

Company Number 9331195

RHP FINANCE PLC

Report and Financial Statements

For the year ended 31 March 2019

STATUTORY INFORMATION

Company registration number 9331195

Directors Corinna Bishopp
David Done OBE
John Newbury
Stephen Speak

Secretary Corinna Bishopp

Registered Office 8 Waldegrave Road,
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London
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Independent Auditor BDO LLP
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Solicitors Trowers & Hamlins LLP
3 Bunhill Row
London
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STRATEGIC REPORT (continued)

Further analysis of the key strategic risks faced by RHP and associated risk mitigations are provided in the RHP Group financial statements.

Interest risk

RHP Finance plc borrows funds on a fixed rate basis from the capital markets and then on lends to RHP at the same rate. The company therefore bears no interest rate risk other than the credit risk of RHP as discussed above.

Financial risk management objectives

The Directors' approach to financial risk management objectives and exposures have been set out in Note 10 of these financial statements.

The Company is primarily a conduit for accessing the Debt Capital Markets therefore the Board of Directors monitor the availability of cash flows to and from RHP as the financial key performance indicators.

During the financial period all cash flow was readily available to and from RHP and therefore met this objective.

Compliance

The Board of Directors ensure that the Company fulfils its obligations under the Bond Trust Deed which in turn ensures it is compliant with Listing Regulations and under the Bond Loan Agreement its commitments to Bond investors.

This report was approved by the Board on 11 July 2019 and signed on its behalf by



John Newbury
Director

REPORT OF THE DIRECTORS (continued)

statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that so far as each of the Directors is aware:

- The financial statements have been prepared in accordance with UK Generally Accepted Accountancy Practice and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- The financial statements and annual report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties it faces.
- there is no relevant audit information of which the Company's Auditor is unaware; and;
- they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

The names of all of the Directors are stated on page 2.

Going Concern

The company's business activities, its principal risks and uncertainties and factors likely to affect its future position are set out within the Strategic Report. There are no material uncertainties.

Corporate governance and audit committee

Due to the Company's limited scope and nature of its activities, the Company's Board is itself responsible for all aspects of the Company's corporate governance. The Company does not, therefore, have a separate audit committee.

Signed on behalf of the Board of Directors



John Newbury
Director

11 July 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RHP FINANCE PLC (continued)

Due to the nature of the entity and its activities, no key audit matters were identified.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. We determined materiality to be £45,000 (2018 - £69,000) which represents 1.0% revenue (2018 – 1.5% of revenue).

We used revenue as our chosen benchmark to determine materiality as the entity on lends funds raised in the capital markets to group companies and therefore the revenue generated from these activities is the area that will have greatest impact on decisions made by users of the accounts.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2018 – 75%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £1,000 (2018 - £1,000), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the accounting processes and controls, the complexity of operations and the degree of estimation and judgement in the financial results.

Extent to which the audit is capable of detecting irregularities, including fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error. As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and other laws and regulations application to a limited company in England.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RHP FINANCE PLC (continued)

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent 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 from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other matters on which we are required to report

We were appointed by the directors on 16 March 2017 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ending 31 March 2017 to 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the directors.

STATEMENT OF INCOME

	Notes	2019 £'000	2018 £'000
Revenue	3	4,619	4,619
Interest payable and similar charges	4	(4,619)	(4,619)
Profit on ordinary activities before taxation		<u>-</u>	<u>-</u>
Taxation	5	-	-
Profit after taxation and total comprehensive income for the year		<u>-</u>	<u>-</u>

The above relates wholly to continuing operations.

The notes on pages 14 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies

Company information

RHP Finance Plc is a public limited company, limited by shares and incorporated in England and Wales under the Companies Act. Its registered office is 8 Waldegrave Road, Teddington, London TW11 8GT.

Basis of preparation

The financial statements are prepared on the going concern basis, under the historic cost convention and in accordance with the Companies Act 2006 and Financial Reporting Standard 102 "The Financial Reporting Standard" applicable in the United Kingdom and Republic of Ireland Accounting standards (United Kingdom Generally Accepted Accounting Practice).

The triennial review of FRS102 was completed by the FRC in June 2018 and is effective for accounting periods beginning on or after 1 January 2019 with the option to early adopt the changes. The Company has adopted these changes in FRS102 one year earlier than required and reflects these changes in these 2018/19 financial statements. The Company considers that there are no adjustments arising from this early adoption.

The financial statements are presented in Sterling rounded to the nearest thousand.

The individual accounts of RHP Finance plc have also adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes.

Revenue

The revenue shown in the statement of comprehensive income represents interest receivable on the loan to RHP, plus amounts invoiced to cover the administrative expenses incurred during the period. Also included is any amortisation of bond issue costs due from RHP. Interest receivable is recognised on an accruals basis. All revenue comes from group entities.

Taxation

The charge for taxation is based on the profit or loss for the financial year. The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument. Amounts classed by the Company as financial assets are loans and receivables and cash.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Provision against intercompany debtors is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective rate. An assessment for impairment is undertaken at least at each balance sheet date.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

The bond and the intercompany debtor are classified as basic financial instruments as per section 11 Financial Reporting Standard 102 "The Financial Reporting Standard" applicable in the United Kingdom and Republic of Ireland Accounting standards (United Kingdom Generally Accepted Accounting Practice).

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Fixed asset investment (continued)

Loans to RHP are considered to be fixed asset investments as they are intended for use on a continuing basis in the Company's activities. The Directors consider such loans to be held for the long term over the life of the related debt.

The amounts stated above are all due in more than one year (refer to Note 7 for amounts due within one year).

7. Debtors – amount falling due within one year

	2019	2018
	£'000	£'000
Amounts owed by RHP through intercompany account	686	686
	<u>686</u>	<u>686</u>

The figure above represents 55 days of accrued interest to 31 March 2019.

8. Creditors – amount falling due within one year

	2019	2018
	£'000	£'000
Amounts due to 2048 Bond investors	686	686
	<u>686</u>	<u>686</u>

The figure above represents 55 days of accrued interest to 31 March 2019.

9. Creditors – amounts falling due after more than one year

	2019	2018
	£'000	£'000
Amounts due to 2048 Bond investors	<u>138,021</u>	<u>137,952</u>

The above includes the premium on issue; the nominal value is £140m.

Under the terms of the Bond Loan Agreement RHP is committed to repay the 2048 Bond in full by maturity date in 10 bi-annual instalments starting on the 28th anniversary of the Bond to enable the Company to reimburse the bond holders.

All amounts are due for repayment in more than 5 years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Financial instruments (continued)

The maximum credit risk currently faced by the Company is £140m being the total amount of funds raised from external investors by the 2048 Bond issuance, and on lent to RHP.

No impairment loss has been recorded in relation to the fixed asset investment.

Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations. Expected cash flows from financial assets, in particular its cash resources and trade receivables, are used by the Directors in assessing and managing liquidity risk. The Group has in place a number of risk mitigation activities. The risk is managed via the Bond Loan Agreement into which the Company has entered with RHP.

The capital and repayment profile of the Company's gross undiscounted liabilities is as follows:

	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
2019					
Amounts due to 2048 Bond investors	-	4,619	18,474	250,152	273,245
Amounts due to RHP	13	-	-	-	13
	13	4,619	18,474	250,152	273,258

Amounts due to 2048 Bond Investors reflects the gross payments due on the amount of 2048 Bond that was issued to external investors.

Interest rate risk

The Company has no exposure to interest rate risk as all amounts owed to external 2048 Bond investors are at a fixed rate of interest as are the interest receivable amount due from RHP on amounts lent under the Bond Loan Agreement.

There are no other interest-bearing assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Capital risk management (continued)

The Company has honoured all its covenant obligations since the 2048 Bond issuance to the Debt Capital Markets on 5 February 2015. The Company's covenants are outlined in the Bond Loan Agreement and relate to the permitted business activities of the Company and asset cover.

Failure to comply with any covenant would lead to a default and security for the loan becoming immediately enforceable and the bond becoming immediately due and repayable.

The Company has complied with all externally imposed capital requirements during the year.

12. Called up share capital

	2019	2018
	£'000	£'000
Authorised		
50,000 ordinary shares of £1 each	<u>50</u>	<u>50</u>
Allocated, issued and paid		
50,000 ordinary shares of £1 part paid £0.25	<u>13</u>	<u>13</u>

Upon incorporation, the Company issued 50,000 £1 shares to provide working capital to establish the business. All shares rank pari passu in all regards.

13. Related party transactions

The company takes advantage of FRS 102 section 33. "Related Party Disclosures" exemption permitting it not to disclose transactions with Group undertakings where 100% of the voting rights are controlled within the group and consolidated group accounts are prepared.

14. Ultimate parent undertaking

RHP Finance PLC is a wholly owned subsidiary of RHP, which is the ultimate parent and ultimate controlling entity. RHP is the largest entity in the group that produces consolidated financial statements. RHP is a registered public benefit entity formed under the Co-operative and Community Benefit Societies Act 2014. Consolidated financial statements of RHP can be obtained from the Company Secretary at 8 Waldegrave Road, Teddington, London, TW11 8GT.