

Thorn Ltd
Report and Accounts

31 March 2000

Registered No. 3182775



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Registered Office

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Blackfriars
London EC4Y 0DX

Secretary

TJG Secretaries Ltd
Carmelite
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Auditors

Ernst & Young
Becket House
1 Lambeth Palace Road
London SE1 7EU

Bankers

CIBC Wood Gundy plc
Cotton Lane
London SE1 2QL

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 March 2000.

Results and dividends

The consolidated profit for the year, after taxation, amounted to £32.0m (1999: loss of £161.4m). The directors do not recommend a final dividend. An interim dividend of £309.6m (1999:£29.7m) was paid on 15 November 1999.

Principal activity and review of the business

The Thorn Group's (the "Group's") principal activity during the year continued to be the provision of goods and services to customers through rental agreements, rental-purchase agreements, service insurance agreements and credit and retail sales.

During the year, The Thorn Group was re-structured and Thorn UK Limited was sold to the Company's parent undertaking Rental Holdings Company Ltd on 24 February 2000. On 18 March 2000, Thorn International Holdings Ltd which owns the Quadriga and Nordic business was sold to Future Rentals Ltd, the Company's immediate parent undertaking.

Directors and their interests

The directors during the year and subsequently were as follows:

| | Date of appointment | Date of Resignation |
|---------------------|------------------------|------------------------|
| Lewis Howes | 28.06.99 | 06.09.00 |
| Guy Hands | 03.03.99 | - |
| Fraser Duncan | 22.09.98 | - |
| Richard Golding | 22.09.98 | 11.06.99 |
| Mark Tagliaferri | 22.09.98 | - |
| Ronald Neil Chisman | 20.03.00 | - |
| Laurence Cooklin | 20.03.00 | - |
| Mark Simpson | 06.09.00 | - |

No director had any interest in the share capital of the Company.

Political and charitable contributions

During the year, the Group made charitable contributions totalling £0.2m. There were no political contributions made by the Group during the year.

Supplier payment policy

The Group's operating businesses are responsible for agreeing terms and conditions with suppliers at the time that business transactions are conducted. It is the Group's policy that payments to suppliers are made in accordance with these terms, provided that the supplier is also complying with all the relevant terms and conditions. The directors anticipate that the policy will remain unchanged for the foreseeable future. In the case of the ultimate parent company (as opposed to the Group), there were no external creditors as at 31 March 2000 (1999: Nil).

Auditors

The members have passed an elective resolution to dispense with laying of accounts, holding annual general meetings and appointing auditors annually.

Employees

Thorn recognises the value of a workforce drawn from varied backgrounds and requires management to exercise fairness and reasonableness in its human resources practices. The Group is committed to operating non-discriminatory policies and practices in relation to recruitment, training, development, compensation and promotion without regard to race, gender, religion, ethnic origin, marital status and non job-related disabilities of its employees. Thorn requires the highest standard of ethical, moral and legal behavior at all times from its employees.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Year 2000

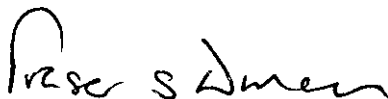
As is well known, many computer systems express dates using only the last two digits of the year and, therefore, required modification to accommodate the year 2000. The Group amended and replaced a number of computer systems to ensure that they were able to deal with this problem. At the same time, the opportunity was taken to introduce some important systems improvements in all territories. Dedicated resources were established in all territories to ensure that this work was completed on time.

In addition to these systems, it was necessary to carry out a complete inventory of non-IT based systems, including the rental asset fleet. A review of this inventory was carried out to ensure that all products were Year 2000 compliant. This review also covered control units associated with equipment such as alarms and lifts.

An amount of £5.1m was spent in the year on Year 2000 projects (1999: £7.9m).

The Group believes its plans were well developed and that its major operating systems were Year 2000 compliant in advance of the millennium. There has been no material disruption to computer systems since 1 January 2000. However, the operation of the business depends not only on internal computer systems, but also to some degree on those of third parties. This could expose the Group to further risk, in the event that there is a failure by other parties due to Year 2000 problems.

On behalf of the board



Director

29 September 2000.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT

Report of the Auditors to the Members of Thorn Limited

We have audited the accounts on pages 5 to 31, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 5 to 7.

Respective responsibilities of Directors and Auditors

As described on page 3, Thorn Limited's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities as independent auditors are determined in the United Kingdom by statute, the audit practices board and by our profession's ethical guidelines.

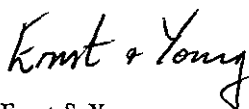
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2000 and of the profit of the Group for the year then ended. They have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

Date: 29 September 2000

ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated accounts comprise the accounts of the Company and its subsidiaries drawn up to 31 March 2000. The results of subsidiaries disposed of or acquired during the year are included up to, or from, the date that control passed.

Goodwill

Goodwill, being the excess of the consideration paid on the acquisition of a business over the fair value of the separable net assets acquired, is being capitalised and written off in equal annual installments over the directors' estimate of economic life of 20 years.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the date of the transactions, adjusted where appropriate for the effects of any hedging arrangements. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related foreign exchange contracts, at contracted rates.

On consolidation, the assets and liabilities of overseas operations are translated into sterling at year end rates of exchange and the results of overseas operations are translated into sterling at weighted average rates of exchange for the year. Exchange differences between overseas operations' results translated at weighted average rates and closing rates, and those arising on the translation of their opening net assets, are taken directly to reserves, net of exchange differences arising from foreign currency borrowings and contracts used to hedge against those assets. Other exchange differences are taken to the profit and loss account.

Treasury instruments

Finance charges include the net interest payable or receivable under interest rate agreements. Interest rate cap premiums are amortised through finance charges over the expected remaining useful life of the cap.

Turnover

Turnover comprises rental revenue and associated income and retail sales and consumer finance revenue. Goods are rented to customers pursuant to rental and rental-purchase agreements, sometimes in conjunction with service insurance agreements, which provide for weekly or monthly terms with non-refundable payments. Under rental-purchase agreements, the customer has the right to acquire title either through a purchase option or through payment of all required rental payments ("Rent-to-Own" agreements). Thorn Limited accounts for its turnover on a cash-received basis for all domestic rental, rental-purchase and service insurance agreements (except that amounts received in advance of due dates are treated as deferred income) because, given the significance of the collection activity to the overall transaction, the Group's management does not consider the earnings process complete until cash is received. Institutional rental, retail sales and consumer finance revenues are recorded on an accruals basis. Turnover excludes value added tax and other sales-related taxes.

ACCOUNTING POLICIES

Reorganisation costs

Costs relating to fundamental reorganisations are charged as non-operating exceptional items. Other reorganisation costs are charged against operating profit and are separately disclosed where material due to their size or incidence.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Depreciation

Depreciation of tangible fixed assets (other than rental equipment) is calculated on cost at rates estimated to write off the cost less the estimated residual value of the relevant assets by equal annual amounts over their expected useful lives; effect is given, where necessary, to commercial and technical obsolescence.

The annual rates used are :

| | |
|---|-----------------|
| Freehold buildings and long-term leasehold property | 2% |
| Short-term leasehold property | Period of lease |
| Plant, equipment and vehicles | 10 - 33 1/3 % |

Rental equipment (other than that on "Rent-to-Own" agreements) is depreciated at rates estimated to write off the cost to nil residual value by equal annual amounts over its estimated useful life, from the month of installation. Once commenced, depreciation is not suspended during off-lease periods. The estimated useful lives of rental equipment (other than that on "Rent-to-Own" agreements) are:

| | |
|--------------------------|-----------|
| Colour television sets | 5-6 years |
| Video recorder equipment | 5 years |
| Domestic appliances | 5 years |
| Personal computers | 3 years |

Rental equipment placed on "Rent-to-Own" agreements is fully depreciated over the expected life of those agreements, which range from one to five years.

Pension costs

Pension costs are charged to the profit and loss account so as to spread the cost of pensions over the working lives of employees. Valuation surpluses or deficits are amortised over the expected remaining working lives of the relevant employees within the Group (estimated to be eight years in respect of the United Kingdom). The amortisation of valuation surpluses is restricted to an amount equal to the regular pension cost for reasons of conservatism. As a result, employer expense in respect of the main scheme, which covers employees in the United Kingdom, has been taken as nil for the year ended 31 March 2000 (1999: Nil).

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the lease term.

ACCOUNTING POLICIES

Warranty provisions

Some products carry formal guarantees of satisfactory performance of varying periods following their purchase by customers. Provision is made for the estimated cost of honouring unexpired warranties.

Taxation

Deferred taxation is calculated using the liability method in respect of timing differences arising primarily from the difference between the accounting and tax treatments of depreciation. Provision is made, or recovery anticipated, where timing differences are expected to reverse without replacement in the foreseeable future.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2000

| | | Total | Total |
|--|-------|---------|---------|
| | | 2000 | 1999 |
| | Notes | £m | £m |
| Turnover: | | | |
| Continuing operations | | 127.3 | 126.1 |
| Discontinued operations | | 305.8 | 747.0 |
| | 1 | 433.1 | 873.1 |
| Cost of sales | 2 | (457.5) | (731.0) |
| Gross (loss)/profit | | (24.4) | 142.1 |
| Distribution costs | 2 | (21.3) | (16.2) |
| Administrative expenses | 2 | (49.6) | (84.1) |
| Other operating income (expenses) | 2 | 86.5 | (0.1) |
| Operating (loss)/profit: | | | |
| Continuing operations | | 40.7 | 29.2 |
| Discontinued operations | | (55.4) | 12.5 |
| | 1&3 | (8.8) | 41.7 |
| Non-operating exceptional items: | | | |
| Continuing operations | | | |
| - Fundamental reorganisation costs | 5 | (0.7) | (12.3) |
| - Profit on sale of investments | 5 | - | 0.4 |
| - Profit on disposal of fixed assets | 5 | 11.9 | 5.1 |
| Discontinued operations | | | |
| - Profit on disposal of rental assets | 5 | 135.2 | - |
| - Loss on sale of businesses | 5 | (102.0) | (194.1) |
| | 5 | 44.4 | (200.9) |
| Profit/(loss) before finance charges | | 35.6 | (159.2) |
| Finance charges | 6 | 12.0 | 26.0 |
| Profit/(loss) on ordinary activities before taxation | | 47.6 | (133.2) |
| Taxation on profit on ordinary activities | 7 | (15.6) | (28.2) |
| Profit/(loss) on ordinary activities after taxation | | 32.0 | (161.4) |
| Dividends | 8 | (309.6) | (29.7) |
| Transfer from profit and loss reserve | | (277.6) | (191.1) |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 March 2000

| | 2000 | 1999 |
|--|--------|---------|
| | £m | £m |
| Profit/(loss) on ordinary activities after taxation | 32.0 | (161.4) |
| Currency retranslation | (11.1) | (1.2) |
| Total recognised gains and losses relating to the year | 20.9 | (162.6) |

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

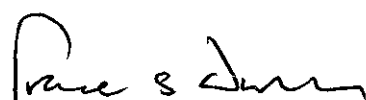
for the year ended 31 March 2000

| | 2000 | 1999 |
|---|---------|---------|
| | £m | £m |
| Profit/(loss) on ordinary activities after taxation | 32.0 | (161.4) |
| Dividends | (309.6) | (29.7) |
| Goodwill written back on disposals | - | 445.0 |
| Currency retranslation | (11.1) | (1.2) |
| Net (decrease)/increase in shareholders' funds for the year | (288.7) | 252.7 |
| Opening shareholders' funds | 618.1 | 365.4 |
| Closing shareholders' funds | 329.4 | 618.1 |

BALANCE SHEETS

at 31 March 2000

| | | Group | | Company | |
|--|-------|---------|---------|---------|---------|
| | | 2000 | 1999 | 2000 | 1999 |
| | Notes | £m | £m | £m | £m |
| Fixed assets | | | | | |
| Intangible assets - goodwill | 9 | - | 10.0 | - | - |
| Rental equipment | 10 | 26.4 | 422.3 | - | - |
| Property, plant, equipment and vehicles | 10 | 11.4 | 69.7 | - | 4.2 |
| Tangible assets | | 37.8 | 492.0 | - | 4.2 |
| Investment in unlisted subsidiary undertakings | 23 | - | - | 372.8 | 108.3 |
| | | 37.8 | 502.0 | 372.8 | 112.5 |
| Current assets | | | | | |
| Stocks: finished goods | | 0.8 | 10.5 | - | - |
| Debtors: amounts falling due within one year | 11 | 805.4 | 316.4 | 147.1 | 170.6 |
| Debtors: amounts falling due after more than one year | 11 | 4.0 | 116.0 | - | - |
| Investments: liquid resources | 12 | 59.3 | 158.1 | - | - |
| Cash at bank and in hand | 12 | 6.0 | 8.1 | - | 1.6 |
| | | 875.5 | 609.1 | 147.1 | 172.2 |
| Creditors: amounts falling due within one year | | | | | |
| Borrowings | 12 | (14.3) | (17.9) | (1.6) | - |
| Other creditors | 14 | (495.3) | (169.0) | (264.0) | (155.7) |
| | | (509.6) | (186.9) | (265.6) | (155.7) |
| Net current assets/(liabilities) | | 365.9 | 422.2 | (118.5) | 16.5 |
| Total assets less current liabilities | | 403.7 | 924.2 | 254.3 | 129.0 |
| Creditors: amounts falling due after more than one year | | | | | |
| Borrowings | 12 | (74.3) | (74.2) | - | - |
| Other creditors | 15 | - | (11.0) | - | - |
| | | (74.3) | (85.2) | - | - |
| Provisions for liabilities and charges | | | | | |
| Deferred taxation | 16 | - | (13.4) | (22.6) | (9.0) |
| Other provisions | 17 | - | (207.5) | - | (6.8) |
| | | - | (220.9) | (22.6) | (15.8) |
| Net assets | | 329.4 | 618.1 | 231.7 | 113.2 |
| Capital and reserves | | | | | |
| Called-up share capital | 18 | 21.5 | 21.5 | 21.5 | 21.5 |
| Other reserves: Capital redemption reserve | 19 | 86.8 | 86.8 | 86.8 | 86.8 |
| Merger reserve | 19 | 17.9 | 17.9 | - | - |
| Profit and loss reserve | 19 | 203.2 | 491.9 | 123.4 | 4.9 |
| Equity shareholders' funds | | 329.4 | 618.1 | 231.7 | 113.2 |



F.S. DUNCAN

Director

29 September 2000

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2000

| | | 2000 | 1999 |
|--|-------|---------|---------|
| | Notes | £m | £m |
| Net cash inflow from operating activities | (ii) | 52.1 | 288.8 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 12.3 | 48.0 |
| Interest paid | | - | (12.4) |
| Net cash inflow from returns on investments and servicing of finance | | 12.3 | 35.6 |
| Taxation | | (23.3) | (15.2) |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | (i) | (101.6) | (324.3) |
| Sale of tangible fixed assets | (i) | 37.5 | 72.3 |
| Exceptional rental asset disposals | | 305.7 | 14.7 |
| Exceptional property disposals | | 21.1 | 16.2 |
| Net cash inflow/(outflow) from capital expenditure and financial investment | | 262.7 | (221.1) |
| Acquisitions and disposals | | | |
| Acquisition of businesses (net of cash acquired) | | - | (30.9) |
| Disposal of businesses (net of cash disposed) | 21 | 155.5 | 516.2 |
| Fundamental reorganisation costs | | 0.3 | (18.1) |
| Sale of investments | | - | 0.4 |
| Net cash inflow from acquisitions and disposals | | 155.8 | 467.6 |
| Equity dividends paid | | (309.6) | (65.0) |
| Net cash inflow before use of liquid resources and financing | | 150.0 | 490.7 |
| Management of liquid resources | | | |
| Net withdrawal (from) / deposits into cash | | 102.2 | (80.0) |
| Purchase of securities | | (90.0) | (168.1) |
| Sale of securities | | 86.6 | 161.1 |
| Net cash inflow/(outflow) from management of liquid resource | 13 | 98.8 | (87.0) |
| Net cash outflow from financing | (iii) | (247.0) | (424.8) |
| Increase/(decrease) in cash in the period | | 1.8 | (21.1) |

Reconciliation of net cash flow to movement in net debt:

| | | 2000 | 1999 |
|--|----|--------|---------|
| | | £m | £m |
| Increase/(decrease) in cash in the period | 13 | 1.8 | (21.1) |
| Net cash outflow from decrease in debt and lease financing | 13 | (0.1) | 209.4 |
| Net cash (inflow)/outflow from (decrease)/increase in liquid resources | 13 | (98.8) | 87.0 |
| Change in net debt resulting from cash flows | | (97.1) | 275.3 |
| Currency retranslation | 13 | (0.3) | (9.6) |
| Movement in net debt in the period | | (97.4) | 265.7 |
| Opening net cash /(debt) | 12 | 74.1 | (191.6) |
| Closing net (debt)/cash | 12 | (23.3) | 74.1 |

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 March 2000

(i) Trading cash flow

| | Notes | 2000 | 1999 |
|---|-------|---------|---------|
| | | £m | £m |
| Net cash inflow from operating activities | | 52.1 | 288.8 |
| Add back: Exceptional spend | | 61.4 | 46.7 |
| Net cash inflow from operating activities before exceptional spend | | 113.5 | 335.5 |
| Purchase of tangible fixed assets | 10 | (101.6) | (324.3) |
| Sale of tangible fixed assets | | 37.5 | 72.3 |
| Trading cash flow before exceptional spend | | 49.4 | 83.5 |

(ii) Reconciliation of operating profit to net cash inflow from operating activities

| | | 2000 | 1999 |
|--|----|--------|--------|
| | | £m | £m |
| Operating profit | 1 | (8.8) | 41.7 |
| Depreciation charge | 10 | 124.2 | 255.9 |
| Amortisation of goodwill | 9 | 0.5 | 0.5 |
| Amounts provided (released) - normal | 17 | 0.4 | (3.1) |
| Amounts provided - operating exceptional | 17 | 4.1 | 6.5 |
| Provisions utilised - normal | 17 | (0.5) | (0.8) |
| Provisions utilised - exceptional spend: | | | |
| Operating | 17 | (53.7) | (28.0) |
| Non-operating | 17 | (3.9) | (10.1) |
| Decrease/(increase) in working capital: | | | |
| Stock | | 3.7 | 6.9 |
| Debtors | | 29.4 | (5.4) |
| Creditors | | (43.3) | 24.7 |
| Net cash inflow from operating activities | | 52.1 | 288.8 |

(iii) Net cash flow from financing

| | 2000 | 1999 |
|---|---------|---------|
| | £m | £m |
| Net new (deposits) loans due within one year | | (209.4) |
| Loans (deposits) due after more than one year: | | |
| Net loans repaid | - | - |
| Eurobond issued | - | - |
| Capital element of finance lease repayments | - | - |
| Net cash (inflow) outflow from decrease in debt and lease financing | - | (209.4) |
| Loan to Carmelite Group | (247.0) | (215.4) |
| Repurchase of Ordinary share capital | - | - |
| Costs of share repurchase | - | - |
| Other financing | - | - |
| Net cash outflow from financing | (247.0) | (424.8) |

NOTES TO THE ACCOUNTS

1. Segmental analyses

Thorn has one class of business being the provision of goods and services to customers through rental agreements, rental-purchase agreements, service insurance agreements and credit and retail sales.

| | 2000 | | 1999 | |
|------------------------------|----------|------------------|----------|------------------|
| | Turnover | Operating profit | Turnover | Operating profit |
| | £m | £m | £m | £m |
| By origin: | | | | |
| United Kingdom | 111.8 | (5.3) | 118.1 | 22.2 |
| Rest of Europe | 7.4 | 18.2 | 7.9 | 13.6 |
| Total Europe | 119.2 | 12.9 | 126.0 | 35.8 |
| Asia Pacific | 8.0 | 4.9 | | 2.1 |
| Continuing operations | 127.2 | 17.8 | 126.0 | 37.9 |
| Discontinued operations: | | | | |
| United Kingdom | 79.1 | - | 296.4 | - |
| Rest of Europe | 171.0 | - | 187.2 | (0.8) |
| Asia Pacific | 55.8 | - | 62.8 | - |
| North America | - | - | 200.7 | 18.9 |
| | 433.1 | 17.8 | 873.1 | 56.0 |
| Operating exceptional items: | | | | |
| United Kingdom | | (16.1) | | (4.7) |
| Rest of Europe | | (3.1) | | (5.0) |
| North America | | - | | (0.1) |
| Asia Pacific | | (7.4) | | (4.5) |
| Operating (loss)/profit | | (8.8) | | 41.7 |

The analysis of turnover by destination is the same as that by origin.

| | 2000 | | 1999 | |
|-------------------------|------------------|-------------------|------------------|-------------------|
| | Operating assets | Average employees | Operating assets | Average employees |
| | £m | | £m | |
| By origin: | | | | |
| United Kingdom | 383.6 | 5,544 | 392.6 | 6,384 |
| Rest of Europe | - | 1,323 | 155.3 | 1,415 |
| Total Europe | 383.6 | 6,867 | 547.9 | 7,799 |
| Asia Pacific | - | 991 | 41.2 | 1,184 |
| Continuing operations | 383.6 | 7,858 | 589.1 | 8,983 |
| Discontinued operations | | | | |
| Rest of Europe | - | - | - | 13 |
| North America | - | - | - | 2,492 |
| | 383.6 | 7,858 | 589.1 | 11,488 |

Reconciliation of operating assets to net assets

| | 2000 | 1999 |
|---|--------|--------|
| | £m | £m |
| Operating assets | 383.6 | 589.1 |
| Net tax, dividends and interest payable | (29.9) | (45.1) |
| Capital employed | 353.7 | 544.0 |
| Net (borrowings)/cash | (23.3) | 74.1 |
| Net assets | 330.4 | 618.1 |

NOTES TO THE ACCOUNTS

2. Analysis of profit and loss account

| | 2000 | | | 1999 | | |
|---|------------|--------------|--------|------------|--------------|-------|
| | Continuing | Discontinued | Total | Continuing | Discontinued | Total |
| | £m | £m | £m | £m | £m | £m |
| Cost of sales is analysed as: | | | | | | |
| - operating | 86.2 | 371.3 | 457.5 | 85.4 | 645.6 | 731.0 |
| - exceptional | - | - | - | - | - | - |
| | 86.2 | 371.3 | 457.5 | 85.4 | 645.6 | 731.0 |
| Net operating expenses: | | | | | | |
| Distribution costs | - | 21.3 | 21.3 | - | 16.2 | 16.2 |
| Administration expenses | 8.8 | 40.8 | 49.6 | 11.0 | 73.1 | 84.1 |
| Other operating (income) expenses | (8.4) | (78.1) | (86.5) | 0.6 | (0.5) | 0.1 |
| | 0.4 | (16.0) | (15.6) | 11.6 | 88.8 | 100.4 |
| Net operating expenses are analysed as: | | | | | | |
| - operating | 7.2 | (49.4) | (42.2) | 11.5 | 74.6 | 86.1 |
| - exceptional | (6.8) | 33.4 | 26.6 | 0.1 | 14.2 | 14.3 |
| | 0.4 | (16.0) | (15.6) | 11.6 | 88.8 | 100.4 |

3. Operating profit is stated after charging:

| | 2000 | 1999 |
|--|-------|-------|
| | £m | £m |
| Depreciation of tangible fixed assets: | | |
| Rental equipment | 104.6 | 224.1 |
| Other fixed assets | 19.6 | 31.8 |
| Amortisation of goodwill | 0.5 | 0.5 |
| Operating lease rentals: | | |
| Property | 52.4 | 66.7 |
| Plant, equipment and vehicles | 2.4 | 3.3 |
| Audit fees | 0.4 | 0.5 |
| Other fees payable to Ernst & Young: | | |
| United Kingdom | 0.4 | 0.3 |
| Overseas | 0.1 | 0.1 |

NOTES TO THE ACCOUNTS

4. Staff costs and directors' emoluments

(i) Staff costs

| | 2000 | 1999 |
|-----------------------------------|-------|-------|
| | £m | £m |
| Directors' and employees' costs: | | |
| Wages and salaries | 136.8 | 200.6 |
| Social security costs | 12.2 | 25.9 |
| Other pension costs (see Note 22) | 1.9 | 1.7 |
| | 150.9 | 228.2 |

(ii) Directors' emoluments

| | 2000 | 1999 |
|--|-------|---------|
| | £000s | £000s |
| Emoluments | 508.7 | 2,366.1 |
| Compensation for loss of office | - | 705.0 |
| Company contributions paid to money purchase pension schemes | 9.2 | 47.0 |

No director was a member of a defined benefit pension scheme at 31 March 2000 (1999: Nil).

The amounts in respect of the highest paid director are as follows:

| | 2000 | 1999 |
|--|-------|---------|
| | £m | £m |
| Emoluments | 398.2 | 1,108.7 |
| Compensation for loss of office | - | 330.0 |
| Company contributions paid to money purchase pension schemes | - | 44.4 |

5. Exceptional items

(i) Operating exceptional items

| | 2000 | 1999 |
|-------------------------------|--------|--------|
| | £m | £m |
| Year 2000 costs | (5.1) | (10.9) |
| One off VAT receipt | - | 4.8 |
| Provision releases | 10.3 | 8.2 |
| Exceptional asset write downs | (7.0) | - |
| Restructuring costs | (13.4) | (12.3) |
| Fees for UK securitisation | (8.6) | - |
| US litigation provision | (2.8) | (4.1) |
| | (26.6) | (14.3) |

- Year 2000 costs are those costs incurred during the year.

- Provisions that were held at 31 March 1999 were re-assessed during the year. Certain surpluses were noted as a result of the changing nature of the costs and risks associated with the restructurings in question. These surpluses have been released to the profit and loss account as an operating exceptional item.

- The US litigation provision was fully utilised during the year, as final settlement in the Minnesota class action was made. Prior to this final settlement, the amount of the provision was increased in order that it was sufficient to cover all costs.

NOTES TO THE ACCOUNTS

5. Exceptional items (continued)

(ii) Non-operating exceptional items

| | | 2000 | 1999 |
|--|-------|---------|---------|
| | Notes | £m | £m |
| Profit on disposal of fixed assets | | 11.9 | 5.1 |
| Profit on disposal of rental assets | | 135.2 | - |
| (Loss)/profit on disposal of businesses: | | | |
| Loss on disposal of Hong Kong | 21 | (0.3) | - |
| Profit on disposal of Thorn UK Rental Group | 21 | 55.0 | - |
| Loss on disposal of Thorn International Holdings Group | 21 | (157.9) | - |
| Thorn Americas Inc. | | - | (193.6) |
| Thorn Retail A/S ('Fona') | | - | (0.5) |
| Release of provision for exit from European businesses | | 4.5 | - |
| Costs incurred on aborted business disposals | | (3.3) | - |
| | | (102.0) | (194.1) |
| Fundamental reorganisation costs | | (0.7) | (12.3) |
| Sale of investments | | - | 0.4 |
| | | 44.4 | (200.9) |

- Vacant corporate properties in Chertsey, Surrey and Hayes, Middlesex were sold during the year.

- In 1997/98, Thorn provided for the costs of closure of domestic rental operations in France, Finland, Switzerland and Benelux. These closures are substantially complete, and a review of future costs resulted in the release of £4.5m of the remaining provision.

- Certain costs were incurred during the year on the disposal of the Nordic and Quadriga businesses. The disposal process was aborted, and these costs have been treated as non-operating exceptional.

NOTES TO THE ACCOUNTS

6. Finance charges

| | 2000 | 1999 |
|---|-------|--------|
| | £m | £m |
| Interest payable on: | | |
| Bank overdrafts and loans | (0.5) | (8.7) |
| Eurobond | (6.1) | (6.1) |
| Other | (0.7) | (0.6) |
| | (7.3) | (15.4) |
| Interest receivable on: | | |
| Bank overdrafts and loans | 4.7 | 13.7 |
| Loan to parent company | 14.7 | 5.7 |
| Other | 0.2 | 4.7 |
| | 19.6 | 24.1 |
| Gain on sale of interest rate swaps | - | 18.4 |
| Gain on repurchase of Eurobond and cancellation of related swap | - | - |
| Unwinding of discount on provisions | (0.3) | (1.1) |
| | 12.0 | 26.0 |

7. Taxation

| | 2000 | 1999 |
|--|-------|-------|
| | Total | Total |
| | £m | £m |
| Taxation on profit on ordinary activities: | | |
| United Kingdom: | | |
| Corporation tax | 25.8 | 18.7 |
| Advance corporation tax written off | - | (0.8) |
| | 25.8 | 17.9 |
| Overseas taxation | - | 6.3 |
| Deferred taxation: | | |
| United Kingdom | (6.8) | 4.2 |
| Overseas | - | 0.2 |
| Prior year adjustments: | | |
| Current taxation | 1.5 | (3.0) |
| Deferred taxation | (4.9) | 2.6 |
| Taxation on profit on ordinary activities | 15.6 | 28.2 |

The charge for taxation has not been reduced by the utilisation of any tax losses. There is no unprovided deferred taxation arising in the year.

NOTES TO THE ACCOUNTS

8. Dividends

| | 2000 | 1999 |
|--|-------|--------|
| | £m | £m |
| Equity dividends on Ordinary shares (net): | | |
| Interim | 309.0 | 65.0 |
| Proposed final | - | - |
| | 309.0 | 65.0 |
| Dividend in specie | 0.6 | - |
| Reversal of final 1997/98 dividend | - | (35.3) |
| | 309.6 | 29.7 |

The dividend in specie represents the book value of the investment that Thorn Limited held in Thorn International Holdings Limited. This was transferred to Future Rentals Limited during the year as a dividend.

9. Intangible fixed assets - Goodwill

| | £m |
|-------------------------------|--------|
| Cost at 31 March 1999 | 10.1 |
| Disposals during the year | (10.1) |
| Cost at 31 March 2000 | - |
| Amortisation at 31 March 1999 | (0.1) |
| Provided during the year | (0.5) |
| Disposals during the year | 0.6 |
| Amortisation at 31 March 2000 | - |
| Net book values: | |
| 31 March 2000 | - |
| 31 March 1999 | 10.0 |

NOTES TO THE ACCOUNTS

10. Tangible fixed assets

Group

| | Rental equipment | Freehold property | Leasehold property | Plant equipment and vehicles | Total |
|---------------------------------------|---------------------|----------------------|-----------------------|------------------------------------|-------------|
| | £m | £m | £m | £m | £m |
| Cost at 31 March 1999 | 909.6 | 15.9 | 13.3 | 215.8 | 1,154.6 |
| Currency retranslation | (25.3) | - | (0.4) | (1.9) | (27.6) |
| Disposal of businesses | (393.0) | (0.7) | (12.1) | (178.6) | (584.4) |
| Additions | 89.9 | 0.2 | 1.1 | 10.4 | 101.6 |
| Disposals | (133.6) | (9.8) | (1.3) | (31.4) | (176.1) |
| Exceptional rental asset disposal | (398.0) | - | - | - | (398.0) |
| Cost at 31 March 2000 | 49.6 | 5.6 | 0.6 | 14.3 | 70.1 |
| Depreciation at 31 March 1999 | 487.3 | 1.0 | 8.7 | 165.6 | 662.6 |
| Currency retranslation | (14.1) | - | (0.3) | (1.3) | (15.7) |
| Disposal of businesses | (219.5) | (0.3) | (8.5) | (153.6) | (381.9) |
| Charge for year | 104.6 | - | 1.1 | 18.5 | 124.2 |
| Disposals | (107.6) | (0.7) | (0.8) | (20.3) | (129.4) |
| Exceptional rental asset disposal | (227.5) | - | - | - | (227.5) |
| Depreciation at 31 March 2000 | 23.2 | - | 0.2 | 8.9 | 32.3 |
| Net book values: 31 March 2000 | 26.4 | 5.6 | 0.4 | 5.4 | 37.8 |
| 31 March 1999 | 422.3 | 14.9 | 4.6 | 50.2 | 492.0 |

| | 2000 | 1999 |
|--|------|------|
| | £m | £m |
| The net book values shown above include the following: | | |
| Land which is not depreciated (freehold property) | 5.6 | 4.8 |
| Long-term leasehold property | - | 0.1 |
| Short-term leasehold property | 0.4 | 4.5 |

Company

| | Freehold property | Plant, equipment and vehicles | Total |
|---------------------------------------|----------------------|-------------------------------------|----------|
| | £m | £m | £m |
| Cost at 31 March 1999 | 3.6 | 1.6 | 5.2 |
| Disposal of businesses | (3.6) | - | (3.6) |
| Disposals | - | (1.6) | (1.6) |
| Cost at 31 March 2000 | - | - | - |
| Depreciation at 31 March 1999 | 0.1 | 0.9 | 1.0 |
| Charge for year | - | 0.1 | 0.1 |
| Disposal of businesses | (0.1) | - | (0.1) |
| Disposals | - | (1.0) | (1.0) |
| Depreciation at 31 March 2000 | - | - | - |
| Net book values: 31 March 2000 | - | - | - |
| 31 March 1999 | 3.5 | 0.7 | 4.2 |

NOTES TO THE ACCOUNTS

11. Debtors

| | Group | | Company | |
|---|-------|-------|---------|-------|
| | 2000 | 1999 | 2000 | 1999 |
| | £m | £m | £m | £m |
| Amounts falling due within one year: | | | | |
| Trade debtors | - | 56.1 | - | 0.1 |
| Amounts due from parent company | 788.8 | 215.3 | 146.3 | - |
| Amounts owed by subsidiary undertakings | - | - | - | 170.4 |
| Corporate taxation recoverable | 1.0 | - | 0.6 | - |
| Other debtors | 15.5 | 23.4 | 0.2 | - |
| Prepayments and accrued income | 0.1 | 21.6 | - | 0.1 |
| | 805.4 | 316.4 | 147.1 | 170.6 |
| Amounts falling due after more than one year: | | | | |
| Trade debtors | - | 6.0 | - | - |
| Other debtors | 4.0 | 109.9 | - | - |
| Prepayments and accrued income | - | 0.1 | - | - |
| | 4.0 | 116.0 | - | - |
| Total | 809.4 | 432.4 | 147.1 | 170.6 |

NOTES TO THE ACCOUNTS

12. Borrowings

| | Group | | Company | |
|-----------------------|--------|------|---------|------|
| | 2000 | 1999 | 2000 | 1999 |
| | £m | £m | £m | £m |
| Net (borrowings)/cash | (23.3) | 74.1 | (1.6) | 1.6 |

Total net cash/(borrowings) as at 31 March 2000 are analysed as follows:

| | Group | | Company | |
|---|---------------|---------------|--------------|------------|
| | 2000 | 1999 | 2000 | 1999 |
| | £m | £m | £m | £m |
| Long-term borrowings: | | | | |
| Loans | - | - | - | - |
| Eurobond (£75m, 8%, guaranteed bond due September 2007) | (74.3) | (74.2) | - | - |
| Total long-term borrowings | (74.3) | (74.2) | - | - |
| Short-term borrowings: | | | | |
| Loans and overdrafts | (14.3) | (17.9) | (1.6) | - |
| Total short-term borrowings | (14.3) | (17.9) | (1.6) | - |
| Total borrowings | (88.6) | (92.1) | (1.6) | - |
| Liquid funds: | | | | |
| Liquid resources | 59.3 | 158.1 | - | - |
| Cash at bank and in hand | 6.0 | 8.1 | - | 1.6 |
| Net (borrowings)/cash | (23.3) | 74.1 | (1.6) | 1.6 |

Liquid resources comprise term deposits of less than one year and marketable securities.

Under their banking arrangements, overdraft and cash balances of the Company and of certain subsidiaries are pooled or offset and cross-guaranteed. Such pooling and offsets are reflected in the Group balance sheet as appropriate.

The Group had no secured borrowings at 31 March 2000 (1999: Nil).

Derivatives and other financial instruments

The Thorn Group uses a Sterling Eurobond, overdrafts and cash and short-term deposit to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors that arise directly from its operations.

Since the change of control, the Group has not entered into derivative transactions. All interest rate and currency risks are managed by Future Rentals Limited, Thorn Limited's immediate parent undertaking.

NOTES TO THE ACCOUNTS

12. Borrowings (continued)

(i) Analysis of net cash/(borrowings) by currency

| | Group | | Company | |
|-------------------------------------|--------|-------|---------|------|
| | 2000 | 1999 | 2000 | 1999 |
| | £m | £m | £m | £m |
| Australian dollar | 0.4 | (0.3) | - | - |
| Danish krone | - | 3.3 | - | - |
| Norwegian krone | 0.1 | 3.5 | - | - |
| Swedish krona | 1.2 | 4.6 | - | - |
| US dollar | 0.1 | 24.3 | - | - |
| Sterling | (25.0) | 29.0 | - | 1.6 |
| Other currencies and finance leases | - | 9.7 | - | - |
| | (23.2) | 74.1 | - | 1.6 |

(ii) Maturity analysis of long-term borrowings

| | Group | |
|--|--------|--------|
| | 2000 | 1999 |
| | £m | £m |
| Amounts falling due after more than one year | | |
| are repayable as follows: | | |
| Between one and two years | - | - |
| Between two and three years | - | - |
| Between three and four years | - | - |
| Between four and five years | - | - |
| After five years: | | |
| By instalments | - | - |
| Other | (74.3) | (74.2) |
| | (74.3) | (74.2) |

Amounts falling due after five years consist of a £75m Eurobond which carries a coupon of 8% and is repayable in September 2007.

(iii) Analysis of borrowings by interest rates

The weighted average interest rate of Thorn's external loans and overdrafts at 31 March 2000 was:

| | Group | |
|------------|--------------------------------|--------------------------------|
| | 2000 | 1999 |
| | Weighted average interest rate | Weighted average interest rate |
| | % | % |
| Short-term | 3.8 | 6.6 |
| Long-term | 8.0 | 8.0 |

NOTES TO THE ACCOUNTS

12. Borrowings (continued)

Financial instruments

(a) Interest rate agreements

In order to manage interest rate risk, the Group has previously entered into certain interest rate cap agreements and interest rate swap agreements. During the course of the year these agreements were cancelled since risk management is now executed through the Rental Holdings Group.

There were no outstanding interest rate cap agreements as at 31 March 2000 (1999: Nil);

| Currency | Principal 2000 | Principal 1999 | Deferred premiums 2000 | Deferred premiums 1999 | Start date | Termination date | Capped rate |
|---------------------|-------------------|-------------------|------------------------------|------------------------------|---------------|---------------------|----------------|
| | £m | £m | £m | £m | | | % |
| Interest rate caps: | | | | | | | |
| Australian dollar | - | - | - | - | 23/09/96 | 23/09/03 | 8.00 |
| Danish krone | - | - | - | - | 23/09/96 | 23/09/03 | 6.69 |
| Dutch guilder | - | - | - | - | 23/09/96 | 23/09/03 | 5.76 |
| French franc | - | - | - | - | 09/01/97 | 12/01/04 | 5.58 |
| Norwegian krone | - | - | - | - | 23/09/96 | 23/09/03 | 6.97 |
| Swedish krona | - | - | - | - | 23/09/96 | 23/09/03 | 7.52 |
| US dollar | - | - | - | - | 23/09/96 | 23/09/03 | 6.96 |

There were no outstanding interest rate swap agreements as at 31 March 2000 (1999: nil).

| | Principal 2000 | Principal 1999 | Deferred premiums 2000 | Deferred premiums 1999 | Start date | Termination date | Fixed rate |
|---|-------------------|-------------------|------------------------------|------------------------------|---------------|---------------------|---------------|
| | £m | £m | £m | £m | | | % |
| Interest rate swaps: | | | | | | | |
| Net sterling cash and liquid resources | | | | | | | |
| - pay floating rate and receive fixed rat | - | - | - | - | 25/09/96 | 23/09/03 | 7.67 |
| Sterling bond | | | | | | | |
| - pay floating rate and receive fixed rat | - | - | - | - | 03/09/97 | 03/09/07 | 8.00 |

12. Borrowings (continued)**(b) Fair values of financial instruments**

The carrying amounts and fair values of the material financial instruments of Thorn are as follows:

| | Group | | | |
|---|----------|--------|----------|--------|
| | Carrying | Fair | Carrying | Fair |
| | amount | value | amount | value |
| | 2000 | 2000 | 1999 | 1999 |
| | £m | £m | £m | £m |
| Assets: | | | | |
| Cash at bank and in hand | 6.0 | 6.0 | 8.1 | 8.1 |
| Liquid resources | 59.3 | 59.3 | 158.1 | 158.2 |
| Liabilities: | | | | |
| Short-term borrowings: loans and overdrafts | (14.3) | (14.3) | (17.9) | (17.9) |
| Long-term borrowings: | | | | |
| Loans | - | - | - | - |
| Eurobond (£75m, 8%, guaranteed bond due September 2007) | (74.3) | (75.3) | (74.2) | (75.8) |

The following methods and assumptions were used by the Group in estimating its fair value disclosures for financial instruments:

Cash and liquid resources: the carrying amount reported in the balance sheet (which principally comprise funds held by captive insurance subsidiaries and invested at market rates) approximates to their fair value.

Short-term loans and overdrafts: the carrying amount reported in the balance sheet approximates to their fair value.

Long-term borrowings: the fair value of the Group's loan capital and nonconcurrent bank loans (including short-term portion) are estimated using quoted prices, or where such prices are not available, discounted cash flow analyses, based on available market rates of interest for similar types of arrangements and maturities. The carrying value of the bank loans approximates their fair value.

NOTES TO THE ACCOUNTS

13. Analysis of movement in net cash/(debt)

Year ended 31 March 2000

| | Net debt at 31 March 1999 | Cash flow | Translation | Net debt at 31 March 2000 |
|------------------------------------|---------------------------------|-----------|-------------|---------------------------------|
| | £m | £m | £m | £m |
| Cash at bank and in hand | 8.1 | (0.4) | (1.7) | 6.0 |
| Overdrafts | (14.6) | 2.2 | 1.4 | (11.0) |
| | (6.5) | 1.8 | (0.3) | (5.0) |
| Debt due within one year | (3.3) | - | - | (3.3) |
| Debt due after more than one year: | | | | |
| Loans | - | - | - | - |
| Eurobond | (74.2) | (0.1) | - | (74.3) |
| | (77.5) | (0.1) | - | (77.6) |
| Investments: liquid resources | 158.1 | (98.8) | - | 59.3 |
| | 74.1 | (97.1) | (0.3) | (23.3) |

Year ended 31 March 1999

| | Net debt at 31 March 1998 | Cash flow | Translation | Net debt at 31 March 1999 |
|------------------------------------|---------------------------------|-----------|-------------|---------------------------------|
| | £m | £m | £m | £m |
| Cash at bank and in hand | 32.8 | (25.6) | 0.9 | 8.1 |
| Overdrafts | (18.9) | 4.5 | (0.2) | (14.6) |
| | 13.9 | (21.1) | 0.7 | (6.5) |
| Debt due within one year | (67.6) | 64.0 | 0.3 | (3.3) |
| Debt due after more than one year: | | | | |
| Loans | (135.2) | 145.5 | (10.3) | - |
| Eurobond | (74.1) | (0.1) | - | (74.2) |
| | (276.9) | 209.4 | (10.0) | (77.5) |
| Investments: liquid resources | 71.4 | 87.0 | (0.3) | 158.1 |
| | (191.6) | 275.3 | (9.6) | 74.1 |

NOTES TO THE ACCOUNTS

14. Other creditors: amounts falling due within one year

| | Group | | Company | |
|---|-------|-------|---------|-------|
| | 2000 | 1999 | 2000 | 1999 |
| | £m | £m | £m | £m |
| Trade creditors | 5.2 | 39.0 | - | - |
| Customer deposits and rentals in advance | 0.4 | 19.1 | - | - |
| Amounts owed to subsidiary undertakings | 437.9 | - | 236.1 | 144.0 |
| Corporate taxation | 29.0 | 18.7 | 22.9 | 8.9 |
| Other taxes including VAT and social security costs | 11.1 | 16.8 | 3.5 | - |
| Other creditors | 7.2 | 17.2 | - | 0.1 |
| Accruals and deferred income | 4.5 | 58.2 | 1.5 | 2.7 |
| | 495.3 | 169.0 | 264.0 | 155.7 |

15. Other creditors: amounts falling due after more than one year

| | Group | | Company | |
|------------------------------|-------|------|---------|------|
| | 2000 | 1999 | 2000 | 1999 |
| | £m | £m | £m | £m |
| Corporate taxation | - | 9.6 | - | - |
| Accruals and deferred income | - | 1.4 | - | - |
| | - | 11.0 | - | - |

16. Deferred taxation

| | Group | | Company | |
|--|--------|-------|---------|------|
| | 2000 | 1999 | 2000 | 1999 |
| | £m | £m | £m | £m |
| Excess of accumulated taxation allowances over depreciation provided against tangible fixed assets | - | 4.4 | - | - |
| Other timing differences | - | 9.0 | 22.5 | 9.0 |
| | - | 13.4 | 22.5 | 9.0 |
| Movements during the year: | | | | |
| Opening balance | 13.4 | 7.7 | 9.0 | 1.6 |
| Currency retranslation | (0.2) | 0.1 | - | - |
| Charged to profit on ordinary activities | (11.6) | 4.4 | 13.6 | 4.2 |
| Recoverable ACT | - | - | - | - |
| Disposal of businesses | (1.6) | (1.8) | - | - |
| Other movements | - | 3.0 | - | 3.2 |
| Closing balance | - | 13.4 | 22.6 | 9.0 |

No provision has been made for further taxes which could arise if subsidiary undertakings are disposed of or if overseas companies were to remit dividends to the United Kingdom in excess of those anticipated in these accounts. It is considered impracticable to estimate the amount of such taxes.

The Company has undertaken to discharge the liability to corporation tax of the majority of its wholly-owned United Kingdom subsidiaries; their deferred tax liabilities are therefore dealt with in the accounts of the Company. There is no unprovided net deferred tax liability as at 31 March 2000

NOTES TO THE ACCOUNTS

17. Other provisions for liabilities and charges

| Group | Pensions | insurance and other | Property | Closure and reorganisation | US litigation | Total |
|-----------------------------|----------|------------------------|----------|----------------------------------|------------------|---------|
| | £m | £m | £m | £m | £m | £m |
| At 31 March 1999 - | 1.8 | 11.5 | 155.6 | 19.7 | 18.9 | 207.5 |
| Currency retranslation | (0.1) | (0.2) | - | (0.4) | (0.7) | (1.4) |
| Charged/(released) against: | | | | | | |
| Operating profit | 0.2 | 0.2 | - | - | - | 0.4 |
| Exceptional items | - | - | 5.0 | (3.7) | 2.8 | 4.1 |
| Acquisitions & disposals | (1.9) | (11.0) | (126.9) | (3.1) | - | (142.9) |
| Provisions utilised | - | (0.5) | (24.1) | (12.5) | (21.0) | (58.1) |
| Impact of discounting | - | - | (9.6) | - | - | (9.6) |
| At 31 March 2000 | - | - | - | - | - | - |
| Company | | | | | | |
| At 31 March 1999 | - | 3.4 | 3.4 | - | - | 6.8 |
| Provisions released | - | (3.4) | (3.4) | - | - | (6.8) |
| At 31 March 2000 | - | - | - | - | - | - |

- The pension provisions arise in overseas companies in respect of state schemes and employees covered by the Group's unfunded schemes.

- Insurance and other provisions principally comprise liabilities resulting from insurance claims.

- Property comprises provisions for the cost of vacant surplus properties to the term of the lease. Future costs are discounted at a rate of 5% per annum in calculating the amount of the provision. Where properties are wholly or partially sublet, the discounted present value of rents receivable are recorded as other debtors.

- Closure and reorganisation provisions cover the costs of vacant trading properties, staff costs including redundancies and asset write downs resulting from a decision to close or reorganise a business. All provisions meet the criteria laid down in FRS 12, namely that the Group is demonstrably committed to the restructuring and only the incremental costs of any reorganisation are provided for.

- The US litigation provision related to the damages awarded in the Minnesota class action against Thorn Americas Inc. These damages were paid during the year, and no further provision for US litigation was held at year end.

NOTES TO THE ACCOUNTS

18. Share capital

Group and Company

| | At 31 March 2000 £m | At 31 March 1999 £m |
|--|------------------------------|------------------------------|
| Authorised: | | |
| 499,073,594 Ordinary Shares of 5¼p each | 28.7 | 28.7 |
| 413,461,561 B preference shares of 20 1/14p each | 83.0 | 83.0 |
| 5,307,256,651 Deferred shares | 3.8 | 3.8 |
| | 115.5 | 115.5 |
| Allotted, called-up and fully paid: | | |
| 374, 073,594 Ordinary Shares of 5¼p each | 21.5 | 21.5 |
| | 21.5 | 21.5 |

The authorised B preference shares would have no voting rights, except in relation to the winding up of the Company, and would carry a preferential non-cumulative dividend of 78% of LIBOR.

19. Reserves

| | Group | | | Company | |
|-------------------------|--|-------------------------|----------------------------------|--|----------------------------------|
| | Capital redemption reserve £m | Merger reserve £m | Profit and loss reserve £m | Capital redemption reserve £m | Profit and loss reserve £m |
| At 31 March 1999 - | 86.8 | 17.9 | 491.9 | 86.8 | 4.9 |
| Profit for the period | - | - | 32.0 | - | 54.7 |
| Dividends | - | - | (309.6) | - | 63.8 |
| Currency retranslation | - | - | (11.1) | - | - |
| At 31 March 2000 | 86.8 | 17.9 | 203.2 | 86.8 | 123.4 |

In accordance with the exemption permitted by S230 of the Companies Act 1985, the profit and loss account of the Company is not separately presented. The profit attributable to shareholders, dealt with in the accounts of the Company, is £54.7m (1999: 61.7m loss).

NOTES TO THE ACCOUNTS

20. Financial commitments

Annual commitments under operating leases are analysed as follows:

| | Group | |
|---------------------------------------|-------|------|
| | 2000 | 1999 |
| | £m | £m |
| Land and buildings: | | |
| Expiring in the first year | - | 5.2 |
| Expiring in the second to fifth years | - | 16.4 |
| Expiring after the fifth year | - | 31.5 |
| | - | 53.1 |
| Plant, equipment and vehicles: | | |
| Expiring in the first year | - | 0.6 |
| Expiring in the second to fifth years | - | 0.9 |
| Expiring after the fifth year | - | - |
| | - | 1.5 |

Financial Instruments

Details of commitments in respect of financial instruments are disclosed in Note 12.

21. Disposal of businesses

| | 2000 | 1999 | | | |
|--|--------------------|-----------------------------|---|---------|---------|
| | Thorn Hong Kong | Thorn UK Rental Group | Thorn International Holdings Group | Total | Total |
| | £m | £m | £m | £m | £m |
| Rental equipment | (1.2) | (5.9) | (166.4) | (173.5) | (225.4) |
| Other fixed assets | (0.2) | (16.1) | (12.7) | (29.0) | (96.0) |
| Goodwill | - | - | (9.5) | (9.5) | - |
| Stocks | - | (2.0) | (3.8) | (5.8) | (3.2) |
| Debtors | - | (160.7) | (60.7) | (221.4) | (21.5) |
| Creditors & provisions | - | 77.9 | 99.0 | 176.9 | 74.9 |
| Minority interest | - | - | 3.6 | 3.6 | - |
| Net assets disposed | (1.4) | (106.8) | (150.5) | (258.7) | (271.2) |
| Total proceeds (net of cash acquired / disposed) | 1.1 | 161.8 | (7.4) | 155.5 | 516.7 |
| (Loss) Gain loss on disposal | (0.3) | 55.0 | (157.9) | (103.2) | 245.5 |
| Goodwill previously written off to reserves | | | | | (445.0) |
| Loss on disposal taken to provision | | | | | 5.9 |
| Reported loss on disposal | | | | | (193.6) |

On 24 February 2000 the Group disposed of its interest in the Thorn UK Rental Group for a consideration of £161.8m.

On 18 March 2000 the Group disposed of its interest in Thorn International Holdings Limited for a consideration of (£7.4m).

During the year, the Group disposed of its interest in Thorn Hong Kong for a consideration of £1.1m.

NOTES TO THE ACCOUNTS

22. Pension arrangements

The Group operates a number of pension schemes throughout the world. The main scheme, which covers employees in the United Kingdom, is the Thorn Pension Fund ('the Fund'). Staff engaged outside the United Kingdom are covered by local arrangements, which in the case of the Group schemes are largely of the defined contribution type. The assets of the Group's pension schemes are held in separate, trustee-administered funds.

The Fund is open to all permanent employees over the age of 18 employed by the Company and certain subsidiaries in the United Kingdom. Until 31 October 1999, all members of the Fund were provided with pensions defined in terms of final pensionable pay, but since then new members have joined a new money purchase section. Pensions payable from the Fund are guaranteed to increase in payment by 5% each year, or by the increase in the UK cost of living index, if less. Members contribute to the Fund at the rate of 4% of pensionable pay.

The latest available actuarial valuation of the Fund was made by a qualified actuary as at 31 March 1999 using the projected unit method. At that date, the market value of the assets of the Fund was £1,027 million, which was sufficient to cover 118% of the value of the benefits that had accrued to the members, after allowing for assumed increases in earnings. Part of the surplus disclosed by the 1999 valuation was allocated towards the reduction of employer contributions below the long-term rate.

Employer expense in respect of the Fund has been calculated in accordance with Statement of Standard Accounting Practice 24 – Accounting for Pension Costs ('SSAP24'). On the basis of actuarial advice, it has been taken as nil for the period ended 31 March 2000.

The principal long-term financial assumptions used to calculate employer expense under SSAP24 are shown below:

| | Growth |
|-------------------------------|------------------|
| Rate of price inflation | 2.5% p.a. |
| Rate of investment return | 4.5 to 5.5% p.a. |
| Rate of general pay increases | 4.5% p.a. |
| Rate of pension increases | 2.5% p.a. |

These rates included allowance for the effects of the tax credit changes introduced by the Finance (No. 2) Act 1997.

Employer contributions of £1.9m (1999: £1.7m) were charged to the profit and loss account. These contributions primarily related to overseas schemes and were determined in accordance with local practice.

NOTES TO THE ACCOUNTS

23. Significant investments

The businesses set out below are those which, in the opinion of the directors, significantly affected the Group's results and net assets during the year. Except where otherwise stated, the country of incorporation is England, the operations are within the United Kingdom, the shares are in equity share capital and the businesses are wholly-owned.

Subsidiary undertakings

Thorn UK Ltd *

Thorn Denmark A/S (Denmark) *

Thorn Svenska AB (Sweden) *

Thorn Norge AS (Norway) *

Thorn High Street Properties Ltd *

Consumer Electronics Insurance Company Ltd

Thorn Financial Services Limited (trading as Crazy George's)

Thorn Asia Pacific

Thorn Australia Pty Ltd (Australia) *

Corporate

Thorn Finance Limited

Thorn International Holdings Ltd *

* Disposed of in the year ended 31 March 2000.

24. Related party transactions

- During the year, fees of £6.2m were charged from Nomura International plc for work performed in connection with the securitisation of part of the UK rental assets base.
- During the year, 10% of the equity of the Thorn Nordic business was sold to certain members of the Nordic management team. In order to finance their purchase of shares, the Group forwarded loans totalling £4.3m to these individuals. Interest was charged on these loans on an arms-length basis. Subsequent to 31 March 2000, Nordic management sold its minority stake in Thorn Nordic back to the Group, and repaid all amounts owing from the proceeds.

25. Parent undertaking and controlling party

As at 31 March 2000, the Company's immediate parent undertaking was Future Rentals Limited and, in the opinion of the directors, the Company's ultimate parent undertaking was Carmelite Capital Limited, which is incorporated in UK. The Company has been included in group accounts prepared by Carmelite Capital Limited and copies of the accounts can be obtained from Carmelite, 50 Victoria Embankment, London EC4Y 0DX.

The Nomura Securities Group of companies, of which Nomura International plc is the principal UK subsidiary, has the ability to exercise a controlling influence over the Carmelite Capital Limited Group through the holding of warrants to subscribe for ordinary shares of Rental Holding Company Limited, the immediate subsidiary of Carmelite Capital Limited.