Box Clever Technology Limited

Directors' report and consolidated financial statements

Registered number 3866274

30 September 2003

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2003.

Principal activities and business review

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 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.

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 was extended until 15 September 2003. However, the accounts of BCFL at that time showed that the book value of the assets of BCFL were less than its liabilities and this constituted an event which gave the bank lenders a right to terminate the suspension period. The purpose of this 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.

On 24 September 2003, negotiations with the banks terminated and BCFL and certain of its subsidiaries were put into administrative receivership. The group had no other trading operations. These financial statements therefore include the consolidated trading results up to the point the receivers were appointed to BCFL and certain of its subsidiaries. At that point the Company's interests in that part of its group reverted to that of an investment and appropriate entries have been recorded in the financial statements.

The Company will continue to hold the shares in BCFL, through its holding in Box Clever Holdings Limited, pending the outcome of the administrative receivership.

Proposed dividend

No dividends were paid or proposed during the year (2002: £Nil).

Directors and directors' interests

The directors who held office during the year were as follows:
CL Allen (resigned 14 June 2004)
L Cooklin
G Hands (resigned 14 June 2004)
HRW Mavity
MJ Neal
GJ Parrot (resigned 14 June 2004)
HE Staunton
QR Stewart
FS Duncan
JBS Tibbitts (appointed 14 June 2004)

The alternate directors of the Company during the year were:
AP Chadd – alternate to QR Stewart
MM Fegan – alternate to HE Staunton
R Punja – alternate to G Hands (resigned 14 June 2004)
JBS Tibbitts – alternate to CL Allen (resigned 14 June 2004)

Directors' report *(continued)*

Directors and directors' interests *(continued)*

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

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of group companies and, according to the register of directors' no rights to subscribe for shares in group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

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 2003 was nil *(2002: 71 days).* The number of days' purchases outstanding for payment by the Company as at 30 September 2003 was nil *(2002: 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 to £650 *(2002: £1,250).* The Company made no political or charitable donations during the current year.

Auditors

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

By order of the board

BAR Gerrard
Secretary

Registered Office:
Taylor Wessing
Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

Statement of directors' responsibilities

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;
- 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.

KPMG

KPMG Audit Plc
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE
United Kingdom

Report of the independent auditors to the members of Box Clever Technology Limited

We have audited the financial statements on pages 6 to 31.

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 3, 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 group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

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 group's circumstances, consistently applied and adequately disclosed.

We planned 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. However, the evidence available to us was limited because, due to the appointment of receivers to the group's subsidiary Box Clever Finance Limited and certain of its subsidiaries, as explained in note 1 to the financial statements, we were unable to obtain access to its accounting records. Therefore we were unable to audit either the results of Box Clever Finance Limited and its subsidiaries included in the consolidated profit and loss account as discontinued operations in respect of the period to 24 September 2003 (the date the receivers were appointed) or either the related disclosures in the notes to the consolidated profit and loss account nor certain movements in the notes to the consolidated balance sheet. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the independent auditors to the members of Box Clever Technology Limited *(continued)*

Opinion: disclaimer on view given by financial statements

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 September 2003. Except for certain missing information in relation to notes to the consolidated balance sheet, in our opinion the financial statements give a true and fair view of the state of affairs of the group as at 30 September 2003.

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the profit of the group for the year ended 30 September 2003.

Except for any adjustments that might have been found necessary had adequate evidence been available to us, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect solely of this limitation in the scope of our audit:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- information about transactions with the group has not been disclosed.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 July 2004

Consolidated profit and loss account

for the year ended 30 September 2002

	Note		2003		2002
		Continuing	**Discontinued**	**Total**	Discontinued
		£000	**£000**	**£000**	£000
Turnover		-	**339,511**	**339,511**	421,921
Staff costs		-	**(83,781)**	**(83,781)**	(112,205)
Depreciation on tangible assets					
Rental assets		-	**(50,894)**	**(50,894)**	(74,080)
Other assets		-	**(6,909)**	**(6,909)**	(8,795)
	10	-	**(57,803)**	**(57,803)**	(82,875)
Other operating costs before exceptional items	*5*	-	**(183,971)**	**(183,971)**	(174,311)
Other operating costs – exceptional items	*5*	**(10,000)**	-	**(10,000)**	(426,358)
Operating costs		**(10,000)**	**(325,555)**	**(335,555)**	(795,749)
Operating profit – before exceptional items		-	**13,956**	**13,956**	52,530
Operating loss – exceptional items		***(10,000)***	-	***(10,000)***	*(426,358)*
Group operating (loss)/profit		**(10,000)**	**13,956**	**3,956**	(373,828)
Profit on receivership of discontinued operation	*6*	-	**638,654**	**638,654**	-
Interest payable and similar charges	*7*	-	**(72,747)**	**(72,747)**	(92,480)
Profit/loss on ordinary activities before taxation		**(10,000)**	**579,863**	**569,863**	(466,308)
Taxation on profit/(loss) on ordinary activities	*8*			-	-
Retained profit/(loss) carried forward for the year	*21*			**569,863**	(466,308)

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 11 to 31 form part of these financial statements.

Consolidated balance sheet
at 30 September 2003

	Note	**2003 £000**	**2003 £000**	2002 £000	2002 £000
Fixed assets					
Intangible assets	*9*		-		267,255
Tangible fixed assets	*10*		-		139,224
			-		406,479
Current assets					
Stocks	*12*	-		3,141	
Debtors: amounts falling due within one year	*13*	-		68,271	
Cash at bank and in hand		-		73,224	
		-		144,636	
Creditors: amounts falling due within one year					
Borrowings	*18*	-		(93,870)	
Other creditors	*14*	-		(118,707)	
		-		(212,577)	
Net current liabilities			-		(67,941)
Total assets less current liabilities			-		338,538
Creditors: amounts falling due after more than one year					
Borrowings	*18*	-		(868,050)	
Other creditors	*15*	-		-	
			-		(868,050)
Provisions for liabilities and charges	*19*		-		(40,351)
Net liabilities			-		(569,863)
Capital and reserves					
Called up share capital	*20*		**2,000**		2,000
Share premium	*21*		**8,000**		8,000
Profit and loss account	*21*		**(10,000)**		(579,863)
Shareholders' deficit	22		-		(569,863)

These financial statements were approved by the board of directors on 28 July 2004 and were signed on its behalf by:

L Cooklin

L Cooklin
Director

Consolidated cash flow statement

at 30 September 2003

	Note	2003 £000	2003 £000	2002 £000	2002 £000
Net cash inflow from operating activities	*16*		**119,658**		102,860
Returns on investments and servicing of finance:					
Interest paid		**(61,941)**		(86,129)	
			(61,941)		(86,129)
Taxation			**(2)**		2,599
Capital expenditure:					
Purchase of tangible fixed assets		**(15,735)**		(28,097)	
Sale of tangible fixed assets		**13,639**		28,638	
			(2,096)		541
Acquisition and disposals:					
Purchase of business		**-**		(4,075)	
Eliminated on discontinued operations		**(85,626)**		-	-
			(85,626)		(4,075)
Cash flow before financing			**(30,007)**		15,796
Financing:					
Bank and other loans raised		**-**		851,130	
Repayment of loan		**(43,217)**		(881,691)	
			(43,217)		(30,561)
Decrease in cash in year	*17*		**(73,224)**		(14,765)

The notes and accounting policies on pages 11 to 31 form part of these financial statements.

Reconciliation of net cash flow to movement in net debt
at 30 September 2003

	Note	**2003** **£000**	**2003** **£000**	2002 £000	2002 £000
(Decrease)/increase in cash in year			**(73,224)**		(14,765)
Bank and other loans		**36,690**		23,980	
			36,690		23,980
Eliminated on discontinued operations			**925,230**		-
			888,696		9,215
Opening net debt			**(888,696)**		(897,911)
Closing net debt	*17*		**-**		(888,696)

The notes and accounting policies on pages 11 to 31 form part of these financial statements.

Company balance sheet
at 30 September 2003

	Note	2003 £000	2002 £000
Fixed assets			
Investments	*11*	-	-
			-
Current assets			
Debtors	*13*	-	10,000
Net assets		-	10,000
Capital and reserves			
Called up share capital	*20*	**2,000**	2,000
Share premium	*21*	**8,000**	8,000
Profit and loss account	*21*	**(10,000)**	-
Shareholders' Funds	*22*	-	10,000

These accounts were approved by the Board of Directors on 28 July 2004 and signed on its behalf by:

L Cooklin

L Cooklin
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements except as noted below. The group has followed the transitional arrangements of FRS 17 'Retirement benefits' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The Group accounts comprise a consolidation of the accounts of the Company and all of its subsidiaries. Box Clever Finance Limited ('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 was extended until 15 September 2003. However, the accounts of BCFL at that time showed that the book value of the assets of BCFL were less than its liabilities and this constituted an event which gave the bank lenders a right to terminate the suspension period. The purpose of this 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.

On 24 September 2003, negotiations with the banks terminated and BCFL and certain of its subsidiaries were put into administrative receivership. The group had no other trading operations.

These financial statements therefore present consolidated results which includes trading results for these entities up to the point the receivers were appointed to BCFL and certain of its subsidiaries. At that point the Company's interests in that part of the group reverted to that of an investment and appropriate entries have been recorded in the financial statements.

As the directors of the company have had limited access to the accounting records of BCFL and its subsidiaries since the date they were placed into administrative receivership, in preparing the consolidated financial statements they have included amounts extracted from the BCFL group's management accounts for the period up to 30 September 2003, the period end closest to the point at which BCFL was put into receivership (namely 24 September 2003). Its net book liabilities at this point in time have been eliminated from the consolidation. With this exception, the consolidated financial statements are based on financial statements which are coterminous with those of the parent company and the directors are not aware of any other matters that should have been disclosed in these consolidated financial statements..

Under Section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill and negative 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 consolidation and business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. Goodwill is amortised over periods of between 4 and 20 years.

Notes *(continued)*

1 Accounting policies *(continued)*

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
White goods	-	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

Stocks

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

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.

Pension costs

The group participates in the Boxclever Group Pension Scheme, sections of which are defined 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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

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

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 FRS19.

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.

2 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Full time		5,121
Part time (full time equivalent)		335
	3,855	5,456

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£000	£000
Wages and salaries		96,537
Social security costs		7,229
Other pension costs		8,439
	83,781	112,205

As explained in note 1, these financial statements have been prepared for the BCFL group's management accounts and as such, further analysis of the above is not available to the directors. The company has no employees.

Notes *(continued)*

3 Pension scheme

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.

As explained in note 1, these financial statements have been prepared from the BCFL group's management accounts. As at 30 September 2003, the directors are unable to provide additional information regarding the pension schemes and therefore the following disclosures relate to the comparative period only.

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 made no contributions to the scheme during the prior year.

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 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 no movements to Thorn Limited in relation to the prior year, as required under the terms of the joint venture agreement.

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 was not available for inclusion within these financial statements. Contributions to these sections of the scheme for the prior year amounted to £7.7m.

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

FRS 17

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.

Notes *(continued)*

3 Pension scheme *(continued)*

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.

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 30 September 2002, the major assumptions of the scheme were as follows:

	2002 £000	2001 £000
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 cash flow projections over long periods and thus inherently uncertain, were:

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

Note 1: Long term rate of return

Notes *(continued)*

3 Pension scheme *(continued)*

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

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	(4,587)

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)
	(350)

	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		(479)

Notes *(continued)*

3 Pension scheme *(continued)*

As a result of the fact that certain companies within the Box Clever group entered into administrative receivership during the year, it was decided to close the Boxclever Group pension scheme from 31 December 2003. At this time the status of all members changed to either deferred pensioner or pensioner.

An Actuarial Valuation Report for the Defined Benefit section of the scheme has been prepared by the scheme Actuary as at 31 December 2003 which shows that the scheme has a deficit of £24,814,000 on a pure gilt basis. On an equity out performance basis the deficit is £16,981,000.

4 Directors emoluments

Staff costs include:

	2003	2002
	£000	£000
Directors' emoluments	**569**	518

The directors were not remunerated by the company. The emoluments disclosed above for 2003 were paid by other group companies.

The aggregate emoluments of the highest paid director, including benefits in kind, was £317,554 *(2002: £324,700)*. 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 £27,225 *(2002: £33,750)*. Contributions were also made to an unapproved defined contribution scheme in respect of the highest paid director of £37,174 *(2002: £30,792)*.

	2003	2002
	No	No
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**2**	2

The above relates to emoluments received by their directors for their services to the group. None of the directors were remunerated for their services to the company.

Notes *(continued)*

5 Other operating costs

These include:

	2003	2002
	£000	£000
Audit fee (see below)	-	175
Fees to auditors for non-audit services	-	148
Operating lease costs:		
Plant and machinery (see below)	-	909
Other assets (see below)	-	54,502
Amortisation of goodwill	**60,010**	38,608
Goodwill write down in year	-	391,011

Other operating costs before exceptional items

During the prior year an additional £606,000 of fees for non-audit services were incurred in relation to the refinancing of BCFL. These costs have been treated as finance costs and have been 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 the joint venture parent undertakings for the current year.

As explained in note 1, these financial statements have been prepared from the BCFL group's management accounts and as such, further analysis of the above is not available to the directors.

Audit fees of £50,000 were billed to the group prior to the appointment of the receivers.

Other operating costs – exceptional items

In the current year, exceptional items of £10,000,000 have been incurred relating to the write off of the amount due to the company by Box Clever Finance Limited ("BCFL") following the appointment of receivers on 24 September 2003 to that company.

In 2002 exceptional items were made up of the write down of goodwill to its expected recoverable amount following an impairment review and £35,347,000 of costs relating primarily to redundancy and property closure costs, arising from the rationalisation and restructuring of the group's activities.

6 Profit on receivership of discontinued operation

	2003	2002
	£000	£000
Elimination of net liabilities of discontinued operation (including goodwill of £207,245,000).	**638,654**	-

The group's subsidiary BCFL and certain of its subsidiaries were put into receivership on 24 September 2003. The net book liabilities of the sub-group headed by BCFL have been eliminated from the consolidation. The directors are advised that the BCFL and subsidiary company facilities have no recourse to the company in respect of such facilities.

Notes *(continued)*

7 Interest payable and similar charges

	2003	2002
	£000	£000
Bank loans and overdrafts	**58,988**	62,768
Other loans	**13,759**	10,042
Financing costs	**-**	6,309
Swap break costs	**-**	13,361
	72,747	92,480

8 Taxation

The charge/(credit) for corporation tax used in these accounts has been calculated at the rate of 30% *(2002: 30%)*.

	2003	2002
	£000	£000
Corporation tax charge for the year	**-**	-

The charge/(credit) for the year is lower *(2002: higher)* than the standard rate of corporation tax in the UK *(30%, 2002: 30%)*. The differences are explained below:

	2003	2002
	£000	£000
Profit/(loss) on ordinary activities before tax	**569,863**	(466,308)
Current tax at 30% *(2002: 30%)*	**170,960**	(139,892)
Effects of:		
Goodwill amortisation and write down	**18,003**	128,885
Elimination of net liabilities on discontinued operations	**(191,597)**	-
Depreciation and profit on disposal of fixed assets in excess of capital allowances	**-**	18,870
Deduction allowed for items tax in earlier periods	**-**	(7,092)
Other items	**(366)**	(771)
Origination of other timing differences	**3,000**	-
UK corporation tax	**-**	-

Factors that may affect the future tax charges

As noted below, the company has identified a deferred tax asset of £3.0 million relating to other timing differences *(2002: group asset of £99.6 million relating to accelerated capital allowances and other timing differences)*. In 2002 for the group it was considered that the availability of sufficient taxable profits in the future against which the underlying timing differences could be deducted could not be seen with reasonable certainty. Therefore, the deferred tax asset was not recognised. An appropriate asset was to be recognised when the group could demonstrate a return to taxable profits and a reasonable expectation of sufficient profits to utilise the timing differences.

Notes *(continued)*

8 Taxation *(continued)*

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

	Company Full potential asset 2003 £000	Group Full potential asset 2003 £000
Differences between accumulated depreciation and capital allowances	**-**	79,552
Other short term timing differences	**3,000**	20,031
	3,000	99,583

9 Group intangible assets – goodwill

	£000
Cost	
At 1 October 2002	744,051
Eliminated on discontinued operations	(744,051)
At 30 September 2003	-
Amortisation	
At 1 October 2003	476,796
Charge for the year	60,010
Eliminated on discontinued operations	(536,806)
	-
Net book value	
At 30 September 2003	-
At 30 September 2002	267,255

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 in the prior year arose on the acquisition of £933,000 of rental assets for a consideration of £4,075,000.

Notes *(continued)*

10 Tangible assets

	Freehold property £000	Long leasehold property £000	Short leasehold property £000	Vehicles, equipment & fittings £000	Total other assets £000	Rental assets £000	Total £000
Group							
Cost							
At 1 October 2002	1,123	333	348	46,420	48,224	306,884	355,108
Additions					2,349	13,386	15,735
Business acquired					-	4,758	4,758
Disposals at net book value					(1,535)	(12,104)	(13,639)
Eliminated on discontinued operations					(49,038)	(312,924)	(361,962)
At 30 September 2003					-	-	-
Depreciation							
At 1 October 2002	7	2	284	23,328	23,621	192,263	215,884
Charge for period					6,909	50,894	57,803
Eliminated on discontinued operations					(30,530)	(243,157)	(273,687)
At 30 September 2003					-	-	-
Net book value							
At 30 September 2003					-	-	-
At 30 September 2002	1,116	331	64	23,092	24,603	114,621	139,224

Included above at 30 September 2002 were rental assets which have been securitised by the Group with a net book value of £105.0m.

At 30 September 2003, as explained in note 1, these financial statements have been prepared from the BCFL group's management accounts and as such, further analysis of the above is not available to the directors of the company.

Notes *(continued)*

11 Investments

The company directly holds the following investments in subsidiary undertakings at 30 September 2003:

- 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 and all are incorporated in England and Wales.

The following subsidiaries were held indirectly up to 24 September 2003, at which point the company lost control of these subsidiaries when Box Clever Finance Limited and certain other subsidiaries were put into receivership.

Name	*Principal activity*
Box Clever Finance Limited	Holding company
Box Clever 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
Home Technology Receivables (No. 1) Plc	Issuer of loan notes/securitisation finance
TUK Holdings Limited	Marketing of domestic electrical appliances
Endeva Service Limited	Maintenance and servicing of domestic electrical appliances
THSP Properties Limited	Property management
Endeva 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 were wholly owned within the Group and incorporated and registered in England and Wales.

12 Stocks

	2003	2002
	£000	£000
Group		
Goods for re-sale and spares	-	3,141

Notes *(continued)*

13 Debtors: amounts falling due within one year

	2003	2002
	£000	£000
Group		
Trade debtors	-	44,478
Other debtors	-	11,229
Prepayments and accrued income	-	12,564
	-	68,271
Company		
Amounts owed by subsidiary undertakings	-	10,000

14 Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Group		
Trade creditors	-	35,690
Rentals in advance	-	7,906
Social security	-	814
Taxation	-	8,584
Other creditors	-	32,324
Accruals and deferred income	-	33,389
	-	118,707

15 Creditors: amounts falling due after more than one year

	2003	2002
	£000	£000
Group		
Other creditors	-	-

Notes *(continued)*

16 Reconciliation of operating profit/(loss) to net cash inflow from operating activities

	2003 £000	2002 £000
Cash flows:		
Operating profit/(loss)	**3,956**	(373,828)
Depreciation charges	**57,705**	82,875
Goodwill amortisation and write down	**60,010**	429,619
Decrease in stocks	**1,844**	5,140
Decrease in debtors	**25,774**	5,803
Decrease in creditors and provisions	**(29,631)**	(46,749)
	119,658	102,860

17 Analysis of net debt

	2002 £000	Net cash flow £000	Non-cash movements £000	Eliminated on discontinued operations £000	**2003 £000**
Cash at bank	73,224	12,402	-	(85,626)	**-**
Loans due within one year	(93,870)	43,217	-	50,653	**-**
Loans due after more than one year	(868,050)	-	(6,527)	874,577	**-**
	(888,696)	55,619	(6,527)	839,604	**-**

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

Notes *(continued)*

18 Analysis of borrowings

	2003 £000	2002 £000
Group		
Borrowings: amounts falling due within one year	-	93,870
Borrowings: amounts falling due after more than one year	-	868,050
	-	961,920
Maturity of borrowings is as follows:		
Within one year	-	97,900
Between one and two years	-	71,944
Between two and five years	-	272,868
Over five years	-	534,875
	-	977,587
Deferred costs of finance	-	(15,667)
	-	961,920

The borrowings maturing within one year disclosed above for the prior year included £1.5 million relating to drawings made under the £40 million working capital facility. The facility expires in March 2005. Interest accrues daily and is calculated monthly be 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 £1 million relates to Loan Notes bearing interest at 0.5% 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.

Borrowings maturing between two and five years includes £120 million drawn under the mezzanine loan facilities. Interest accrues daily on £60 million 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 £60 million 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 £133.3 million 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 £721.8 million 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 £636.8 million bears interest at 6.39% and £85.0 million 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 £726.9 million, applying a discount rate equivalent to the groups' weighted averaged borrowing rate for a similar liability.

Notes *(continued)*

18 Analysis of borrowings *(continued)*

The Board regularly monitors risks relating to financial instruments. The main risks 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 2003 were as follows:

	2003	2002
	£000	£000
Unrecognised financial assets	-	26,578
Unrecognised financial liabilities	-	(57,180)

19 Provisions for liabilities and charges

	Restructuring	**Property**	**Holiday pay**	**Warranty**	**Total**
	£000	£000	£000	£000	£000
Group					
At 1 October 2002	4,438	35,542	97	274	40,351
Eliminated on discontinued operations	(4,438)	(35,542)	(97)	(274)	(40,351)
At 30 September 2003	-	-	-	-	-

As explained in note 1, these financial statements have been prepared from the BCFL group's management accounts and as such, no further analysis of the above is available to the directors. 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.

20 Called up share capital

At 30 September 2003 and 30 September 2003

	£
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
	2,000,102
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
	2,000,002

Notes *(continued)*

20 Called up share capital *(continued)*

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.

21 Reserves

	Share capital £000	Share premium £000	Profit & loss account £000	Total £000
Group				
At 1 October 2002	2,000	8,000	(579,863)	(569,863)
Retained profit for the year	-	-	569,863	569,863
At 30 September 2003	**2,000**	**8,000**	**(10,000)**	**-**
Company				
At 1 October 2002	2,000	8,000	-	10,000
Retained loss for the year	-	-	(10,000)	(10,000)
At 30 September 2003	**2,000**	**8,000**	**(10,000)**	**-**

22 Reconciliation of movements in shareholders' funds/(deficit)

	2003 £000	2002 £000
Group		
Opening shareholders' deficit	**(569,863)**	(103,555)
Retained profit/(loss) for the period	**569,863**	(466,308)
Closing shareholders' deficit	-	(569,863)
Closing shareholders' deficit comprises:		
Equity	-	(569,863)
Non-equity (see below)	-	-
	-	(569,863)

Notes *(continued)*

22 Reconciliation of movements in shareholders' funds/(deficit) *(continued)*

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.

	2003	2002
	£000	£000
Company		
Opening shareholders' funds	**10,000**	10,000
Retained loss for the period	**(10,000)**	-
Closing shareholders' funds	-	10,000
Closing shareholders' fund comprises:		
Equity	-	10,000
Non-equity (see below)	-	-
	-	10,000

Non-equity shareholders' funds: Two non-equity IPT share issued at the nominal value of £1 (see note 20) represent the non-equity shareholders' fund carried forward at the end of the year.

23 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 2003 this amounted to £7.4 million *(2002: £9.3 million).*

The aggregate amount of capital expenditure not dealt with in these financial statements for contracts placed is £Nil *(2002: £Nil).*

24 Leasing commitments

There were annual commitments under operating leases as follows:

	2003	2002
	£000	£000
Group		
Land and buildings		
Expiring within one year	-	244
Expiring in the second to fifth year	-	10,421
Expiring after the fifth year	-	22,968
	-	33,633
Other operating leases		
Expiring within one year	-	37
Expiring in the second to fifth year	-	1,273
	-	1,310

Notes *(continued)*

25 Related party transactions

As explained in note 1, these financial statements have been prepared from the BCFL group's management accounts and as such, information relating to related party transactions is not available to the directors. The following information therefore relates to the comparative period only.

At 30 September 2003 there were no amounts included in the balance sheet which were due to or from related parties.

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:

	2002 £000
Gross premiums collected on behalf of GIL	-
Claims costs charged to GIL	2,100
Retailer commissions payable by GIL	-
Profit share payable by GIL	-

The balance outstanding at the prior year end for amounts owed by UKCE to GIL totalled £nil. At the end of the prior year there is also a balance of £1.9 million 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:

	2002 £000
Loan interest charged to GUKR&R	200
Loan repayments by GUKR&R	2,100
Cost recharges (including payroll) made to GBT	4,704

The balance outstanding at the prior year end for amounts owned by GUKR&R to UKCE totalled £2.6 million. The balance outstanding at the year end for amounts owed to GBT by UKCE totalled £0.2 million.

Notes *(continued)*

25 Related party transactions *(continued)*

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 acts as repair agent. Prior to 28 June 2000, HTFL and CEIC were both wholly owned subsidiaries within the group headed by Granada Group PLC. 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 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:

	2002 £000
Gross premiums collected on behalf of CEIC	49,800
Retailer commissions payable by CEIC	22,400
Profit share payable by CEIC	6,400
Gross premiums collected on behalf of CEIC	12,600
Retailer commissions payable by GIL	3,200
Profit share payable by GIL	5,300

The comparative consolidated balance sheet includes an amount payable of £0.8 million due to CEIC at the year end.

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:

	2002 £000
Gross premiums collected on behalf of CEIC	1,800
Retailer commissions payable by CEIC	800
Profit share payable by CEIC	500
Gross premiums collected on behalf of CEIC	1,400
Retailer commissions payable by GIL	300
Profit share payable by GIL	1,000

Notes *(continued)*

25 Related party transactions *(continued)*

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 £13.5 million for claim costs charged to CEIC. A balance of £5.0 million remains outstanding at the end of the prior 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 £1.0 million of loan interest receivable from TFL. TFL also made loan repayments of £13.5 million leaving £9.1 million as an outstanding balance at the prior year end. During the prior year ESL has also performed service work for Granada Business Technology Limited. A balance of £0.2 million was outstanding at the year end, which is included within debtors.

26 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.