% of gross assets. We believe that gross assets provides us with an appropriate materiality basis as the entity is non-trading and holds external borrowings which are matched with internal loan arrangements. As a result the intention is for there to be minimal profit or loss and the capital-based measure is considered the most appropriate basis for determining materiality.

During the course of our audit, we reassess initial materiality and there was no change to final materiality from the original assessment at planning.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £290,000, reflecting that this is our first audit period as auditor of BrightHouse FinCo Limited.

Independent auditors' report

to the members of BrightHouse FinCo Limited

Reporting threshold

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

We report any uncorrected audit differences in excess of £29,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the report and financial statements including the director's report set out on page 2, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company, 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 company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise

Independent auditors' report

to the members of BrightHouse FinCo Limited

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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.

Ernst & Young LLP

Anup Sodhi

for and on behalf of Ernst & Young LLP

Luton

19 December 2018

Income statement

for the period ended 31 March 2018

	Notes	*2018* *£000*
Finance income	6	1,676
Finance expense	6	(1,631)
Profit before taxation		45
Tax charge	7	–
Profit for the period		45

All results relate to continuing operations.

Statement of Comprehensive Income

for the period ended 31 March 2018

	2018 *£000*
Profit for the period	45
Other comprehensive income for the period net of tax	–
Total comprehensive income for the period net of tax	45

Statement of financial position

at 31 March 2018

	Notes	2018 £000
Current assets		
Trade and other receivables	8	116,767
Total assets		116,767
Current liabilities		
Trade and other payables	9	1,631
		1,631
Non-current liabilities		
Financial liabilities	10	115,091
		115,091
Total liabilities		116,722
Net assets		45
Equity attributable to the parent		
Stated capital	11	–
Retained earnings		45
Total equity		45

These financial statements were approved by the board of directors on 19 December 2018 and were signed on its behalf by:

G J Campbell
Director

Statement of changes in equity

at and for the period ended 31 March 2018

	Stated capital £000	*Retained earnings £000*	*Total equity £000*
At 10 January 2018	–	–	–
Shares issued on incorporation	–	–	–
Profit for the period	–	45	45
At 31 March 2018	–	45	45

Statement of cash flows

for the period ended 31 March 2018

	2018
	£000
Cash flows from operating activities	
Profit for the period	45
Adjustments for:	
Financial income	(1,676)
Financial expense	1,631
Net cash flow from operating activities	–
Cash flows from financing activities	
Proceeds of issue of senior secured notes 2023	115,091
Loan to immediate parent company	(115,091)
Net cash flow from financing activities	–
Net increase in cash and cash equivalents	–
Cash and cash equivalents at 10 January	–
Cash and cash equivalents at 31 March	–

Notes to the financial statements

at 31 March 2018

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 period from 10 January 2018 to 31 March 2018 were authorised for issue on 19 December 2018 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.

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 February 2018, the BrightHouse Group successfully completed both its FCA authorisation and refinancing. The new bond, with a maturity in 2023 and without financial covenants, provides security to our capital structure in the period under review.

In September 2018, and in accordance with the five year business plan the Directors negotiated an additional super senior supplier finance facility of up to £35m. This facility is ongoing subject to a 12 month termination notice.

On 22 November 2018, the FCA proposed certain measures on rent to own firms in relation to its High Cost Credit review. These proposed measures include 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.

Any changes to the financing structure of the BrightHouse group and arising from the outcome of the High Cost Credit review will have an impact on this company in terms of the ability to service the borrowing commitments of the company.

We have modelled the financial impact of these proposals and note that, with the continuation of the supplier finance facility noted above, the Group has sufficient resources to continue for the foreseeable future.

Whilst we believe that no significant changes will be made to the FCA proposals, we highlight that these proposals are subject to ongoing consultations and therefore could change with adverse consequences for our business. In such a situation we would clearly look to mitigate such changes by adapting the business model and reducing the cost base.

Notes to the financial statements

at 31 March 2018

1. Accounting policies (continued)

Going concern *(continued)*

Considering all the above, the directors believe that the continuation of the funding facility and the conclusion of the High Cost Credit review represents material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding this uncertainty, the Directors expect the current FCA proposals to remain unchanged and that the supplier finance facility will continue, and therefore that the business continues to be a going concern. These financial statements have been prepared on a going concern basis and do not contain adjustments that would result if the Company were unable to continue as a going concern.

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 and receivables

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

Notes to the financial statements

at 31 March 2018

1. Accounting policies (continued)

Financial assets *(continued)*

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.

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 IAS 39 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.

Notes to the financial statements
at 31 March 2018

1. Accounting policies (continued)

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 following standards and interpretations that are relevant to the Company have not been applied in the financial information as, although in issue at the date of preparation, were not effective for the periods covered by these financial statements:

- IFRS 9 – Financial Instruments

The application of IFRS 9 may change the measurement and presentation of financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The Company is currently considering the impact of IFRS 9 on its results and financial position.

The Company does not expect there to be significant changes to its income statement as a result of IFRS 9 however there is expected to be changes to the way that we disclose our financial instruments in the notes to the accounts.

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.

	2018
	£000
Auditors' remuneration	20

3. Directors' remuneration

The directors who held office during the year were also directors of fellow group companies. Total remuneration, including company contributions to a money purchase scheme, received by the directors totalled £234,000 paid by other group companies. The directors do not believe it is practicable to apportion this amount between services as directors to the Company and services as directors of the ultimate parent company and of fellow subsidiary companies.

4. Staff costs

The Company has no employees.

Notes to the financial statements

at 31 March 2018

5. Finance income and expense

Recognised in income statement:

	2018
	£000
Interest receivable on intra group loans	1,676
Finance income	1,676

	2018
	£000
Interest expense	1,631
Finance expense	1,631

Interest receivable on intra group loans includes £1,676,000 receivable on loans provided to BrightHouse Group Limited, the parent company.

6. Taxation

(a) Tax on ordinary activities

Recognised in the income statement:

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

(b) Reconciliation of the total tax charge

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

* Effective Tax Rate

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.

Notes to the financial statements

at 31 March 2018

7. Trade and other receivables

	2018
	£000
Amounts falling due within one year:	
Loans and receivables: amounts owed by parent company	116,767
	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 repayable on demand. During the period a total of £1,676,000 of interest has been accrued within this balance.

8. Trade and other payables

	2018
	£000
Accrued interest	1,631
	1,631

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

9. Financial liabilities

	2018
	£000
Non-current liabilities:	
Senior secured notes 2023	115,091
	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.

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

Notes to the financial statements

at 31 March 2018

10. Stated capital

		2018
Authorised, allotted, called up and fully paid	*No.*	*£000*
Equity shares:		
Ordinary shares of no par value issued on incorporation	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 appointed amongst the ordinary shareholders in proportion to the number of ordinary shares held by them respectively.

11. 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

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

	2018
	£000
Financial liabilities	
Carried at amortised cost:	
Borrowings	115,091
Trade and other payables	1,631
	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.

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.

Notes to the financial statements

at 31 March 2018

11. Financial instruments (continued)

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 2018

	6 months or less	*6 -12 months*	*1 - 2 years*	*Over 2 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£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 2018 the Company held no derivative financial instruments.

Fair value compared to carrying value

	Carrying amount 2018	*Fair value 2018*
	£000	*£000*
Financial assets		
Trade and other receivables	116,767	116,767
Financial liabilities		
Amortised cost		
Interest bearing loans and borrowings		
Fixed rate borrowings	115,091	115,091
Trade and other payables	1,631	1,631

12. 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	*Amounts owed by related parties*
	£000	*£000*
2018		
Immediate parent	1,676	116,767

Notes to the financial statements

at 31 March 2018

13. Ultimate parent undertaking

BrightHouse FinCo Limited is a subsidiary undertaking of BrighHouse 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 (formerly BrightHouse Group Plc), a company registered in England & Wales whose registered office is 5 Hercules Way, Leavesden, Watford, WD25 7GS, United Kingdom