Thorn Finance Limited

Directors' report and financial statements

Registered number 3178099

31 March 2007

Contents

Directors' report

The directors present their directors' report and the financial statements of Thorn Finance Limited ("the company") for the year ended 31 March 2007

Principal activity

The principal activity of the company is to act as a finance company for the Carmelite Capital Limited ("CCL") group

The directors intend, subject to shareholder consent, to place the company into solvent liquidation by way of Members Voluntary Liquidation ("MVL") during the year ending 31 March 2008 Consequently these financial statements have been prepared on a break-up basis rather than going concern basis There are no material adjustments to the profit for the year or the company's net assets as the result of adopting this basis of preparation

Business review

Financial overview

The company made a profit for the year before taxation of £11 2m *(2006 profit of £28 0m)* which consisted of net interest receivable of £29 7m *(2006 £28 4m)* and a reduction in the provision for impairment of investments of £0 4m *(2006 £nil)* less provision for impairment in financial assets of £18 7m *(2006 £nil)* and operating expenses of £0 3m *(2006 £0 4m)*

Financing activity

Disposal of Thorn Rentals NZ Limited ("TRNZ") and Thorn Asia Pacific Holdings Pty Limited ("TAPH")

On 3 November 2006 and 8 December 2006 respectively, Thorn International Holdings Limited ("TIHL"), a fellow CCL group undertaking, disposed of 100% of its ownership interest in TRNZ and the majority of its ownership interest in TAPH

Upon the disposal of TAPH (renamed RR Australia Limited) by way of an Initial Public Offering, its subsidiary undertaking Thorn Australia Pty Limited repaid a £15 1m interest bearing loan made available to it by the company In addition, TIHL subsequently utilised the net proceeds arising from its disposal of TRNZ and TAPH to repay in full an interest free loan of £2 4m made available to it by the company, £0 1m of interest bearing advances that the company had made to TIHL to fund transaction costs in respect of the disposals, and £0 2m of an interest bearing loan made available to it by the company

Purchase of Quadriga credit facilities

On 2 January 2007, the company utilised the proceeds from the initial loan repayments by TIHL and Thorn Australia Pty Limited to purchase £19 0m of credit facilities provided by National Westminster Bank plc ("NWB") to Quadriga Holdings Limited ("QHL"), a fellow CCL group undertaking, in accordance with an undertaking given by the company to NWB The fair value of these credit facilities at 31 March 2007 is £1 0m based on the agreement by the company on 23 August 2007 to novate the debt owed by QHL of £20 3m to Co-Investment Acquisition No 2 LP Inc for £1 0m (see post balance sheet events)

Other financing activity

On 28 November 2006, interest free loans of £1 1m and £0 7m made available to SCTH were repaid in full, following the disposal of its operating subsidiary companies

Directors' report *(continued)*

Post balance sheet events

On 2 April 2007, Thorn Limited, the immediate parent undertaking of the company, part repaid £47 4m of an interest-bearing loan made available to it by the company The company subsequently used the proceeds arising from the repayment of this loan to repay in full a £47 4m loan made available to the company by Caversham Finance Ltd, a fellow CCL group undertaking

On 27 May 2007, Terra Firma Investments (GP) Limited, a wholly owned subsidiary of TFCP Holdings Limited, the ultimate controlling party of the company, agreed to dispose of its entire interest in CCL, the company's ultimate parent company to Co-Investment Acquisitions No 2 LP Inc The disposal subsequently completed on 19 July 2007

On 6 August 2007 the company received a waiver from National Westminster Bank plc which permanently released it from its obligations to utilise the proceeds and any future proceeds from the disposal of TRNZ and TAPH to purchase further QHL credit facilities

On 17 August 2007, TIHL received notification that the £2 0m ($A5 0m) of sale proceeds that it had placed in escrow to support an indemnity it had given in connection with the IPO of Thorn Asia Pacific Holdings had been formally released, and TIHL used these funds to further part repay an interest bearing loan made available to it by the company on 11 September 2007

On 22 August 2007, CCL disposed of its interest in Interactive Hotel Services Limited and its subsidiaries ("the Quadriga Group"), including QHL, to Co-Investment Acquisition No 10 LP Inc In order to allow the disposal to complete and to facilitate the release of the company and other companies within the CCL Group from any further obligations to the Quadriga Group, the company agreed to novate the debt owed by QHL of £20 3m to Co-Investment Acquisitions No 2 LP Inc for £1 0m on 23 August 2007

On 3 September 2007 the company redeemed the 8% Eurobonds at par value plus accrued interest in full in accordance with the Trust Deed

On 7 November 2007, Scandinavian Consumer Technology Holdings plc ("SCTH") a fellow CCL group undertaking in whom the company holds an investment of £100 6m fully paid up B non-redeemable preference shares, entered into solvent liquidation by way of Members Voluntary Liquidation On 8 November 2007, the liquidator made a distribution in specie of £0 4m in respect of the B preference shares held by the company

Proposed dividend

The directors do not recommend the payment of a dividend *(2006 £nil)*

Directors

The directors who held office during the year and subsequently, were as follows

A P Chadd	(resigned 21 March 2007)
L Cooklin	(resigned 22 November 2007)
R J Hudson	(appointed 11 April 2007, resigned 5 October 2007)
A G Jones	(resigned 5 October 2007)
A J Spillane	(appointed 11 April 2007)
Q R Stewart	(resigned 22 March 2007)
A D Gurnham	(appointed 5 September 2007)

Directors' report *(continued)*

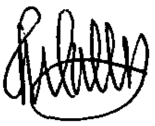
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditor

Pursuant to section 386 of the Companies Act 1985, elective resolutions are in place to dispense with the obligation to appoint auditors annually and KPMG Audit Plc will therefore remain in office

By order of the board



R J Walter
Secretary

12 December 2007

Carmelite
50 Victoria Embankment
Blackfriars
London, EC4Y 0DX

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business As explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

KPMG Audit Plc
PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of Thorn Finance Limited

We have audited the financial statements of Thorn Finance Limited for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes These financial statements have not been prepared on the going concern basis for the reason set out in note 1 to the financial statements but under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Independent auditors' report to the members of Thorn Finance Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc　　　　　　　　　　21 December 2007

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 March 2007

	Note	2007 £000	2006 £000
Operating expenses	*2-4*	(250)	(407)
Reversal of prior year provision for impairment of investment	*8*	371	-
Provision for impairment in financial assets		(18,663)	-
Operating loss		(18,542)	(407)
Interest receivable and similar income	*5*	43,229	42,168
Interest payable and similar charges	*6*	(13,491)	(13,715)
Profit on ordinary activities before taxation		11,196	28,046
Tax on profit on ordinary activities	*7*	(6,710)	(9,007)
Profit for the financial year	*17*	4,486	19,039

There is no material difference between the result on a historical cost basis and that described in the profit and loss account

The company has no recognised gains or losses in the current or prior year other than the profit for the year

All results relate to continuing operations

Balance sheet
at 31 March 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Investments	8		371		-
Current Assets					
Amounts owed by fellow group undertakings	9	552,670		579,777	
Trade and other receivables	10	1,994		181	
Cash and cash equivalents	11	4,044		129	
		558,708		580,087	
Creditors. amounts falling due within one year					
Financial liabilities	12	(78,397)		(3,436)	
Amounts owed to fellow group undertakings	13	(125,832)		(132,442)	
Other creditors including taxation	14	(8,670)		(27,646)	
		(212,899)		(163,524)	
Net current assets					
Due within one year		(68,170)		(19,481)	
Due after more than one year		413,979		436,044	
			345,809		416,563
Creditors: amounts falling due after more than one year					
Borrowings	12		-		(74,869)
Provisions for liabilities and charges	15		(447)		(447)
Net assets			345,733		341,247
Capital and reserves					
Called up share capital	17		30,050		30,050
Share premium account	18		270,000		270,000
Profit and loss account	18		45,683		41,197
Shareholder's funds			345,733		341,247

These financial statements were approved by the board of directors on 12 December 2007 and were signed on its behalf by

A J Spillane
Director

Reconciliation of movements in shareholder's funds
for the year ended 31 March 2007

	2007	2006
	£000	£000
Profit for the financial year	**4,486**	19,039
Net addition to shareholder's funds	**4,486**	19,039
Opening shareholder's funds	**341,247**	322,547
Effect of adoption on FRS 26 on 1 April 2005	-	(168)
Capital contribution on renewal of interest free loan on 24 March 2006	-	(171)
Closing shareholder's funds	**345,733**	341,247

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The directors intend, subject to shareholder consent, to place the company into Members Voluntary Liquidation during the year ending 31 March 2008 Consequently these financial statements have been prepared on a break-up basis rather than going concern basis In all other aspects the financial statements have been prepared in accordance with applicable accounting standards and under historical cost accounting rules

There are no material adjustments to the profit for the year or the company's net assets as the result of adopting this basis of preparation

Under FRS 1 'Cash flow statements' the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

As the company is a wholly owned subsidiary of Carmelite Capital Limited ('CCL"), the company has taken advantage of the exemption contained in FRS 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the CCL group (or investees of the group qualifying as related parties) The consolidated financial statements of CCL, within which this company is included, can be obtained from the address given in note 21

Segmental information

The directors consider that the company has one class of business being to raise and provide finance for the CCL group The activities of the company are conducted in the UK and Europe However, the directors do not consider the activities of the company that are conducted in Europe significant

Foreign currencies

Transactions in foreign currencies are recorded using the contracted rate or the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Financial Instruments

Financial assets and financial liabilities are recognised on the balance sheet of the company when the company becomes party to the contractual provisions of the financial instrument

Financial Assets

Financial assets are either classified as being at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate

When financial assets are recognised initially, they are measured at fair value, and in the case of investments not at fair value through profit and loss, after taking account of directly attributable transaction costs

Notes *(continued)*

1 Accounting policies *(continued)*

Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of their contractual provisions

Equity instruments issued by the company are classified 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 Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy The finance cost on the financial liability component is correspondingly higher over the life of the instrument

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges and finance payments associated with financial instruments that are classified as part of shareholders' funds are dealt with as appropriations in the reconciliation of movements in shareholders' funds

All financial liabilities are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the instrument After initial recognition, financial liabilities are subsequently measured at amortised cost, and any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement Financial liabilities with maturities greater than 12 months after the balance sheet date are classified as non-current liabilities

Investments

The company classifies its investments as being held to continue the operation of its business They are included in non-current assets unless the company intends to dispose of the investment within 12 months of the balance sheet date

Impairment of financial assets

The company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired An impairment loss is recognised whenever the carrying amount of a financial asset exceeds its recoverable amount Impairment are recognised in the income statement

Other creditors including taxation

Other creditors including taxation are not interest-bearing and are stated at their nominal value

Notes *(continued)*

1 Accounting policies *(continued)*

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 'Deferred tax'

Cash and liquid resources

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market

2 Auditor's remuneration

The fees for the audit of these financial statements were £24,000 *(2006 £25,000)*

3 Remuneration of directors

No director received any remuneration during the year in respect of services to the company *(2006 £nil)*

4 Staff numbers and costs

The company has no employees and therefore incurs no wage or salary costs *(2006 £nil)*

5 Interest receivable and similar income

	2007	2006
	£000	£000
On amounts due from fellow group undertakings	**42,938**	41,819
Bank deposits	**75**	51
Other interest	**52**	40
Net exchange gains	**-**	87
Unwinding of discount on interest free loan	**164**	171
	43,229	42,168

Notes *(continued)*

6 Interest payable and similar charges

	2007 £000	2006 £000
On revolving credit facilities and overdrafts	**12**	647
Eurobonds	**6,000**	6,000
On amounts payable to fellow group undertakings	**6,802**	6,975
Net exchange losses	**453**	-
Other	**224**	93
	13,491	13,715

7 Taxation

Analysis of charge in year

	2007 £000	2006 £000
UK Corporation tax		
Current year tax charge on profit on ordinary activities	**8,745**	9,007
Adjustments in respect of prior years	**(2,035)**	-
Total current tax charge	**6,710**	9,007
Deferred tax charge	**-**	-
Tax charge on profit on ordinary activities	**6,710**	9,007

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2006 higher)* than the standard rate of corporation tax in the UK of 30% *(2006 30%)* The differences are explained below

	2007 £000	2006 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**11,196**	28,046
Current tax charge at 30% *(2006 30%)*	**3,359**	8,414
Effects of		
Expenses not deductible for tax purposes	**5,386**	709
Tax refund in respect of prior year overpayment	**(2,035)**	-
Double taxation relief	**-**	(116)
Total current tax charge (see above)	**6,710**	9,007

Factors that may affect future tax charges

There are no factors which the directors consider may significantly influence the future tax charges

Notes *(continued)*

8 Investments

	2007 £000	2006 £000
Cost		
At beginning of year	**100,590**	-
Additions	**-**	100,590
At end of year	**100,590**	100,590
Provisions		
At beginning of year	**100,590**	-
Provision for impairment	**-**	100,590
Reversal of prior year provision for impairment	**(371)**	-
At end of year	**100,219**	100,590
Net book value	**371**	-

The company's investments consist of £100 6m fully paid up B non-redeemable preference shares in Scandinavian Consumer Technology Holdings plc ("SCTH"), a fellow CCL group undertaking This represents 100% of the B non-redeemable preference shares in issue and 59 7% of the issued share capital of SCTH On winding up, the B preference shares rank above the ordinary shares in issue and the preference shareholders would be entitled to all arrears and accruals of preference dividends and a return of capital before any return to the ordinary shareholders There are no voting rights attached to the preference shares

The investment was acquired on 20 September 2005 when the directors agreed to accept £100 6m fully paid up B non-redeemable preference shares in SCTH in settlement of two loans (including interest) following receipt of advice from SCTH that it was unlikely that it would be able to repay these loans in the short or medium term The company had made a full provision at 31 March 2005 of £98 2m against these loans and this provision was retained on conversion of the loans into B preference shares as the recoverable value of the shares had been assessed by the directors as being nil

On 7 November 2007, SCTH entered into solvent liquidation by way of Members Voluntary Liquidation On 8 November 2007, the liquidator made a distribution in specie of £0 4m in respect of the B preference shares held by the company Consequently, at the balance sheet date the recoverable value of the fully paid up B non-redeemable preference shares held by the company has been assessed by the directors as being £0 4m

Notes *(continued)*

9 Amounts owed by fellow group undertakings

	2007	2006
	£000	£000
Amounts falling due within one year		
Thorn Limited	81,461	80,242
Scandinavian Consumer Technology Holdings plc	-	1,807
Quadriga Holdings Limited	1,000	-
Thorn International Holdings Limited	56,282	61,736
	138,743	143,785
Amounts falling due after more than one year		
Future Rentals Limited	413,927	420,526
Thorn Australia Pty Limited	-	15,466
	413,927	435,992
	552,670	579,777

The interest rates and maturity of amounts owed by fellow group undertakings are as follows

		Interest rate	
	Maturity	**2007**	2006
		%	%
Amounts falling due within one year			
Thorn Limited - £81 5m *(2006 £80 2m)*	One month	7 16%	6 34%
Scandinavian Consumer Technology Holdings plc - £nil *(2006 £1 8m)*	Three months	n/a	0 00%
Quadriga Holdings Limited - £1 0m *(2006 £nil)*	Six months	11 00%	n/a
Thorn International Holdings Limited - £56 3m *(2006 £59 2m)*	One month	7 21%	6 34%
Thorn International Holdings Limited - £nil *(2006 £2 5m)*	One year	n/a	0 00%
Amounts falling due after more than one year			
Future Rentals Ltd - unsecured zero coupon loan - £413 9m *(2006 £420 5m)*	22 September 2010	7 43%	7 43%
Thorn Australia Pty Limited - £nil *(2006 £15 5m)*	30 December 2007	n/a	7 26%

On 28 November 2006, interest free loans of £1 1m and £0 7m made available to SCTH were repaid in full, following the disposal of its operating subsidiary companies

On 8 December 2006 Thorn International Holdings Limited ("TIHL") disposed of the majority of its ownership interest in Thorn Asia Pacific Holdings Limited, the immediate parent undertaking of Thorn Australia Pty Limited Upon completion of the disposal of TAPH, Thorn Australia Pty Limited repaid a £15 1m interest bearing loan made available to it by the company

In addition, TIHL subsequently utilised the net proceeds arising from its disposal of TRNZ and TAPH to repay in full an interest free loan of £2 4m made available to it by the company

On 2 January 2007, the company utilised the proceeds from the initial loan repayments by TIHL and Thorn Australia Pty Limited to purchase £19 0m of credit facilities provided by National Westminster Bank plc ("NWB") to Quadriga Holdings Limited ("QHL"), a fellow CCL group undertaking, in accordance with an undertaking given by the company to NWB A provision for impairment of £18 7m (including interest to the balance sheet date) has been made with respect to these credit facilities which reduces their net realisable value at 31 March 2007 to £1 0m This impairment follows an agreement by the company on 23 August 2007 to novate the debt owed by QHL to Co-Investment Acquisition No 2 LP Inc for £1 0m (see note 19)

Notes *(continued)*

10 Trade and other receivables

	2007 £000	2006 £000
Amounts falling due within one year		
Withholding tax	**87**	129
Corporation tax	**1,855**	-
	1,942	129
Amounts falling due after more than one year		
Prepayments	**52**	52
	1,994	181

11 Cash and cash equivalents

	2007 £000	2006 £000
Cash at bank and in hand	**4,044**	129

The effective interest rate on cash at bank and in hand ranges between 0% and 5% for 2007 and 2006, consistent with market interest rates

12 Financial liabilities

	2007 £000	2006 £000
Amounts falling due within one year		
Eurobonds	**78,397**	3,436
	78,397	3,436
Amounts falling due after more than one year		
Eurobonds	**-**	74,869
	78,397	78,305

The Eurobonds are fixed rate sterling liabilities carrying an 8% coupon rate, and are repayable on 3 September 2007 Amounts falling due within one year include the par value of the Eurobonds of £75m *(2006 £nil)* which is disclosed net of capitalised arrangement fees plus interest coupons that are paid annually and amounts accrued as at the balance sheet date of £3 4m *(2006 £3 4m)* At 31 March 2006 the par value of the Eurobonds net of capitalised arrangement fees was classified as falling due after more than one year

On 3 September 2007 the company redeemed the 8% Eurobonds at par value plus accrued interest in full in accordance with the Trust Deed

Notes *(continued)*

13 Amounts owed to fellow group undertakings

	2007	2006
	£000	£000
Thorn International BV	**37,227**	41,158
Caversham Finance Limited	**47,387**	46,891
Thorn Developments Holdings Limited	**19,855**	19,251
Rental Holding Company Limited	**3,652**	3,507
Future Rentals Limited	**-**	98
Thorn Insurance Company Limited	**17,377**	21,370
Thorn Limited	**334**	167
	125,832	132,442

The interest rates and maturity of amounts owed to fellow group undertakings are as follows

		Interest rate	
	Maturity	**2007**	2006
			%
Thorn International BV - £37 2m *(2006 £41 2m)*	One month	**5 46%**	4 59%
Caversham Finance Limited - £47 4m *(2006 £46 9m)*	One month	**6 05%**	4 59%
Thorn Developments Holdings Limited - £19 9m *(2006 £19 3m)*	Three months	**5 46%**	4 58%
Rental Holding Company Limited - £3 7m *(2006 £3 5m)*	One month	**5.45%**	4 58%
Future Rentals Limited - £nil *(2006 £0 1m)*	One month	**-**	4 58%
Thorn Insurance Company Limited - £17 4m *(2006 £21 4m)*	Bi-monthly	**5 95%**	5 10%
Thorn Limited - £0 3m *(2006 £0 2m)*	Current a/c	**n/a**	n/a

14 Other creditors including taxation

	2007	2006
	£000	£000
Corporation tax	**8,618**	27,603
Other accruals	**52**	43
	8,670	27,646

The corporation tax liability of the Company will be offset against group corporation tax relief available from certain fellow CCL group undertakings

Notes *(continued)*

15 Provisions

	2007	2006
	£000	£000
At beginning and end of year	447	-
Reclassification during the year	-	447
	447	447

Provisions comprise amounts potentially payable to TUK Holdings Ltd, a subsidiary undertaking of Boxclever Technology Limited and a related party (see note 20)

16 Financial instruments

Objectives, policies and procedures

Treasury operations are conducted within a framework of policies and guidelines authorised by the board of directors and are subject to internal control procedures The objective of the framework is to provide flexibility whilst minimising risk

The company's principal financial instruments comprise loans to and from fellow CCL group undertakings, a Eurobond issue and cash at bank and in hand The main purpose of these financial instruments is to raise finance for the company's operations The company also has other financial assets and liabilities such as prepayments and other creditors including taxation that arise directly from its operations

The company does not enter into any derivative transactions, including interest rate swaps but may occasionally enter into forward currency contracts as required

The main risks arising from the company's financial instruments are foreign currency risk, credit risk and liquidity risk The board of directors reviews and agrees policies for managing these risks and they are summarised below

Foreign currency risk

The company is exposed to foreign exchange risks with respect to its Australian dollar financial assets that are not hedged, as the company does not enter into any derivative transactions

The company currently does not have any material transactional currency exposures

Interest rate risk

The company has interest bearing financial assets and liabilities and it manages its exposure to changes in interest rates by using a mixture of fixed and variable interest bearing financial assets and liabilities Loans to and from fellow CCL group undertakings are at both fixed and floating rates of interest, whilst the Eurobond issued by the company is at a fixed rate of interest

Credit risk

The exposure of the company to any individual counter-party is subject to a limit, which is re-assessed periodically by the board of directors

Liquidity risk

The company actively maintains a balance between a mixture of short-term and long-term loan facilities that are designed to ensure continuity of funding and flexibility

Price Risk

The company's exposure to price risk is minimal The company is not exposed to any equity price risk on investments that it holds and it is not exposed to commodity price risk

Notes *(continued)*

16 Financial instruments *(continued)*

Fair values

The fair value of cash and cash equivalents approximates to their book value due to their short maturity

The fair value of the Eurobond has been determined in accordance with the measurement rules of FRS 26 which prescribe that a number of measurement techniques may be used to determine the fair value of a financial instrument including, reference to the market value in an active market of the financial instrument, reference to financial instruments with similar terms and risk profile, the use of valuation models and initial cost

The directors have considered each of the above measurement options and have been unable to identify an active market in the Eurobonds, a market containing financial instruments with similar terms and risk profile, or collect sufficient information to be able construct a valuation model Therefore, in the absence of information to the contrary, the directors have determined that the unadjusted issue cost is the most appropriate estimate of the fair value of the Eurobonds

For all other financial assets and liabilities, carrying value is regarded as approximating fair value

The following table sets out a comparison by category of carrying amounts and fair values of all the financial instruments of the company

	Carrying amount 2007 £000	**Fair Value 2007 £000**	Carrying amount 2006 £000	Fair value 2006 £000
Financial assets				
Cash at bank and in hand	**4,044**	**4,044**	129	129
Trade and other receivables	**1,994**	**1,994**	181	181
Amounts owed by fellow group undertakings	**552,670**	**552,670**	579,777	579,777
	558,708	**558,708**	580,087	580,087
Financial liabilities				
Eurobonds	**78,397**	**78,397**	78,305	78,305
Amounts owed to fellow group undertakings	**125,832**	**125,832**	132,442	132,442
Other creditors including taxation	**8,670**	**8,670**	27,646	27,646
	212,899	**212,899**	238,393	238,393

Notes *(continued)*

16 Financial instruments *(continued)*

Foreign currency risk

The carrying amounts of the financial instruments of the company are denominated in the following currencies

	Financial assets 2007 £000	Financial Liabilities 2007 £000	Financial assets 2006 £000	Financial liabilities 2006 £000
Sterling	557,708	212,899	560,505	238,393
Euros	1,000	-	-	-
Australian dollar	-	-	17,775	-
Danish Krone	-	-	1,140	-
Swedish Krona	-	-	667	-
	558,708	212,899	580,087	238,393

Interest rate risk

The following table sets out the carrying amount, by maturity, of the company's financial instruments that are exposed to interest rate risk as at 31 March 2007

	Within 1 year £000	Between 1 - 2 years £000	Between 2 - 5 years £000	More than 5 years £000	Total £000
Fixed rate					
Eurobonds	(78,397)	-	-	-	(78,397)
Amounts owed by fellow group undertakings	1,000	-	413,927	-	414,927
	(77,397)	-	413,927	-	336,530
Floating rate					
Cash	4,044	-	-	-	4,044
Amounts owed to fellow group undertakings	(125,832)	-	-	-	(125,832)
Amounts owed by fellow group undertakings	137,743	-	-	-	137,743
	15,955	-	-	-	15,955
	(61,442)	-	413,927	-	352,485

Notes *(continued)*

16 Financial instruments *(continued)*

Interest rate risk *(continued)*

The following table sets out the carrying amount, by maturity, of the company's financial instruments that are exposed to interest rate risk as at 31 March 2006

	Within 1 year £000	Between 1 - 2 years £000	Between 2 - 5 years £000	More than 5 years £000	Total £000
Fixed rate					
Eurobonds	(3,436)	(74,869)	-	-	(78,305)
Amounts owed by fellow group undertakings	4,116	-	420,526	-	424,642
	680	(74,869)	420,526	-	346,337
Floating rate					
Cash	129	-	-		129
Amounts owed to fellow group undertakings	(132,442)	-	-	-	(132,442)
Amounts owed by fellow group undertakings	139,669	15,466	-	-	155,135
	7,356	15,466	-	-	22,822
	8,036	**(59,403)**	**420,526**	**-**	**369,159**

The floating rate financial assets and liabilities of the company in both years bear interest rates based on the LIBOR plus a margin for each relevant currency

17 Called up share capital

	2007 £000	2006 £000
Allotted, called up and fully paid		
30,050,000 Ordinary shares of £1 each	**30,050**	30,050

18 Share premium and reserves

	Share Premium £000	Profit and loss account £000
At beginning of year	270,000	41,197
Profit for the financial year	-	4,486
At end of year	**270,000**	**45,683**

Notes *(continued)*

19 Post balance sheet events

On 2 April 2007, Thorn Limited, the immediate parent undertaking of the company, part repaid £47 4m of an interest-bearing loan made available to it by the company The company subsequently used the proceeds arising from the repayment of this loan to repay in full a £47 4m loan made available to the company by Caversham Finance Ltd, a fellow CCL group undertaking

On 27 May 2007, Terra Firma Investments (GP) Limited, a wholly owned subsidiary of TFCP Holdings Limited, the ultimate controlling party of the company, agreed to dispose of its entire interest in CCL, the company's ultimate parent company to Co-Investment Acquisitions No 2 LP Inc The disposal subsequently completed on 19 July 2007

On 6 August 2007 the company received a waiver from National Westminster Bank plc which permanently released it from its obligations to utilise the proceeds and any future proceeds from the disposal of TRNZ and TAPH to purchase further QHL credit facilities

On 17 August 2007, TIHL received notification that the £2 0m ($A5 0m) of sale proceeds that it had placed in escrow to support an indemnity it had given in connection with the IPO of Thorn Asia Pacific Holdings had been formally released, and TIHL used these funds to further part repay an interest bearing loan made available to it by the company on 11 September 2007

On 22 August 2007, CCL disposed of its interest in Interactive Hotel Services Limited and its subsidiaries ("the Quadriga Group"), including QHL, to Co-Investment Acquisition No 10 LP Inc In order to allow the disposal to complete and to facilitate the release of the company and other companies within the CCL Group from any further obligations to the Quadriga Group, the company agreed to novate the debt owed by QHL of £20 3m to Co-Investment Acquisitions No 2 LP Inc for £1 0m on 23 August 2007

On 3 September 2007 the company redeemed the 8% Eurobonds at par value plus accrued interest in full in accordance with the Trust Deed

On 7 November 2007, Scandinavian Consumer Technology Holdings plc ("SCTH") a fellow CCL group undertaking in whom the company holds an investment of £100 6m fully paid up B non-redeemable preference shares, entered into solvent liquidation by way of Members Voluntary Liquidation On 8 November 2007, the liquidator made a distribution in specie of £0 4m in respect of the B preference shares held by the company

20 Related party transactions

As at 31 March 2007, Terra Firma Capital Partners I ("TFCPI"), an English Limited Partnership, acting through its general partner Terra Firma Investments (GP) Limited, a company incorporated in Guernsey, held 100% of the issued share capital of CCL, the largest group of which the company is a member and for which group financial statements are prepared The directors therefore consider TFCPI to be a related party for the year ended 31 March 2007

The company had no significant transactions with TFCPI during the year

Included in provisions is an amount of £447,000 *(2006 £447,000)* that is potentially due to TUK Holdings Ltd, a subsidiary undertaking of Boxclever Technology Limited, in respect to group corporation tax relief that the company received from TUK Holdings Ltd for the year ended 31 March 2001

21 Ultimate parent company and parent undertakings of larger group

The directors regard Pensions Corporation Investment LP Inc, a company incorporated in Guernsey, as the ultimate parent company and ultimate controlling party

CCL is the largest and smallest group of which the company is a member and for which group financial statements are prepared Copies of the financial statements are available to the public and may be obtained from Carmelite, 50 Victoria Embankment, Blackfriars, London EC4Y 0DX