

BOX CLEVER TECHNOLOGY LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002

Company Number: 3866274



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BOX CLEVER TECHNOLOGY LIMITED

DIRECTORS' REPORT

The directors have pleasure in submitting their financial statements for the year ended 30 September 2002.

Activities and Results

The principal activity of the Company is that of a holding company.

Box Clever Technology Limited ("BCTL") is a joint venture between Rental Holding Company Limited and Granada UK Rental & Retail Limited, and its subsidiary Box Clever Finance Limited ("BCFL") was formed to consummate the merger of the Thorn and Granada TV Rental businesses in 2000.

The restructuring of the merged business has involved rationalising the combined shop chain to around 180 shops at the present time, and seeking additional third party fulfilment and service contracts for the service side of the operation.

In June 2002, a subsidiary of BCFL completed the securitisation of the rental assets and rental contracts raising £748 million to repay part of the bridging finance taken on by BCFL at merger. In addition BCFL entered into a further drawn down facility of £120 million, as well as a smaller working capital facility to meet the group's day-to-day working capital needs. The directors are advised that the BCFL and subsidiary company facilities have no recourse to BCTL in respect of such facilities. The consolidated trading results for the year are set out in the profit and loss account within these financial statements.

BCFL and certain of its subsidiaries executed a Suspension Agreement on 26 June 2003 with the banks which had provided funding to BCFL and its subsidiaries, in order to provide additional working capital funding to BCFL and its subsidiaries until 1 September 2003. This period has been extended until 15 September 2003. However, the financial statements of BCFL show that the value of the assets of BCFL are less than its liabilities and this constitutes an event which gives the bank lenders a right to terminate the suspension period. BCFL has applied to the bank lenders for a waiver of this right, but this has not yet been received. The purpose of the agreement was also to set out the terms and conditions on which the bank lenders agreed to suspend their rights in respect of certain defaults, in order to enable discussions to take place between the bank lenders and BCFL with a view to reaching agreement on a longer term restructuring of the business, operations and funding of BCFL and its subsidiaries. The discussions between BCFL and its lenders are continuing at the date of approval of these financial statements.

No dividends were paid or proposed during the year (2001: £Nil).

Directors

The directors of the Company during the year were:-

C L Allen
L Cooklin
G Hands
H R W Mavity
M J Neal
G J Parrott
H E Staunton
Q R Stewart
F S Duncan (appointed 9 October 2001)
M Tagliaferri (resigned 9 October 2001)

BOX CLEVER TECHNOLOGY LIMITED**DIRECTORS' REPORT****(continued)****Directors (continued)**

The alternate directors of the Company during the year were:-

F S Duncan (resigned 9 October 2001) - alternate to M Tagliaferri
 A P Chadd (appointed 18 January 2002) - alternate to Q R Stewart
 M M Fegan (appointed 18 January 2002) - alternate to H E Staunton
 R Punja - alternate to G Hands
 J B S Tibbitts - alternate to C L Allen
 T P Weller (resigned 18 January 2002) - alternate to H E Staunton

No director has or had an interest in any contract or arrangement to which the Company or any subsidiary is or was a party.

Directors' Interests in Shares and Share Options

None of the Directors had a direct interest in the issued share capital of the Company.

Following the merger of Granada Group PLC with Compass PLC in July 2000, ordinary shares of Granada Group PLC were converted into ordinary shares of Granada plc (formerly Granada Compass PLC) at an exchange rate of one ordinary share of Granada Group PLC to 0.7547 ordinary shares of Granada plc.

All rights under the various Granada Group Plc share option schemes became exercisable as a result of the merger up to 27 January 2001. In the case of Granada Group options unexercised at 27 January 2001, these were rolled over into options over Granada Compass shares under the Granada Group Rollover Arrangement. The Rollover Arrangement enabled eligible participants to receive options over the number of Granada Compass shares calculated by multiplying by 0.7547, the number of Granada Group shares over which their Granada Group option was granted. This Conversion ratio reflected the terms received by Granada Group shareholders on the merger. On the subsequent demerger of Compass Group plc on 1 February 2001 these options were adjusted under the terms of the Granada Group Rollover Arrangement so that each option over a Granada Compass ordinary share was replaced by one option over a Granada plc share and one option over a Compass Group plc share. The options over both these sets of shares held under the Rollover Arrangement lapsed on 31 December 2001. Entitlements to Granada plc shares under the Rollover Arrangements are shown in the Granada plc Rollover Arrangements table below.

Any Granada Group PLC ordinary shares acquired on exercise of rights under the Granada Group PLC share option schemes were converted immediately on exercise into ordinary shares of Granada plc at an exchange ratio of one Granada Group PLC ordinary share to 0.7547 ordinary shares of Granada plc.

The beneficial interests of the Directors in the joint venture parent undertakings are as follows:-

	<u>Granada plc</u> <u>Ordinary shares of 10p</u> <u>At 30 September 2002</u>	<u>Granada plc</u> <u>Ordinary shares of 10p</u> <u>At 30 September 2001</u> <u>(or date of appointment)</u>
H R W Mavity	80,636	80,636

BOX CLEVER TECHNOLOGY LIMITED**DIRECTORS' REPORT****(continued)****Directors' Interests in Shares and Share Options (continued)**

M J Neal held the following options and awards under Granada plc Rollover Arrangement.

Granada plc - Rollover arrangement:

	<u>At 30</u> <u>September 2001</u> <u>(or date of</u> <u>appointment)</u>	<u>Granted during</u> <u>the period</u>	<u>Lapsed during</u> <u>the period</u>	<u>At 30</u> <u>September 2002</u>
M J Neal	30,188	Nil	30,188	Nil

Note 1: The options disclosed above represent the Granada plc options which replaced the original Rollover Arrangement options as described above. On 1 February 2001 Granada plc demerged its hospitality business into Compass Group plc, a newly listed company. Shareholders of Granada plc received one additional share in Compass Group plc for each share in Granada plc that they held.

The interests of C Allen, G Parrott and H Staunton in the shares and share options of Granada plc (the ultimate parent undertaking) are disclosed in the accounts of Granada plc which is the highest company in the group structure that has prepared audited consolidated accounts to 30 September 2002.

The interests of J Tibbitts in the shares and share options of Granada plc (the ultimate parent undertaking) are disclosed in the accounts of GIL Insurance Limited. GIL Insurance Limited has prepared audited accounts to 30 September 2002 and is a wholly owned subsidiary of Granada UK Rental & Retail Limited, a 50% shareholder in Box Clever Technology Limited.

No other directors have any interests in the joint parent undertakings.

Creditor payment policy

It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions under which business transactions are conducted. This payment policy is subject to the supplier also complying with all relevant terms and conditions. The Company does not follow any code or standard on payment practice. The number of days' purchases outstanding for payment by the Group as at 30 September 2002 was 71 days (2001: 57 days). The number of days' purchases outstanding for payment by the Company as at 30 September 2002 was nil (2001: nil).

Employment Policies

It is the policy of the Group to give full consideration to the employment, suitable placement and training of disabled persons on work they are qualified to do. There are established procedures for employees to receive regular news and information regarding the business and development of the Group.

Political and charitable donations

The Group made no political donations during the year. The Group made charitable donations during the year of £1,250 (2001: £2,000). The Company made no political or charitable donations during the current year.

BOX CLEVER TECHNOLOGY LIMITED

DIRECTORS' REPORT
(continued)

Auditors

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

By Order of the Board

A handwritten signature in black ink, appearing to read 'B. A. R. Gerrard', written over a horizontal line.

B A R Gerrard
Secretary
8 September 2003

Registered Office: Technology House
Amphill Road
Bedford
MK42 9QQ

BOX CLEVER TECHNOLOGY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, 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 financial statements; and
- * prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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 Group and to prevent and detect fraud and other irregularities.

**REPORT OF THE INDEPENDENT AUDITORS, KPMG AUDIT Plc,
TO THE MEMBERS OF BOX CLEVER TECHNOLOGY LIMITED**

We have audited the financial statements on pages 7 to 34.

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 are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements 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.

Fundamental uncertainty - going concern

In forming our opinion we have considered the adequacy of the disclosures made in the accounting policies (basis of preparation) note to the financial statements concerning the fundamental uncertainty over the continued provision by the lenders to Box Clever Finance Limited ("BCFL") and its subsidiaries of facilities sufficient to enable BCFL and its subsidiaries to continue to trade. In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our audit opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company and Group's affairs as at 30 September 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG Audit Plc
Chartered Accountants
Registered Auditor

Milton Keynes

8 September 2003

BOX CLEVER TECHNOLOGY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2002

	<u>Note</u>	<u>2002</u>	<u>2001</u>
		£'000	£'000
Turnover		421,921	537,568
		=====	=====
Staff costs	(1)	(112,205)	(144,451)
Depreciation on tangible assets:			
Rental assets		(74,080)	(98,239)
Other assets		(8,795)	(12,923)
	(8)	(82,875)	(111,162)
		=====	=====
Other operating costs before exceptional items	(4)	(174,311)	(222,353)
Other operating costs - exceptional items	(4)	(426,358)	(47,606)
		=====	=====
Operating costs		(795,749)	(525,572)
		=====	=====
Operating profit - before exceptional items		52,530	59,602
Operating loss - exceptional items		(426,358)	(47,606)
		=====	=====
Group operating (loss) / profit		(373,828)	11,996
		=====	=====
Interest payable and similar charges	(5)	(92,480)	(88,634)
		=====	=====
Loss on ordinary activities before taxation		(466,308)	(76,638)
		=====	=====
Taxation on loss on ordinary activities	(6)	-	-
		=====	=====
Retained loss carried forward for the year	(20)	(466,308)	(76,638)
		=====	=====

All items relate to continuing operations. All recognised gains and losses for the current year are shown in the primary statement above. There is no material difference between the profit on a historical cost basis and that described in the profit and loss account.

The notes and accounting policies on pages 12 to 34 form part of these financial statements.

BOX CLEVER TECHNOLOGY LIMITED
CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2002

	Note	<u>2002</u> £'000	<u>2002</u> £'000	<u>2001</u> £'000	<u>2001</u> £'000
Fixed Assets:					
Intangible Assets	(7)		267,255		693,732
Tangible Fixed Assets	(8)		139,224		221,707
			<u>406,479</u>		<u>915,439</u>
Current Assets:					
Stocks	(10)	3,141		8,281	
Debtors: amounts falling due within one year	(11)	68,271		69,492	
Debtors: amounts falling due after more than one year	(12)	-		4,582	
		68,271		74,074	
Cash at bank and in hand	(16)	73,224		87,989	
		<u>144,636</u>		<u>170,344</u>	
Creditors: amounts falling due within one year					
Borrowings	(17)	(93,870)		(859,185)	
Other creditors	(13)	(118,707)		(151,697)	
		<u>(212,577)</u>		<u>(1,010,882)</u>	
Net current liabilities			(67,941)		(840,538)
Total assets less current liabilities			<u>338,538</u>		<u>74,901</u>
Creditors: amounts falling after more than one year					
Borrowings	(17)	(868,050)		(126,715)	
Other creditors	(14)	-		(1,479)	
			<u>(868,050)</u>	<u>(128,194)</u>	
Provisions for liabilities and charges	(18)		(40,351)		(50,262)
Net Liabilities			<u>(569,863)</u>		<u>(103,555)</u>
<u>CAPITAL AND RESERVES</u>					
Called Up Share Capital	(19)		2,000		2,000
Share Premium	(20)		8,000		8,000
Profit and Loss Account	(20)		(579,863)		(113,555)
Shareholders' Deficit	(21)		<u>(569,863)</u>		<u>(103,555)</u>

These accounts were approved by the Board of Directors on 8 September 2003 and signed on its behalf by

.....
M J Neal
Director

The notes and accounting policies on pages 12 to 34 form part of these financial statements.

BOX CLEVER TECHNOLOGY LIMITED
CONSOLIDATED CASH FLOW STATEMENT

	<u>Note</u>	<u>2002</u> £000	<u>2002</u> £000	<u>2001</u> £000	<u>2001</u> £000
Net cash inflow from operating activities	(15)		102,860		187,315
Returns on investments and servicing of finance:					
Interest paid		(86,129)		(90,191)	
			(86,129)		(90,191)
Taxation			2,599		(31)
Capital expenditure:					
Purchase of tangible fixed assets		(28,097)		(67,120)	
Sale of tangible fixed assets		28,638		25,384	
			541		(41,736)
Acquisitions and disposals:					
Purchase of business		(4,075)		(2,550)	
			(4,075)		(2,550)
Cash flow before financing			15,796		52,807
Financing:					
Bank and other loans raised		851,130		-	
Repayment of loan		(881,691)		(1,915)	
			(30,561)		(1,915)
(Decrease) / increase in cash in year	(16)		(14,765)		50,892

The notes and accounting policies on pages 12 to 34 form part of these financial statements.

BOX CLEVER TECHNOLOGY LIMITED
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>Note</u>	<u>2002</u> £000	<u>2002</u> £000	<u>2001</u> £000	<u>2001</u> £000
(Decrease) / increase in cash in year			(14,765)		50,892
Bank and other loans		23,980		(6,070)	
Movement in net debt in year		<hr/>	23,980	<hr/>	(6,070)
Opening net debt			(897,911)		(942,733)
Closing net debt	(16)		<hr/> <u>(888,696)</u>		<hr/> <u>(897,911)</u>

The notes and accounting policies on pages 12 to 34 form part of these financial statements.

BOX CLEVER TECHNOLOGY LIMITED**COMPANY BALANCE SHEET AS AT 30 SEPTEMBER 2002**

	Note	<u>2002</u> £'000	<u>2001</u> £'000
Fixed Assets:			
Investments	(9)	-	-
		<hr/>	<hr/>
		-	-
Current Assets:			
Debtors	(11)	10,000	10,000
		<hr/>	<hr/>
Net Assets		10,000	10,000
		<hr/>	<hr/>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	(19)	2,000	2,000
Share Premium	(20)	8,000	8,000
		<hr/>	<hr/>
Equity Shareholders' Funds	(21)	10,000	10,000
		<hr/>	<hr/>

These accounts were approved by the Board of Directors on 8 September 2003 and signed on its behalf by



.....
M J Neal
Director

The notes and accounting policies on pages 12 to 34 form part of these financial statements.

BOX CLEVER TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 19 'Deferred tax' in these financial statements. This has not resulted in a prior year adjustment.

1. Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. As permitted by section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the parent company only has not been presented.

The directors have considered very carefully whether it is appropriate for the financial statements to be prepared on a going concern basis, given the following circumstances. On the basis of projected cash flow statements prepared by Box Clever Finance Limited ("BCFL"), a subsidiary of BCTL, after the end of the financial period, the directors considered that BCFL and its subsidiaries could not operate for the foreseeable future within existing facilities provided by WestLB AG London branch.

BCFL and certain of its subsidiaries executed a Suspension Agreement on 26th June 2003 with the banks which had provided funding to BCFL and its subsidiaries, in order to provide additional working capital facilities to BCFL and its subsidiaries until 1st September 2003. This suspension period has been extended until 15th September 2003. However, the financial statements of BCFL show that the value of the assets of BCFL are less than its liabilities and this constitutes an event which gives the bank lenders a right to terminate the suspension period. BCFL has applied to the bank lenders for a waiver of this right, but this has not yet been received. The purpose of the agreement was also to set out the terms and conditions on which the bank lenders agreed to suspend their rights in respect of certain defaults, in order to enable discussions to take place between the bank lenders and BCFL and its subsidiaries with a view to reaching agreement on a longer term restructuring of the business, operations and funding of BCFL and its subsidiaries.

BCFL and its subsidiaries are therefore currently able to meet their day to day working capital requirements through the existing and additional facilities. The discussions with regard to the restructuring are continuing at the date of approval by the directors of these financial statements.

The bank lenders have indicated that, whilst their preferred option would be to agree a longer term restructuring with BCTL and BCFL, they are continuing to evaluate management's proposed business plan and are considering all options and have not yet reached a final decision. They have also said that at this stage there can be no certainty as to whether the longer term restructuring will be agreed and, if so, on what terms.

The directors consider that there can be no certainty as at the date of approval of these financial statements that the funding arrangements under the Suspension Agreement will continue to be available to BCFL or that the discussions referred to above will result in a restructuring of the facilities available to BCFL and its subsidiaries in a manner necessary to enable BCFL and its subsidiaries to meet their debts as they fall due.

BOX CLEVER TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS
(continued)

ACCOUNTING POLICIES
(continued)

Basis of Preparation (continued)

The directors have considered whether it is appropriate, given the circumstances described above, for the Group financial statements to be prepared on a going concern basis. Box Clever Technology Limited is a holding company and remains a going concern. It has no cross guarantees to its subsidiary undertakings. However, the directors have considered whether the Company should make provision for non-recovery of the amounts receivable from subsidiary undertakings. Although there is considerable uncertainty as to the future trading operations of BCFL and its subsidiaries, the directors understand that the relevant Financial Reporting Standard states that an entity should prepare its financial statements on a going concern basis, unless it is being liquidated or has ceased trading, or the directors have no realistic alternative but to liquidate the entity or for it to cease trading. On the basis of this Standard, whilst taking into account the uncertainty surrounding the future of BCFL and its subsidiaries, the directors do not consider that it would be appropriate to change the basis of preparation of these financial statements from being prepared on a going concern basis. The financial statements have therefore been prepared on that basis and a provision has not been made against the recoverability of the Company's debtors.

The financial statements do not contain any adjustments that would result from the going concern basis of preparation being inappropriate.

2. Basis of consolidation

The Group accounts comprise a consolidation of the accounts of the Company and all of its subsidiaries. The accounts of all subsidiaries are made up to 30 September 2002. Goodwill arising on acquisitions is capitalised and amortised over its expected useful life.

3. Fixed Assets and Depreciation

Depreciation is provided at rates calculated to write off assets over their estimated useful lives.

Freehold Property	- On a straight line basis over 50 years
Long Leasehold Property	- On a straight line basis over 50 years
Short Leasehold Property	- On a straight line basis over the shorter of 5 years or next lease break
Equipment and showroom improvements	- On a straight line basis over 3 to 7 years
Motor vehicles	- On a straight line basis over 3 years to net realisable value

Rental Assets are stated at purchase price, less depreciation. Depreciation on Rental Assets is provided from the date of first installation on the following basis:

Colour Television Sets	- On a straight line basis over 5 years
Video equipment	- On a straight line basis over 4 years
Whitegoods	- On a straight line basis over 4 years
Other Rental Assets	- On a straight line basis over 1 to 5 years
Acquired Rental Assets	- Over the remaining useful lives by reference to the ages of equivalent existing assets

BOX CLEVER TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS
(continued)

ACCOUNTING POLICIES
(continued)

4. Stocks

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

5. Turnover

Rental income receivable is brought into the financial statements on a monthly basis as it falls due, annual contracts being treated as having twelve monthly instalments (exclusive of Value Added Tax). Disposal of ex-rental televisions, videos and associated services are included in turnover on a receivable basis (exclusive of Value Added Tax). All turnover is derived in the UK and relates to the rental and retail of consumer electronic equipment and services.

6. Pension Costs

The group participates in the Boxclever Group Pension Scheme, sections of which are defined benefit in nature. The assets of these sections are held separately from those of the group in an independently administered fund. Contributions to the scheme in relation to these sections are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

Further details of the scheme are contained within the notes to the accounts.

The Boxclever Group Pension Scheme also includes defined contribution sections to which the group contributes. The assets of these sections are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to these sections of the scheme in respect of the accounting period.

7. Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Goodwill is amortised to nil on a straight line basis over its estimated useful life. Goodwill is amortised over periods of between 4 and 20 years.

8. Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at 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.

9. Leases

Operating lease rental payments are charged directly to the profit and loss account on an accruals basis.

BOX CLEVER TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

(continued)

ACCOUNTING POLICIES

(continued)

10. 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, without discounting, 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.

11. Capital Instruments

Capital instruments are recorded at proceeds net of issue costs. Finance costs are charged to the profit and loss account each year over the term of the debt at a constant rate on the carrying value of the debt.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**1. STAFF NUMBERS AND COSTS**

The average number of persons employed by the Group during the year was as follows:

	<u>2002</u>	<u>2001</u>
	No.	No.
Full Time	5,121	7,257
Part Time (Full Time Equivalent)	335	607
	<u>5,456</u>	<u>7,864</u>

The aggregate payroll costs of these persons were as follows:

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Wages & Salaries	96,537	123,035
Social Security	7,229	9,361
Pension and Other Costs	8,439	12,055
	<u>112,205</u>	<u>144,451</u>

2. PENSIONS

The group participated in the Granada Pension Scheme and the Thorn Pension Fund in respect of the workforces brought together following the merger in June 2000, prior to the formation of the Boxclever Group Pension Scheme on 1 October 2001.

(i) Granada Pension Scheme

The UK pension scheme which covers ex-Granada employees is the Granada Pension Scheme operated by Granada Group PLC. The scheme is a defined benefit type with assets held in separate trustee administered funds. The scheme was assessed by Mercer Human Resource Limited, consulting actuaries, as at 1 October 2001 using the projected unit method. The principal actuarial assumptions adopted were that the rate of return on investments would be 2.4% higher than the annual increase in total pensionable remuneration and 3.6% higher than the annual increase in present and future pensions. Based on the 1 October 2001 assessment, the market value of the assets of the scheme was sufficient to cover 100% of the value of benefits that has accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets as at 1 October 2001 was £1,147 million. The Group has made contributions of £Nil (2001: £6.7m) to the scheme during the current year.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS****(continued)****PENSIONS (continued)****(ii) Thorn Pension Fund**

The UK pension scheme which covers ex-Thorn employees is the Thorn Pension Fund ('the Fund'). 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 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. The principal actuarial assumptions adopted (rates per annum) were price inflation at 2.5%, 4.5 to 5.5% rate of investment return, 4.5% general pay increases and 2.5% pension increases. The Group has made payments to Thorn Limited of £Nil (2001: £4.7 m) in relation to the current year, as required under the terms of the joint venture agreement.

(iii) Boxclever Group Pension Scheme

Details of the defined benefit sections of the scheme are provided within the FRS 17 disclosures below. The first actuarial valuation of the scheme is being carried out as at 1 October 2002 and is not available for inclusion within these financial statements. Contributions to these sections of the scheme for the current year amounted to £7.7m (2001: £Nil).

The scheme also includes defined contribution sections. The pension cost charge for the period includes contributions payable by the group to these sections amounting to £0.7m (2001: £0.7m). Contributions amounting to £0.1m (2001: £Nil) were payable to these sections at 30 September 2002 and are included in other creditors.

FRS17

On the 1 October 2001, the Company set up a scheme available for all group employees, the Boxclever Group Pension Scheme. Employees who were members of the Granada Pension Scheme and Thorn Pension Fund (the former schemes) as at 30 September 2001 were given the option to transfer their past service benefits from the former schemes to the Boxclever Group Pension Scheme and those who requested such a transfer were given replica benefits to those of the former scheme in respect of past and future service. New hires to the group are eligible for defined contribution benefits.

The Company and Box Clever Trustees Limited have now decided not to accept the transfer of benefits from the former schemes. This decision is mainly due to market conditions and as a result of actuarial advice.

Members who requested a transfer will still receive a comparable final salary pension based on total pensionable service with both the former schemes and the Boxclever scheme. This will be achieved by leaving the pension earned up to 30 September 2001 in the former schemes, which will be revalued until retirement or date of leaving, and supplementing it with a top up pension from the Boxclever Group Pension Scheme, which will also incorporate the pension earned for service since 1 October 2001.

As a result, the FRS17 figures for 2001 have been restated here to provide a revised start year position. All disclosures for 2002 have been calculated assuming this start point.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**PENSIONS** (continued)

FRS 17 also requires disclosure of the long term rate of return expected on the scheme's assets as at 30 September 2001, divided between each asset category in which the scheme invests. As there were no assets in the Scheme as at 30 September 2001, this disclosure is not provided.

As at 1 October 2002, the major assumptions of the scheme were as follows:

	<u>2002</u>	<u>2001</u>
Rate of increase in salaries	2.65%	2.90%
Rate of increase to pensions in payment	2.25%	2.50%
Rate of increase to deferred pensions	2.25%	2.50%
Discount rate for scheme liabilities	5.50%	6.00%
Inflation	2.25%	2.50%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme liabilities, which are derived from cashflow projections over long periods and thus inherently uncertain, were:

	<u>2002</u> <u>Note 1</u>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>Note 1</u>	<u>2001</u> <u>£'000</u>
Equities	6.50%	-	n/a	-
Bonds	5.50%	-	n/a	-
Cash	4.00%	7,798	4.00%	-
Market value of assets		<u>7,798</u>		<u>-</u>
Present value of liabilities		(12,385)		(5,175)
Deficit in scheme		<u>(4,587)</u>		<u>(5,175)</u>
Related deferred tax asset		1,376		1,553
Net pension liability		<u><u>(3,211)</u></u>		<u><u>(3,622)</u></u>

Note 1: Long term rate of return

The amount of this net pension liability would have a consequential effect on reserves.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**PENSIONS (continued)**

Movement in deficit during the year

2002
£'000

Deficit in the scheme at beginning of year	(5,175)
Current service costs	(6,302)
Contributions	7,719
Other finance cost	(350)
Actuarial loss	(479)
Deficit in the scheme at end of year	<u>(4,587)</u>

If FRS17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

2002
£'000

Analysis of other pension costs charged in arriving at operating profit:

Current service cost	(6,302)
----------------------	---------

2002
£'000

Analysis of amounts included in other finance costs:

Expected return on pension scheme assets	165
Interest on pension scheme liabilities	(515)
	<u>(350)</u>

2002 2002
£'000

Analysis of amount recognised in statement of total recognised gains and losses:

Actual return less expected return on scheme assets		(595)
Percentage of year end scheme assets	-8%	
Experience gains and losses arising on scheme liabilities		25
Percentage of present value of year end liabilities	-	
Changes in assumptions underlying the present value of scheme liabilities		91
Percentage of present value of year end liabilities	1%	
Actuarial loss recognised in statement of total recognised gains and losses		<u>(479)</u>

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS****(continued)****3. DIRECTORS' EMOLUMENTS**

Staff costs include:

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Directors Emoluments	518	417
	=====	=====

The aggregate emoluments of the highest paid director, including benefits in kind, was £324,700 (2001: £251,100). He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end was £64,542 (2001: £56,646).

	<u>2002</u>	<u>2001</u>
	No.	No.
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	2	2
	===	===

4. OTHER OPERATING COSTS

These include:

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Audit Fee	175	210
Fees to auditors for non-audit services	148	283
Operating Lease Costs:		
Plant & Machinery	909	7,830
Other Assets	54,502	82,228
Amortisation of Goodwill	38,608	37,750
Goodwill write down in year (see below)	391,011	-
	=====	=====

Other operating costs - exceptional items

Included within Other operating costs - exceptional items are £35,347,000 (2001: £47,606,000) of costs relating primarily to redundancy and property closure costs, arising from the rationalisation and restructuring of the Group's activities. Following an impairment review the carrying value of goodwill has been written down to its expected recoverable amount.

Other operating costs before exceptional items

In addition to the fees to auditors for non-audit services disclosed for 2001 above, there was a further £319,000 of fees included within prepayments as at 30 September 2001 in relation to work undertaken for the refinancing of Box Clever Finance Limited ("BCFL") during 2002. During the current year an additional £606,000 of fees for non-audit services were incurred in relation to the refinancing of BCFL. These costs are being treated as finance costs and are being charged to the profit and loss account over the term of the debt arising from the refinancing.

Incidental expenditure of the Company, such as audit fees, have been borne by a subsidiary company, UK Consumer Electronics Limited, for the current year.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS****(continued)****5. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Bank loans & overdrafts	62,768	74,073
Other loans	10,042	9,720
Financing costs	6,309	4,841
Swap break costs	13,361	-
	<u>92,480</u>	<u>88,634</u>

6. TAXATION

The charge / (credit) for corporation tax used in these accounts has been calculated at the rate of 30% (2001: 30%).

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Corporation tax charge for the year	-	-
The charge / (credit) for the year is higher (2001: higher) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below.		
Loss on ordinary activities before tax	(466,308)	(76,638)
Current tax at 30% (2001: 30%)	(139,892)	(22,991)
<i>Effects of:</i>		
Goodwill amortisation and write down	128,885	11,325
Depreciation and profit on disposal of fixed assets in excess of capital allowances	18,870	4,004
Deduction allowed for items taxed in earlier periods	(7,092)	(4,901)
Items taxed with a deduction allowed in later periods	-	12,822
Other items	(771)	(259)
UK Corporation Tax	-	-

Factors that may effect the future tax charges

As noted below, the group has identified a deferred tax asset of £99.6m (2001: £87.0m) relating to accelerated capital allowances and other timing differences. It is considered that the availability of sufficient taxable profits in the future against which the underlying timing differences can be deducted cannot be seen with reasonable certainty. Therefore, the deferred tax asset has not been recognised. An appropriate asset will be recognised when the group can demonstrate a return to taxable profits and a reasonable expectation of sufficient profits to utilise the timing differences.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**TAXATION** (continued)

The analysis of unprovided deferred tax at the end of the year is as follows:

	<u>Full Potential</u> <u>Asset</u> <u>2002</u> £'000	<u>Full Potential</u> <u>Asset</u> <u>2001</u> £'000
Group:		
Differences between accumulated depreciation and capital allowances	79,552	60,870
Other short term timing differences	20,031	26,162
	<u>99,583</u>	<u>87,032</u>

7. GROUP INTANGIBLE ASSETS - GOODWILL

	£'000
<u>Cost</u>	
At 1 October 2001	740,909
Additions	3,142
At 30 September 2002	<u>744,051</u>
<u>Amortisation</u>	
At 1 October 2001	(47,177)
Charge for the year	(38,608)
Write down in the year (see note 4)	(391,011)
At 30 September 2002	<u>(476,796)</u>
<u>Net Book Value</u>	
At 30 September 2002	<u>267,255</u>
At 30 September 2001	<u>693,732</u>

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. Goodwill is amortised over periods of between 4 and 20 years. Additions to goodwill reported above arose on the acquisition of £933,000 (2001: £523,000) of rental assets for a consideration of £4,075,000 (2001: £2,550,000).

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**8. TANGIBLE ASSETS**

	<u>Freehold Property</u>	<u>Long Leasehold Property</u>	<u>Short Leasehold Property</u>	<u>Vehicles, Equipment & Fittings</u>	<u>Rental Assets</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000	£'000
<u>GROUP</u>						
<u>COST</u>						
At 1 October 2001	1,351	597	483	45,901	315,484	363,816
Additions	-	-	-	6,578	21,519	28,097
Business Acquired	-	-	-	-	933	933
Disposals	(228)	(264)	(135)	(6,059)	(31,052)	(37,738)
At 30 September 2002	1,123	333	348	46,420	306,884	355,108
	=====	=====	=====	=====	=====	=====
<u>DEPRECIATION</u>						
At 1 October 2001	(6)	(1)	(219)	(16,714)	(125,169)	(142,109)
Charge for the period	(1)	(1)	(92)	(8,701)	(74,080)	(82,875)
Disposals	-	-	27	2,087	6,986	9,100
At 30 September 2002	(7)	(2)	(284)	(23,328)	(192,263)	(215,884)
	=====	=====	=====	=====	=====	=====
<u>NET BOOK VALUE</u>						
At 30 September 2002	1,116	331	64	23,092	114,621	139,224
	=====	=====	=====	=====	=====	=====
At 30 September 2001	1,345	596	264	29,187	190,315	221,707
	=====	=====	=====	=====	=====	=====

Included above are rental assets which have been securitised by the Group with a net book value of £105.0m.

9. INVESTMENTS

The Company directly holds the following investments in subsidiary undertakings at 30 September 2002:

One £1 Ordinary Share in Box Clever Holdings Limited (a Holding Company) representing 100% of the issued share capital. One £1 Ordinary Share in Box Clever Trustees Limited (Trustee to Boxclever Group Pension Scheme) representing 100% of the issued share capital. One £1 IPT Share in each of Direct Vision Rentals Limited and UK Consumer Electronics Limited (representing less than 1% of the respective issued share capitals). These companies are all 100% owned within the Box Clever Technology Group.

All the above companies are incorporated in England and Wales.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS****(continued)****INVESTMENTS (continued)**

The principal subsidiary undertakings of the Company, held indirectly, at 30 September 2002, were as follows:

<u>Name:</u>	<u>Principal activity:</u>
Box Clever Limited	Holding Company
Box Clever Finance Limited	Holding Company
UK Consumer Electronics Limited	Marketing of domestic electrical appliances and cash management
UK Retail Limited	Retail and procurement of domestic electrical appliances
Home Technology Finance Limited	Rental and retailing of domestic electrical appliances
TUK Holdings Limited (Formerly Thorn UK Limited)	Marketing of domestic electrical appliances
Endeva Service Limited (Formerly Premium Service Company Limited)	Maintenance and servicing of domestic electrical appliances
THSP Properties Limited (Formerly Thorn High Street Properties Limited)	Property management
Endeva Materials Supply Limited (Formerly Thorn Materials Supply Limited)	Materials purchasing
Endeva Fulfilment Limited	Storage, distribution and installation of domestic electrical appliances.
Telebank Television Rentals Limited	Rental of metered domestic electrical appliances.

All the companies are wholly owned within the Group and incorporated and registered in England and Wales. All subsidiaries have been included within the consolidated financial statements of Box Clever Technology Limited.

10. STOCKS

Group:	<u>2002</u>	<u>2001</u>
	£'000	£'000
Goods for re-sale and spares	3,141	8,281
	<u>=====</u>	<u>=====</u>

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

Group:	<u>2002</u> £'000	<u>2001</u> £'000
Trade debtors	44,478	36,102
Other debtors	11,229	23,233
Prepayments and accrued income	12,564	10,157
	<u>68,271</u>	<u>69,492</u>
Company:	<u>2002</u> £'000	<u>2001</u> £'000
Amounts owed by subsidiary undertakings	10,000	10,000

12. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group:	<u>2002</u> £'000	<u>2001</u> £'000
Other debtors	-	4,582

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group:	<u>2002</u> £'000	<u>2001</u> £'000
Trade creditors	35,690	43,056
Rentals in advance	7,906	14,593
Social security	814	4,307
Taxation	8,584	5,985
Other creditors	32,324	50,910
Accruals and deferred income	33,389	32,846
	<u>118,707</u>	<u>151,697</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group:	<u>2002</u> £'000	<u>2001</u> £'000
Other creditors	-	1,479

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS****(continued)****15. RECONCILIATION OF OPERATING (LOSS) / PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>2002</u>	<u>2001</u>
Cash flows:	£'000	£'000
Operating (loss) / profit	(373,828)	11,996
Depreciation charges	82,875	111,162
Goodwill amortisation and write down	429,619	37,750
Decrease in stocks	5,140	14,029
Decrease in debtors	5,803	38,421
Decrease in creditors and provisions	(46,749)	(26,043)
	<u>102,860</u>	<u>187,315</u>

16. ANALYSIS OF NET DEBT

	<u>2001</u>	<u>Net cash</u>	<u>Non-cash</u>	<u>2002</u>
	£'000	flow	movements	£'000
Cash at bank	87,989	(14,765)	-	73,224
Loans due within one year	(859,185)	765,315	-	(93,870)
Loans due after more than one year	(126,715)	(734,754)	(6,581)	(868,050)
	<u>(897,911)</u>	<u>15,796</u>	<u>(6,581)</u>	<u>(888,696)</u>

Included within the closing cash balance of £73.2m is £65.1m of cash trapped or reserved under the terms of the securitisation entered in to in June 2002. Of this £16.3m will be utilised to reduce borrowings, £8.2m is held under specific obligations of the securitisation, and a further £9.9m is held to meet the quarter end VAT liability. Box Clever Finance Limited ("BCFL") and its subsidiaries will also have to settle commitments to third parties as well as interest accruing on the loans. The remaining trapped cash will be made available to BCFL and its subsidiaries when the monthly securitisation payments schedule has occurred following the year end.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**17. ANALYSIS OF BORROWINGS**

Group:	<u>2002</u> £'000	<u>2001</u> £'000
Borrowings: amounts falling due within one year	93,870	859,185
Borrowings: amounts falling due after more than one year	868,050	126,715
	<u>961,920</u>	<u>985,900</u>
	<u>2002</u> £'000	<u>2001</u> £'000
Maturity of borrowings is as follows:		
Within one year	97,900	859,185
Between one and two years	71,944	-
Between two and five years	272,868	-
Over five years	534,875	126,715
	<u>977,587</u>	<u>985,900</u>
Deferred costs of finance	(15,667)	-
	<u>961,920</u>	<u>985,900</u>

The borrowings due within one year disclosed above for the previous period included £858m of remaining bank loans provided through a committed loan facility covering a 10 year period from the completion of the Box Clever merger on 28 June 2001. The bank loan consisted of a £710m Senior Interim Bridge Facility and a £148m Subordinated Interim Bridge Facility made available to Box Clever Finance Limited ("BCFL") and its subsidiaries. In accordance with the committed facility these initial bridging loans fell due for repayment on 28 June 2001, at which time there was to be a refinancing. The lender subsequently extended the term of the initial bridging loans to the 20th June 2002, at which time the Group securitised the rental asset income stream of Home Technology Finance Limited as part of the overall refinancing of the loan facilities. Due to the short term maturity of these borrowings their fair values approximated to their book values.

The borrowings maturing within one year disclosed above for the current year includes £1.5m relating to drawings made under the £40m working capital facility. The facility expires in March 2005. Interest accrues daily and is calculated monthly by applying the London Inter-Bank Offered Rate ("LIBOR") plus 2% on the business day on which the advance is rolled over. A charge of 1% is also made on the value of the undrawn facilities. A further £1m relates to Loan Notes bearing interest at 1/2% below the 'inter-bank deposit rate'. Repayment of these loan notes is at three months notice for the holders during the period to 31 December 2004. Any Loan Notes outstanding at the end of this period will then fall due for repayment. Due to the short term maturity of these borrowings their fair values approximate to their book values.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**ANALYSIS OF BORROWINGS (continued)**

Borrowings maturing between two and five years includes £120m drawn under the mezzanine loan facilities. Interest accrues daily on £60m and is calculated monthly by applying the LIBOR plus 6.5% on the business day the loan advance is rolled over. Interest accrues daily on the remaining £60m and is calculated monthly by applying the LIBOR plus 4.5% on the business day the loan advance is rolled over. The loan, under the mezzanine facility, falls due for repayment in instalments between December 2004 and June 2007, although the Group has the option to make repayments earlier. There is no material difference between the fair value of these liabilities and their book value.

Borrowings maturing in over 5 years includes £133.3m relating to Loan notes falling due for repayment on 28 June 2010, although the Group has the option to make repayments earlier. Interest accrues daily and is calculated monthly by applying the LIBOR rate plus 1% on the last business day of each month. Accrued interest is added to the nominal amount of the Loan notes carried forward to the next month. There is no material difference between the fair value of these liabilities and their book value.

The remaining £721.8m of borrowings relates to loan notes issued on the Luxembourg Stock Exchange under the securitisation of the rental assets and associated rental contracts of Home Technology Finance Limited. The securitisation places a fixed and floating charge over all the assets of the subsidiaries Home Technology Receivables (No. 1) plc and Home Technology Finance Limited, including rental assets and their associated income streams. Of this £636.8m bears interest at 6.39% and £85.0m at 8.54%. The maturity profile of this debt is based on forecast expectations available at that time. The fair value of these liabilities at 30 September 2002 is £726.9m, applying a discount rate equivalent to the Groups' weighted average borrowing rate for a similar liability.

The Board regularly monitors risks relating to financial instruments. The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk.

The Group has entered into interest rate swap transactions on the above loan notes issued on the Luxembourg Stock Exchange as part of the refinancing during June 2002. The fair value of these arrangements as at 30 September 2002 were as follows:

	<u>2002</u>	<u>2001</u>
	£000	£000
Unrecognised financial assets	26,578	-
Unrecognised financial liabilities	(57,180)	(17,830)
	=====	=====

The comparative figure relates to the fair value of interest rate swap transactions entered into as part of the initial bridging arrangements on formation of the group in June 2000.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS****(continued)****18. PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>Restructuring</u>	<u>Property</u>	<u>Holiday Pay</u>	<u>Warranty</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000
Group:					
At 1 October 2001	7,508	42,040	440	274	50,262
Charged to the profit and loss account	-	8,934	-	-	8,934
Utilised during the year	(3,070)	(15,432)	(343)	-	(18,845)
At 30 September 2002	<u>4,438</u>	<u>35,542</u>	<u>97</u>	<u>274</u>	<u>40,351</u>

The restructuring provision relates to costs resulting from decisions to reorganise the business. The property provision is to cover the net discounted lease commitment on vacant properties held by the Group. The holiday pay provision is in respect of contractual holiday pay obligations for certain current employees. The warranty provision is to cover the exposure to potential repair costs on certain retail sales.

19. CALLED UP SHARE CAPITALAt 30 September 2001 & 30 September 2002:

	£
Authorised:	
2 IPT shares of £1 each	2
1,000,000 A Ordinary shares of £1 each	1,000,000
1,000,000 B Ordinary shares of £1 each	1,000,000
100 C Ordinary shares of £1 each	100
	<u>2,000,102</u>
Allotted, called up and fully paid:	
2 IPT shares of £1 each	2
1,000,000 A Ordinary shares of £1 each	1,000,000
1,000,000 B Ordinary shares of £1 each	1,000,000
	<u>2,000,002</u>

A number of entities within the Group are currently party to legal proceedings against HM Customs & Excise, regarding the introduction of higher rate IPT. The holders of the IPT Shares (Granada UK Rental & Retail Limited and Rental Holding Company Limited) are entitled, in priority to the holders of any other shares in the Company, to receive out of the profits of the Company available for distribution a dividend equal to the amount of any IPT litigation proceeds received by the Company to the extent that it can be paid as a lawful dividend. Other than this, the IPT Share has no rights to participate in profits and assets of the Company.

On a winding-up, the holder of the IPT Share is entitled to, in priority to any other class of share, receive an amount equal to the amount paid up on the share, together with an amount equal to any dividend which may have become payable at that date.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**20. RESERVES**

Group:	<u>Share Capital</u>	<u>Share Premium</u>	<u>Profit & Loss Account</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
At 1 October 2001	2,000	8,000	(113,555)	(103,555)
Retained loss for the year	-	-	(466,308)	(466,308)
At 30 September 2002	<u>2,000</u>	<u>8,000</u>	<u>(579,863)</u>	<u>(569,863)</u>
	=====	=====	=====	=====
Company:	<u>Share Capital</u>	<u>Share Premium</u>	<u>Profit & Loss Account</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
At 1 October 2001 and 30 September 2002	<u>2,000</u>	<u>8,000</u>	<u>-</u>	<u>10,000</u>
	=====	=====	=====	=====

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS / (DEFICIT)

Group:	<u>2002</u> £'000	<u>2001</u> £'000
Opening shareholders' deficit	(103,555)	(26,917)
Retained loss for the period	(466,308)	(76,638)
Closing shareholders' deficit	<u>(569,863)</u>	<u>(103,555)</u>
	=====	=====
	<u>2002</u> £'000	<u>2001</u> £'000
Closing shareholders' deficit comprises:		
Equity	(569,863)	(103,555)
Non-equity (see below)	-	-
	<u>(569,863)</u>	<u>(103,555)</u>
	=====	=====

Non-equity shareholders' funds: Two non-equity IPT Share issued at the nominal value of £1 (see note 19) represent the non-equity shareholders' fund carried forward at the end of the year.

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS****(continued)****RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS / (DEFICIT) (continued)**

	<u>2002</u>	<u>2001</u>
Company:	£'000	£'000
Closing shareholders' funds comprises:		
Equity	10,000	10,000
Non-equity (see below)	-	-
Opening and closing shareholders' funds	<u>10,000</u>	<u>10,000</u>

Non-equity shareholders' funds: Two non-equity IPT Share issued at the nominal value of £1 (see note 19) represent the non-equity shareholders' fund carried forward at the end of the year.

22. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Under the VAT Group Registration, the company is jointly and severally liable for VAT due by other Group companies. As at 30 September 2002 this amounted to £9.3 million (2001: £9.0 million).

The aggregate amount of capital expenditure not dealt with in these financial statements for contracts placed is £Nil (2001: £11,946,000).

23. LEASING COMMITMENTS

There were annual commitments under operating leases as follows:

	<u>2002</u>	<u>2001</u>
Group:	£'000	£'000
Land and buildings		
Expiring within one year	244	2,277
Expiring in the second to fifth year	10,421	13,181
Expiring after the fifth year	22,968	31,256
	<u>33,633</u>	<u>46,714</u>
Other operating leases		
Expiring within one year	37	2,972
Expiring in the second to fifth year	1,273	687
	<u>1,310</u>	<u>3,659</u>

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS****(continued)****24. RELATED PARTY TRANSACTIONS****(i) UK Consumer Electronics Limited**

Certain insurance premiums due to GIL Insurance Limited ("GIL") are collected on its behalf by UK Consumer Electronics Limited ("UKCE"). UKCE also receives retailer commissions and acts as repair agent. Prior to 28 June 2000, UKCE and GIL were both wholly owned subsidiaries within the group headed by Granada Group PLC. On 28 June 2000, UKCE was sold to Box Clever Finance Limited, a subsidiary of Box Clever Technology Limited, and as such the exemption contained within FRS8 'Related Party Transactions' does not apply. However, UKCE has continued to collect premiums on behalf of GIL, continued to receive retailer commissions and to act as repair agent. A profit share agreement has also been entered into between the companies. The value of transactions amounted to:-

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Gross premiums collected on behalf of GIL	-	22,700
Claims costs charged to GIL	2,100	2,500
Retailer commissions payable by GIL	-	6,100
Profit share payable by GIL	-	11,200
	=====	=====

The balance outstanding at the year end for amounts owed by UKCE to GIL totalled £Nil (2001: £0.3m). At the end of the year there is also a balance of £1.9m (2001: £4.0m) included within 'Accruals and deferred income' relating to a prepayment of service costs by GIL.

Similarly, the exemption contained within FRS8 'Related Party Transactions' does not apply to transactions between UKCE and Granada UK Rental & Retail Limited ("GUKR&R") and Granada Business Technology Limited ("GBT"). The value of transactions amounted to:-

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Loan interest charged to GUKR&R	200	400
Loan repayments by GUKR&R	2,100	2,500
Cost recharges (including payroll) made to GBT	4,704	6,400
	=====	=====

The balance outstanding at the year end for amounts owed by GUKR&R to UKCE totalled £2.6m (2001: £4.4m). The balance outstanding at the year end for amounts owed to GBT by UKCE totalled £0.2m (2001: £Nil).

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS**
(continued)**RELATED PARTY TRANSACTIONS (continued)****(ii) Home Technology Finance Limited**

Certain insurance premiums due to Consumer Electronics Insurance Company Limited ("CEIC") are collected on its behalf by Home Technology Finance Limited ("HTFL"). HTFL also receives retailer commissions and a profit share. Prior to 28 June 2000, HTFL and CEIC were both wholly owned subsidiaries within the Rental Holdings group. On 28 June 2000, HTFL was sold to Box Clever Finance Limited, a subsidiary of Box Clever Technology Limited, and as such the exemption contained within FRS8 'Related Party Transactions' does not apply. However, HTFL has continued to collect premiums on behalf of CEIC and receive retailer commissions. A profit share agreement has also been entered into between the companies. Following a re-organisation within the Box Clever Group during the year, similar arrangements are now also in place with the related party GIL. The value of transactions amounted to:-

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Gross premiums collected on behalf of CEIC	49,800	77,800
Retailer commissions payable by CEIC	22,400	34,900
Profit share payable by CEIC	6,400	7,300
Gross premiums collected on behalf of GIL	12,600	3,700
Retailer commissions payable by GIL	3,200	700
Profit share payable by GIL	5,300	2,200
	=====	=====

The consolidated balance sheet includes an amount payable of £0.8m (2001: £1.1m) due to CEIC at the year end.

(iii) Telebank Television Rentals Limited

Following a re-organisation within the Box Clever Group during the year, arrangements are now in place between Telebank Television Rentals Limited and both GIL and CEIC. The value of transactions amounted to:-

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Gross premiums collected on behalf of CEIC	1,800	700
Retailer commissions payable by CEIC	800	300
Profit share payable by CEIC	500	100
Gross premiums collected on behalf of GIL	1,400	500
Retailer commissions payable by GIL	300	100
Profit share payable by GIL	1,000	300
	=====	=====

BOX CLEVER TECHNOLOGY LIMITED**NOTES TO THE ACCOUNTS****(continued)****RELATED PARTY TRANSACTIONS (continued)****(iv) Endeva Service Limited**

Endeva Service Limited ("ESL") acts as a repair agent on behalf of Consumer Electronics Insurance Limited ("CEIC"). ESL also holds an interest bearing loan with Thorn Finance Limited ("TFL"). Prior to 28 June 2000, ESL, CEIC and TFL were all wholly owned subsidiaries within the Nomura group. On 28 June 2000, ESL was sold to Box Clever Finance Limited and as such the exemption contained within FRS8 'Related Party Transactions' does not apply. The value of transactions amounted to £13.5m (2001: £24.1m) for claims costs charged to CEIC. A balance of £5.0m (2001: £18.5m) remains outstanding at the end of the year in relation to a prepayment of service costs made by CEIC to ESL in the previous period. The value of transactions for the year amounted to £1.0m (2001: £2.2m) of loan interest receivable from TFL. TFL also made loan repayments of £13.5m (2001: £24.1m) leaving £9.1m (2001: £21.6m) as an outstanding balance at the year end. During the current year ESL has also performed £3.1m of service work for Granada Business Technology Limited. A balance of £0.2m (£Nil) was outstanding at the year end, which is included within debtors.

25. JOINT VENTURE SHAREHOLDERS

The Company is a joint venture between Rental Holding Company Limited and Granada UK Rental & Retail Limited. The Directors regard Terra Firma Capital Partners Holdings Limited, a company incorporated in Guernsey, as the ultimate parent undertaking of Rental Holding Company Limited. Granada plc, a company incorporated and registered in England and Wales, is the ultimate parent undertaking of the Granada UK Rental & Retail Limited.