Registered No 06250176

BrightHouse Group Plc (formerly BrightHouse Group Limited)

Report and Financial Statements

31 March 2013

Directors
J L McKee
G M O David
R A Pym
D J Lamb

Secretary
D Harwood

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Directors' report

The directors present their report and financial statements for the year ended 31 March 2013 These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union

Results and dividends

The profit for the year after taxation amounted to £5,668,000 (2012 – £9,743,000) The directors do not recommend the payment of a final dividend (2012 – £nil)

Principal activity and review of the business

BrightHouse offers customers access to high-quality branded household goods on affordable weekly payments via 280 stores across the UK The Group undertakes a bespoke creditworthiness assessment, incorporating third party data, combined with an affordability check allowing customers with impaired credit records access to goods New customers build an internal credit rating through 'on time' payment allowing them to expand the range of products they have access to Customers sign a hire purchase agreement and pay no deposit Associated insurance products deliver peace of mind through protection from theft and accidental damage plus a full service option which also allows the customer to return the goods, cancel agreements and restart a new agreement with their equity protected

Strategy

The strategy adopted during the year has been to continue to build on our market position and attract new customers This has been done by offering

- High-quality desirable branded household goods
- Competitive pricing benchmarked against High Street retailers
- Strong availability of core lines in store
- High standard of customer service in store and in the home
- Effective and consistent promotion of the brand and proposition
- Targeted credit assessments

In addition the Group has continued to broaden the reach of the chain via the new store opening programme 27 new stores were opened in the year to take the total to 280 at year end (25 new stores opened in 2011/12)

Financial performance

The group financial performance for the year is summarised as follows

	2013	*2012*	*2013 vs 2012*	
	£000	*£000*	*£000*	*%*
Revenue	296,957	266,479	30,478	11 44
Gross profit	165,924	149,552	16,372	10 95
Net operating expenses	(130,632)	(115,007)	(15,625)	(13 59)
Statutory operating profit	35,292	34,545	747	2 16
Adjusted operating profit	36,241	33,592	2,649	7 89
Gross profit margin	55 9%	56 1%		
Adjusted profit before taxation	15,586	11,536	4,050	35 11
Adjusted profit after taxation	11,457	9,019	2,438	27 03

Note Adjusted results relate to pre exceptional items

Directors' report

Principal activity and review of the business (continued)

Trading Environment

2013 was a challenging trading environment with customers under pressure from continued high inflation rates, low wage growth and considerable uncertainty in the employment market In addition, the Government's much heralded changes to the welfare system have increased uncertainty for a significant portion of BrightHouse customers who are completely or partially reliant upon benefits This environment leads consumers to be cautious when purchasing large ticket items for the home and reluctant to extend themselves when signing up to a 3 year credit agreement The effective conversion of customer demand in store and the rigorous application of our credit process and the determination to maximise the attractiveness of the proposition to the customer, enabled the company to maintain its positive financial momentum

EBITdA

The primary profit measure used by management of the Group is EBITdA before exceptional items EBITdA before exceptional items (defined as operating profit before depreciation of fixtures, equipment and vehicles, amortisation and certain one off items) has improved by 10 8% from £44 6m in 2011/12 to £49 4m in 2012/13 A reconciliation of EBITdA before exceptional items to operating profit is provided below

	2013	*2012*
	£000	*£000*
BrightHouse Group Limited EBITdA before exceptional items	49,396	44,571
Depreciation of fixtures, equipment and vehicles and amortisation	(13,155)	(10,979)
Exceptional items		
Out of period indirect tax charges and provisions	(234)	1,166
Professional fees incurred during refinancing	–	(213)
Exceptional EBT bonus award	(715)	–
BrightHouse Group Limited reported operating profit	35,292	34,545

The exceptional items relate to the net settlement of outstanding indirect tax numbers, costs incurred during the refinancing of the debt facilities undertaken in 2012 and an exceptional bonus award

Key performance indicators

Customer numbers

The revenue is driven by the number of customers and their average spend with BrightHouse The strategy outlined above reflects the drive to grow the customer base with new customers whilst retaining existing customers and increasing the average spend per customer Customer numbers have grown by 8 6% up from 227,200 in 2011/12 to 246,800 in 2012/13 Average revenue per customer per month has risen by £99 70 to £104 49, an increase of 4 8%

Like-for-like revenue

Analysing revenue by store reveals the strong like-for-like revenue performance Like-for-like revenue is up 8 3% in 2012/13, compared with a 7 4% increase in 2011/12 Like-for-like analysis excludes newly opened stores Stores are included in this measure when the results for two complete trading years are available Stores take 7 years to reach maturity and as at March 2013, 94 stores were over 2 years old but under 8 years old

Directors' report

New stores

The new store opening programme continued in 2012/13 with 27 stores opening during the year (2011/12 25 stores) Demographic analysis shows a potential market of 450 stores in the UK when combined with an effective ecommerce strategy

Bad debt

BrightHouse seeks to ensure that customers can afford the repayments for goods supplied All customers sign up in a store using a comprehensive credit check and a personal face to face assessment which is signed off by the store manager Where customers face difficulties, stores have a range of options to retain the customer and ultimately ensure they take ownership of the goods Despite the difficult economic conditions, this relationship method has enabled the bad debt charge as a percentage of turnover to be lowered to 8 0% versus 8 1% in the previous year

Gross margin

Gross margin decreased from 56 1% in 2011/12 to 55 9% in 2012/13 BrightHouse seeks to offer exceptional value for money across the proposition and product range The highly competitive nature of the UK High Street and the strengthened benchmarking process and price promise adopted by the company has driven margins lower In addition the challenging trading environment has necessitated the increased use of discounts and promotions to attract customers

Principal risks and uncertainties

The directors consider that BrightHouse has adopted a thorough risk management process that involves the formal review of all the risks identified below Board committees are in place to monitor and mitigate such risks

Regulation and compliance

BrightHouse operates in a regulated market and has established processes and policies for ensuring its compliance with all applicable legislation and regulation Staff participate in a comprehensive programme of training designed to ensure that they understand the processes and policies that the directors have established Independent internal and external parties are used to fully measure the compliance across all key areas of regulation The company monitors and actively participates in the regulatory debate via its membership of trade associations and through its team of specialist advisors The management ensure that all relevant changes are anticipated and effectively incorporated into working practices

Staff capabilities

A key asset of the Group is its staff BrightHouse recognises that it must continue to attract, retain and motivate the best staff with the right capabilities at all levels of the business BrightHouse reviews its staff policies regularly and is committed to investing in training, development, succession planning and appropriate financial incentives for staff

Liquidity risk

The Group manages liquidity risk via strong cash forecasting processes to ensure sufficient funds are available The company completed a successful refinancing in the 2012 financial year The previous senior and mezzanine facilities were replaced with new all senior facilities from three banks The new facilities comprise £70m 3 to 5 year largely non-amortising facilities which are fully drawn and a £30m 3 year revolving credit facility The directors believe the facilities contain sufficient headroom for the ambitions of the business and the covenants are appropriate and support growth At the year end, the total undrawn amount on this facility was £25 6m and all covenants have been met Interest rate and exchange rate risks are managed by structured Treasury processes

Directors' report

Principal risks and uncertainties (continued)

The Group are at an advanced stage to replace the existing debt facilities Accordingly, the Group have incurred exceptional finance costs of £5 4m relating to the acceleration of the amortisation of existing loan transaction costs and the recycling of losses from equity relating to interest rate swaps which are no longer considered effective Professional fees to be incurred on new debt facilities have been recognised as a £8 3m other receivable and a £8 3m other payable These fees are expected to be amortised over the term of the new facility Should this new facility not materialise, the Group will incur costs of £1 7m As detailed in note 20 of the financial statements, the terms of the current facilities provide adequate liquidity for the Group to continue as a going concern

Credit risk

BrightHouse offers customers the ability to pay for goods over one to three years based upon its bespoke credit assessment This assessment and the debt management processes are designed to prevent rising defaults The company has progressively refined its assessment process and collections initiatives to counteract the tough economic circumstances affecting customers

Economic risk

BrightHouse customers are subject to impacts from the macroeconomic environment including government spending and benefits policy BrightHouse has to adopt a coherent commercial strategy which reflects the impact of the macroeconomic policy on its customer

Reputational risk

The company is committed to being transparent in its communications with colleagues, customers, suppliers and the broader business community BrightHouse actively ensures it holds the highest standards of corporate governance and acts to maintain its reputation

Corporate responsibility

The group has identified five main areas of corporate responsibility, risk and opportunity as

- Fair treatment of customers and suppliers
- Colleague welfare
- Community involvement
- Ethical trading
- Environmental responsibility

A review process exists to ensure progress continues to be made

Fair treatment of customers and suppliers

BrightHouse customers expect good quality products that meet all safety requirements and have been manufactured to high ethical standards BrightHouse aims to deal honestly with customers and suppliers, securing their loyalty and trust by providing outstanding choice, value and service

Responsible lender

BrightHouse aims to deliver a friendly and flexible service for its customers whilst acting responsibly by lending within customer affordability levels Before offering agreements to new customers, BrightHouse undertakes a rigorous assessment of their ability to pay and their track record with other lenders Once they have an agreement, customers build a history of payments and BrightHouse lends against that profile Sales advisors are trained to understand an individual customer's financial capability and the consequential affordability of products

In cooperation with a debt charity, the company has developed its lending charter which details the commitment to fairness and responsible lending A review of the charter and the policies for sales and debt management is periodically undertaken by an independent third party The company is committed to supporting those who have difficulties making payments Our operations are designed to support those in

Directors' report

Corporate responsibility (continued)

difficulty and, when appropriate, the business will signpost borrowers towards providers of free, independent debt advice

Transparency in all our dealings

The Group aims to achieve clear and consistent communication with all stakeholders and honour its promises BrightHouse is committed to ensuring that documents use language that is simple and understandable for customers

Colleague welfare

BrightHouse aspires to become a recognised "employer of choice" within its sector, with a workforce that is representative of the communities it serves The Group strives to achieve an environment that encourages mutual respect and teamwork, where personal performance matters and colleagues are encouraged to develop and reach their full potential

Health and safety

BrightHouse fully recognises and complies with the duties placed upon it under the Health and Safety at Work Act 1974 and all other relevant legislation to ensure a safe and healthy working environment It also recognises the duty it has not only to its staff, but also to customers, contractors, visitors and any others who may be affected by its activities The Group adopts the principle of zero tolerance with regard to accident prevention

Learning and development

The directors are committed to encouraging the continuous development of colleagues with the objective of optimising the overall performance of the business Emphasis is placed on work-based learning, with the provision of development opportunities supported by appropriate coaching and mentoring

Equal opportunities

BrightHouse values the diversity of its workforce The Group is an equal opportunities employer and works hard to maintain an open and honest working environment, recognising the contribution everyone can make to the business Career progression for existing or potential colleagues is assessed only on the grounds of performance and aptitude

Colleague engagement

BrightHouse wants to listen and learn from its colleagues, and this year the business undertook its second employee engagement survey The results highlighted both areas of employee satisfaction, and areas for improvement Detailed action plans based on the findings of the survey were developed and implemented at national, divisional and regional level A further survey will be carried out during 2013

Community involvement

BrightHouse stores are located in high streets across the UK The Group endeavours to be a "good neighbour" in positively exercising our responsibilities towards the wider community

Charitable causes

During the year BrightHouse colleagues worked to raise funds for the business sponsored charity the NSPCC The NSPCC charity exists to protect children from cruelty, support vulnerable families, campaign for changes to the law and raise awareness about abuse Across the country, BrightHouse colleagues have energetically led or participated in fundraising events BrightHouse has also supported Credit Action, Retail Trust and Sports Aid

Directors' report

Corporate responsibility (continued)

Retail trust

Retail Trust is a national charity, which offers a confidential helpline, financial assistance and other practical help and support It serves employees, former employees (and families) of the UK retail industry BrightHouse is a supporter and active participant in Retail Trust fundraising

Ethical trading

Partnership working is at the heart of the BrightHouse business The Group seeks to conduct its business with integrity and respect honouring the terms and conditions of every business agreement Through these relationships, the Group aims to provide customer confidence in its products, ensuring that they are of a consistently high quality and that everyone in the supply chain is treated with honesty, fairness and respect

Environmental responsibility

BrightHouse is committed to working continuously, in collaboration with its partners and colleagues, to contribute positively to environmental sustainability The Group actively explores ways to reduce its eco-footprint through employing initiatives designed to limit its impact on the environment, including ongoing reviews of purchasing policies and finding new opportunities to recycle or redeploy products and materials

Packaging recycling

Whenever possible, the major packaging constituents in BrightHouse's business – cardboard, paper, plastics and polystyrene – are taken back to the Group's National Distribution Centre in Manchester The materials are then compacted and passed to recycling businesses for processing

Product refurbishment

As part of the Group's normal rent-to-own business process, customers who have taken out the requisite insurance have the right to return products at any time Wherever possible, these products are refurbished to a high standard and re-sold as Quality Refurbished items Products which are beyond economic repair are cannibalised for spare parts The remainder are processed for recycling BrightHouse adopts a similar approach to redundant IT equipment, in order to minimise environmentally unfriendly waste

Environment-friendly products

The Energy Saving Trust recognises appliances that are energy-efficient 100% of BrightHouse's laundry products achieved this standard

Financial instruments

The Group's financial risk management objectives and policies are discussed in note 20 to these financial statements

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section of the Directors' Report on pages 2 to 4 The principal risks and uncertainties on pages 4 and 5 include the Group's objectives, policies and processes for managing regulation, its staff, its financial, credit and economic risk

The directors have an expectation that the Group shall be able to operate within the level of its current facilities, details of which are included in notes 16 and 20 of the financial statements Accordingly, they continue to adopt the going concern basis in preparing the group financial statements

Directors' report

Directors

The dırectors who served dunng the year were those lısted below

J L McKee
G M O Davıd
R A Pym
D J Lamb

The board of BnghtHouse Group Lımıted compnses two non-executıve dırectors Rıchard Pym as chaırman and Davıd Lamb as Vısıon Capıtal LLP ınvestor dırector The two executıve dırectors are Leo McKee and Gıles Davıd

Political and charitable contributions

The group made chantable contnbutıons of £127,000 (2012 – £186,000) dunng the year No donatıons were made to polıtıcal organısatıons dunng the year (2012 – £nıl) The staff and customers of BnghtHouse Lımıted have partıcıpated ın extensıve fundraısıng actıvıtıes for the sponsored chanty (the NSPCC)

Policy and practice on payment of creditors

It ıs the polıcy of BnghtHouse to pay ıts supplıers on a tımely basıs and ın accordance wıth agreed payment terms The trade credıtors of BnghtHouse at 31 March 2013 were equıvalent to 30 8 days (2012 – 25 4 days) of purchases, based on the average daıly amount ınvoıced by supplıers dunng the year

Walker report

On 20 November 2007 Sır Davıd Walker publıshed hıs 'Guıdelınes for Dısclosure and Transparency ın Pnvate Equıty' (the Walker Report) Thıs report has been prepared ın the context of those recommendatıons Further ınformatıon ıs avaılable on the company websıte at www bnghthousegroup com

Disclosure of information to the auditors

So far as each person who was a dırector at the date of approvıng the report ıs aware, there ıs no relevant audıt ınformatıon needed by the audıtor ın connectıon wıth preparıng ıts report, of whıch the audıtor ıs unaware Havıng made enquınes of fellow dırectors and the group's audıtor, each dırector has taken all the steps that he ıs oblıged to take as a dırector ın order to make hımself aware of any relevant audıt ınformatıon and to establısh that the audıtor ıs aware of that ınformatıon

Auditors

Persuant to sectıon 487 of the Companıes Act 2006, the audıtors wıll be deemed to be reappoınted and Ernst and Young LLP wıll therefore contınue ın office

By order of the Board

D Harwood
Secretary
22 Apnl 2013

5 Hercules Way
Leavesden Park
Watford
WD25 7GS

Statement of directors' responsibilities

The directors are responsible for preparing the group and parent company report and financial statements in accordance with applicable United Kingdom law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year Under that law the directors are required to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period In preparing each of the group and parent company financial statements, the directors are required to

- present fairly the financial position, financial performance and cash flows of the parent company,
- select suitable accounting policies in accordance with IAS8 Accounting policies, Changes in Accounting Estimates and errors and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- make judgments that are reasonable,
- provide additional disclosures when compliance with the specific requirements in IFRS as adopted by the European Union is sufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance, and
- state whether the parent company's financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of BrightHouse Group Plc (formerly BrightHouse Group Limited)

We have audited the financial statements of BrightHouse Group Limited for the year ended 31 March 2013 which comprise the Group Income Statement, the Group and Parent Company Statement of Financial Position, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Statement of Cash Flow and the related notes 1 to 33 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report

to the members of BrightHouse Group Plc (formerly BrightHouse Group Limited)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Ernst Young LLP

Andrew Clewer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton

22 April 2013

Group income statement

for the year ended 31 March 2013

	Notes	*Year ending 31 March 2013* Before exceptional items £000	exceptional items £000	Total £000	*Year ending 31 March 2012* Before exceptional items £000	exceptional items £000	Total £000
Revenue	4	296,957	–	296,957	266,479	–	266,479
Cost of sales		(131,033)	–	(131,033)	(116,927)	–	(116,927)
Gross profit		165,924	–	165,924	149,552	–	149,552
Operating expenses		(129,683)	(949)	(130,632)	(115,960)	953	(115,007)
Operating profit	5	36,241	(949)	35,292	33,592	953	34,545
Finance income	8	464	–	464	732	–	732
Finance expenses	8	(21,119)	(6,356)	(27,475)	(22,788)	–	(22,788)
Profit before taxation		15,586	(7,305)	8,281	11,536	953	12,489
Tax (charge) / credit	9	(4,129)	1,516	(2,613)	(2,517)	(229)	(2,746)
Profit for the year		11,457	(5,789)	5,668	9,019	724	9,743

The results shown above all relate to continuing activities

Group statement of comprehensive income

for the year ended 31 March 2013

	2013 *£000*	*2012* *£000*
Profit for the year	5,668	9,743
Other comprehensive income		
Cash flow hedges		
Gains / (losses) taken to equity	(889)	(1,785)
Ineffective portion transferred to income statement	2,674	–
Tax on cash flow hedges	187	428
Tax on ineffective portion transferred to income statement	(615)	–
Other comprehensive income for the year net of tax	1,357	(1,357)
Total comprehensive income for the year net of tax	7,025	8,386

Group statement of financial position

at 31 March 2013

	Notes	2013 £000	2012 £000
Non-current assets			
Property, plant and equipment	10	159,241	134,571
Intangible assets	11	83,026	84,890
Trade and other receivables	14	15,745	14,089
Deferred tax assets	12	10,537	12,913
		268,549	246,463
Current assets			
Inventories	13	8,865	11,639
Trade and other receivables	14	43,408	29,211
Cash and cash equivalents	15	10,873	8,579
Financial assets	16	180	–
		63,326	49,429
Total assets		331,875	295,892
Current liabilities			
Trade and other payables	17	57,622	36,666
Financial liabilities	16	2,974	2,038
Current tax payable		1,153	985
		61,749	39,689
Non-current liabilities			
Financial liabilities	16	228,252	221,939
		228,252	221,939
Total liabilities		290,001	261,628
Net assets		41,874	34,264
Equity attributable to equity holders of the parent			
Share capital	19	9	13
Share premium		6,592	6,437
Capital redemption reserve		57	52
Own shares reserve		(286)	–
Retained earnings		35,502	27,762
Total equity		41,874	34,264

These financial statements were approved by the board of directors on 22 April 2013 and were signed on its behalf by

G M O David
Director

Group statement of changes in equity

for the year ended 31 March 2013

	Share capital £000	Share premium £000	Hedging reserve £000	Own shares £000	Retained earnings £000	Capital redemption reserve £000	Total equity £000
At 1 April 2011	65	6,592	–	–	19,376	–	26,033
Profit for the year	–	–	–	–	9,743	–	9,743
Other comprehensive income	–	–	(1,357)	–	–	–	(1,357)
Sale of own shares	–	(155)	–	–	–	–	(155)
Cancelled shares	(52)	–	–	–	–	52	–
At 1 April 2012	13	6,437	(1,357)	–	29,119	52	34,264
Profit for the year	–	–	–	–	5,668	–	5,668
Other comprehensive income	–	–	1,357	–	–	–	1,357
Issue / purchase of shares	1	155	–	(286)	–	–	(130)
Sale of treasury shares	–	–	–	–	715	–	715
Cancelled shares	(5)	–	–	–	–	5	–
At 31 March 2013	9	6,592	–	(286)	35,502	57	41,874

Group statement of cash flows
at 31 March 2013

	Notes	2013 £000	Restated 2012 £000	Restated 2011 £000
Cash flows from operating activities				
Profit for the year		5,668	9,743	12,292
Adjustments for				
Sales proceeds from sales of rental assets		2,641	2,299	1,970
Depreciation		105,497	93,279	76,783
Amortisation of intangible assets		5,148	4,360	3,418
Financial income		(464)	(732)	(83)
Financial expense		27,475	22,788	23,162
Profit on rental assets sold to customers		(1,267)	(1,050)	(676)
Rental assets written off as obsolete or not recoverable from defaulting customers		17,687	15,498	13,614
Purchase of rental assets		(139,475)	(111,253)	(105,068)
Taxation		2,613	2,746	(2,172)
Operating cash inflow before changes in working capital		25,523	37,678	23,240
Increase in trade and other receivables		(15,839)	(4,415)	(10,020)
Decrease / (increase) in inventories		2,774	(4,141)	(2,336)
Increase in trade and other payables		20,669	1,524	6,152
Cash generated from operations		33,127	30,646	17,036
Tax paid		(497)	(486)	(1,113)
Net cash flow from operating activities		32,630	30,160	15,923
Cash flows from investing activities				
Interest received		17	31	83
Purchase of property, plant and equipment		(9,753)	(10,236)	(7,786)
Payments to acquire intangible assets		(3,284)	(3,080)	(4,617)
Net cash from investing activities		(13,020)	(13,285)	(12,320)
Cash flows from financing activities				
New RCF senior loan		–	80,000	–
Repayment of revolving credit facility mezzanine loan		–	(30,117)	–
Repayment of revolving credit facility senior loan		(6,300)	(38,220)	(9,015)
Repayment of finance lease and hire purchase contracts		–	(263)	(437)
Repayment of unsecured loan stock		(6,792)	(15,000)	–
Proceeds / (purchase) of new shares		156	(155)	150
Financing costs		(5,095)	(6,078)	(5,335)
Loan arrangement fees / financing costs		–	(5,335)	(2,000)
Proceeds from sale of shares by EBT		715	–	–
Net cash flow from financing activities		(17,316)	(15,168)	(16,637)
Net increase/(decrease) in cash and cash equivalents		2,294	1,707	(13,034)
Cash and cash equivalents at 1 April		8,579	6,872	19,906
Cash and cash equivalents at 31 March	15	10,873	8,579	6,872

Notes to the group financial statements

at 31 March 2013

1. Accounting policies

General information

BrightHouse Group Limited is a limited company ("company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 06250176) The Company is domiciled in the United Kingdom and its registered address is 5 Hercules Way, Leavesden, Watford, WD25 7GS

Authorisation of financial statements and statement of compliance with IFRS

The financial statements of BrightHouse Group Limited and its subsidiaries for the year ended 31 March 2013 were authorised for issue on 22 April 2013 by the board of directors and the balance sheet signed on the board's behalf by Giles David The Group s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to Companies reporting under IFRS

Basis of preparation

The consolidated financial statements of BrightHouse Group Limited and its subsidiaries ('the Group") are approved by the directors and prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("EU") ("Adopted IFRSs") The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated

Restatement of the Group Statement of Cash Flows

Subsequent to the issuance of the Group financial statements for the year ended 31 March 2012, the Group determined that changes were required to enhance the understanding of the Group's cash flows Accordingly, additional disclosures of proceeds from the sale of rental assets and profit on rental assets sold to customers have been included in the operating cash flow Purchase of rental assets has been reclassified from investing activities to operating cash flow to comply with IAS 7 – Statement of Cash Flows In addition the classification of interest and similar payments has been changed from operating to financing cash flows

	Restated 2012 £000	*Original 2012 £000*	*Restated 2011 £000*	*Original 2011 £000*
Cash flow from operating activities	30,160	130,914	15,923	114,505
Cash flow from investing activities	(13,285)	(125,452)	(12,320)	(118,937)
Cash flow from financing activities	(15,168)	(3,755)	(16,637)	(8,602)
Net increase / (decrease) in cash and equivalents	1,707	1,707	(13,034)	(13,034)

A summary of the Group's accounting policies are set out below

Group financial statements

Subsidiaries are entities controlled by the Group Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, potential voting rights that are currently exercisable are taken into account The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

Notes to the group financial statements

at 31 March 2013

1. Accounting policies (continued)

Intercompany transactions, balances and unrealised income and expenses between Group companies are eliminated in preparing the consolidated financial statements Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment

Foreign currencies

The Group financial statements are presented in pounds sterling and in round thousands, which is the functional and presentation currency of all companies in the Group

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses Cost includes expenditure that is directly attributable to the acquisition of the asset

Depreciation is charged to the income statement to write off the cost, less any residual value, of property, plant and equipment to the income statement on a straight-line basis over the estimated useful lives of each part of an item Rental assets are depreciated at rates estimated to write off the cost to nil residual value, by equal amounts, over their useful lives from the date of installation to the contract end date, revised for returned goods subsequently sold

Estimated useful lives

Rental assets	–	equal to the total contract length which may vary from asset to asset
Fixtures, equipment and vehicles	–	3 to 7 years

Residual values and useful economic lives are reviewed annually Property, plant and equipment, including rental assets, are assessed for impairment annually or more often if events or changes in circumstances indicate that the carrying value may not be recoverable Where an impairment review is deemed necessary it is performed in accordance with the policies set out below

Depreciation is charged on all additions to or disposals of assets pro rated in the year of purchase or disposal

Finance leases

Assets held under finance leases are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of fair value of the leased asset and the minimum lease payments Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term

Notes to the group financial statements

at 31 March 2013

1. Accounting policies (contınued)

Intangıble assets

Intangıble assets compnse software that ıs separable and not ıntegral to hardware platforms Software ıs stated at cost less accumulated amortısatıon and ımpaırment losses Externally acquıred computer software ıs capıtalısed and amortısed on a straıght-lıne basıs over ıts useful economıc lıfe of 3 to 7 years Costs relatıng to development of software for ınternal use are capıtalısed once the recognıtıon crıterıa are met When the software ıs avaılable for ıts ıntended use, these costs are amortısed over the estımated useful lıfe of the software

Other ınternally generated ıntangıble assets, excludıng capıtalısed development costs, are not capıtalısed and expendıture ıs reflected ın the ıncome statement ın the year ın whıch the expendıture ıs ıncurred

Inventones

Inventones are stated at the lower of cost and net realısable value Cost ıs based on the first-ın first-out pnncıple and ıncludes expendıture ıncurred ın acquınng the ınventones and bnngıng them to theır ınıtıal locatıon and condıtıon Net realısable value represents the estımated sellıng pnce less costs to be ıncurred ın marketıng, sellıng and dıstnbutıon

Cash and cash equıvalents

Cash and cash equıvalents are carned ın the balance sheet at cost Cash and cash equıvalents compnse cash ın hand and deposıts wıth an orıgınal maturıty of three months or less Bank overdrafts that are repayable on demand and form an ıntegral part of the Group's cash management are ıncluded as a component of cash and cash equıvalents

A proportıon of the cash and cash equıvalents held by the Group's ınsurance subsıdıarıes ıs restrıcted due to regulatory and solvency requırements The restrıcted cash also ıncludes cash at bank held by the Group on behalf of customers

Impairment

The carryıng amounts of the Group's assets, other than ınventones and deferred tax assets, are revıewed at each balance sheet date to determıne whether there ıs any ındıcatıon of ımpaırment If any such ındıcatıon exısts, the asset's recoverable amount ıs estımated An asset's recoverable amount ıs the hıgher of an asset's or CGU's faır value less costs to sell and ıts value ın use and ıs determıned for an ındıvıdual asset An ımpaırment loss ıs recognısed whenever the carryıng amount of an asset or ıts cash-generatıng unıt exceeds ıts recoverable amount Impaırment losses are recognısed ın the ıncome statement A cash generatıng unıt ıs the smallest ıdentıfiable group of assets that generates cash ınflows that are largely ındependent of the cash ınflows from other assets or groups of assets

Impaırment losses recognısed ın respect of cash-generatıng unıts are allocated to reduce the carryıng amount of assets ın the unıt on a pro rata basıs

For assets excludıng goodwıll, an ımpaırment loss ıs reversed when there ıs an ındıcatıon that the ımpaırment loss may no longer exıst and there has been a change ın the estımates used to determıne the recoverable amount An ımpaırment loss ıs reversed only to the extent that the asset's carryıng amount does not exceed the carryıng amount that would have been determıned, net of deprecıatıon or amortısatıon, ıf no ımpaırment loss had been recognısed

Trade receivables

Current trade receıvables do not carry any ınterest and are stated at theır orıgınal ınvoıced value as reduced by appropnate allowances for estımated recoverable amounts A provısıon for ımpaırment of trade receıvables ıs establıshed when there ıs objectıve evıdence that the Group wıll not be able to collect all amounts due accordıng to the orıgınal term of the receıvable Trade receıvables older than 90 days are fully provıded for wıth no revenue beıng recognısed on these non-performıng agreements untıl customer

Notes to the group financial statements

at 31 March 2013

1. Accounting policies (continued)

payments recommence Trade receivable balances between 7 and 90 days are partially provided for based on the age of the debt between 20% and 99% The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement

Trade receivables due after more than one year are discounted to reflect the time value of money

Trade payables

Trade payables are not interest bearing and are stated at their nominal value

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group, and

(b) where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability

Financial liabilities

i) Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate The Company determines the classification of its financial liabilities at initial recognition

All financial liabilities are recognised initially at fair value less, in the case of loans and borrowings, directly attributable transaction costs

The Company's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments

ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below

iii) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process

Amortised costs is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR, The EIR amortisation is included in finance costs in the income statement

Notes to the group financial statements

at 31 March 2013

1. Accounting policies (continued)

Derivative financial instruments and hedge accounting

It is the Group's policy to use derivative financial instruments where required to manage its exposure to foreign currency and interest rate risk Further details of derivative financial instruments are disclosed in note 20

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its foreign currency and interest rate risks Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative

Any gains or losses arising from changes in their fair value of derivatives are taken directly to the income statement, except for effective cash flow hedges, which hedge the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment

At the inception of a cash flow hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highlight effective throughout the financial reporting periods for which they were designated

For hedges that meet these strict criteria the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement in net finance costs

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss

Notes to the group financial statements

at 31 March 2013

1. Accounting policies (continued)

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

Insurance claims

Contracts covering customers against break-down and damage are renewed on a weekly basis A provision under existing contracts is calculated based on claims received to date and, based on historical experience, claims which the Group has yet been notified of but expects in the near future Based on historical experience, management do not believe that a change in this estimate would have a material impact on the Group's financial information

Revenue recognition

Revenue principally comprises revenue from the provision of home electronic and domestic appliances, household furniture and other related products to domestic customers through hire-purchase agreements

The Group also derives significant revenues from premiums related to the provision of insurance and warranties against breakdown of televisions, domestic appliances, technology products and household furniture rented under hire-purchase agreements

Goods are hired to customers pursuant to hire-purchase agreements, often in conjunction with service insurance or warranty agreements, which provide for weekly and monthly terms with non-refundable payments Under hire-purchase agreements, the customer has the right to acquire title through a purchase option after payment of all required weekly and monthly payments The majority of customers elect to sign separate service agreements which amongst other benefits enable those customers to return hired goods at any time, without penalty

Transactions are classified as operating leases at the inception of the hire purchase agreement as the majority of the risk and rewards of the goods remain within the Group Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease Customer incentives are recognised on a straight-line basis over the average lease term

The Group accounts for its revenue on an accruals basis for all domestic hire-purchase and service insurance agreements taking credit for all weekly or monthly instalments that have fallen due, but not for instalments which will fall due in the future under contracts in existence at the balance sheet date No revenue is recognised on non-performing agreements where payments are over 90 days overdue until payments recommence An appropriate provision is made against these unpaid accounts which have fallen due where it is believed that they may not be receivable

Revenue excludes value added tax and insurance premium tax

Operating lease payments

Leases where the lessor retains a significant portion of risks and benefits of ownership of the asset are classified as operating leases are recognised in the income statement on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense and are spread on a straight-line basis over the lease term

Net financing costs

Net financing costs comprise interest payable, interest receivable, the unwinding of discounts and fair value movements that are recognised in the income statement Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method

Notes to the group financial statements

at 31 March 2013

1. Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Separately disclosable items

The Group has shown separately disclosable items on the face of the Group income statement The Group defines separately disclosable items as those material items, by virtue of their size or nature, which the Group considers should be presented separately in order to aid comparability from period to period

Ordinary shares

Ordinary shares are classified as equity Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects

New standards and interpretations not applied

The following standards and interpretations that are relevant to the Group have not been applied in the consolidated financial information as, although in issue at the date of preparation, were not effective for the periods covered by these consolidated financial statements

International Financial Reporting Standards ('IFRS')		Effective date
• IFRS 9	Financial Instruments Classification and measurement (not yet endorsed by EU)	1 January 2015
• IFRS 13	Fair Value Measurement	1 January 2013
• IFRS 10	Consolidated Financial Statements	1 January 2013
• IFRS 12	Disclosure of Interests in Other Entities	1 January 2013

Notes to the group financial statements

at 31 March 2013

1. Accounting policies (continued)

International Accounting Standards

• IAS 19	Employee Benefits (Revised)	1 January 2013
• IAS 27	Separate Financial Statements	1 January 2013
• IAS 1	Presentation of Items of Other Comprehensive Income – Amendments to IAS 1	1 July 2012

The directors do not anticipate that the adoption of these Standards and Interpretations will have a material impact on the Group's consolidated financial statements in the period of initial application

Accounting estimates and judgements

Certain critical accounting judgements and estimates in applying the Group's accounting policies are described below

Finance and operating leases

Under hire-purchase agreements the customer has the right to acquire title through a purchase option after payment of all required weekly or monthly payments

Under hire-purchase agreements the customer also has the option, in conjunction with an optional insurance agreement, to return goods, not make further payments and incur no penalties On this basis transactions are classified as operating leases at the inception of the hire purchase agreement as the majority of the risk and rewards of the goods remain within the Group

The significant majority of customers enter into this optional insurance agreement and therefore management consider it appropriate to treat all hire purchase transactions as operating in nature Management monitor the percentage take-up of optional insurance cover on an ongoing basis to ensure that the above judgement remains appropriate

Taxation and VAT

The calculation of the Group's tax charge necessarily involves a degree of estimation and judgement in respect of certain items including transfer pricing and deductibility of interest and the resultant impact on deferred taxes whose tax treatment cannot be finally determined until a resolution has been reached with the relevant tax authority The final resolution may give rise to material income statement and or cash flow variances

The Group's trading activities are partially exempt from VAT The method and basis of calculation cannot be finally determined until a resolution has been reached with HMRC for the respective period and may result in adjustment

Intangible assets

Computer software is carried at cost less accumulated amortised and any impairment loss Externally acquired computer software and software licenses are capitalised at the costs incurred to acquire and bring into use the specific software Internally developed computer software programs are capitalised to the extent that costs are separately identified and attributed to particular software programs, measured reliably, and that the asset developed can be shown to generate future economic benefits The Group estimates the amount which is appropriate to be capitalised based on timesheet records and payroll information The Group makes a further judgement as to the successful outcome of the development activity

Notes to the group financial statements

at 31 March 2013

1. Accounting policies (continued)

Revenue recognition and impairment of receivables

Contracted revenue is recognised on non-performing agreements where payments are up to 90 days overdue Amounts greater than 90 days are fully provided Receivables aged up to 90 days overdue are provided for depending on their age The Group estimates the provision based on their expected recovery of overdue contracts and monitors the estimate against actual recoveries

Determination of rental assets' useful economic lives

Rental assets are depreciated to write down the cost of the assets over the term of the contracts as this is the expected life of the contract at inception Contracts which are terminated early, for whatever reason, have the useful lives revised at the time of termination Accordingly the asset value is written down at the point of formal termination, and not before this event

2. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports about component of the Group that are regularly reviewed by the Board of Directors to allocate resources to the segment and to assess their performance

Based on the risk and returns the directors consider the primary reporting format is by business segment The directors consider that there is only one operating segment being the provision of goods and services to third party consumers through rental and related service insurance agreements, based entirely in the United Kingdom

Accordingly, segment profit or loss, segment assets and segment liabilities have not been reported below as this does not differ to that shown in the group income statement and group statement of financial position

The Board of Directors assesses the performance of the business segment based on earnings before interest, taxation, depreciation amortisation and exceptional items (EBITdA) The Board of Directors have assessed the performance of the Group based on the following reconciliation between the performance presented in the income statement and the management accounts

	2013	*2012*
	£000	*£000*
BrightHouse Group Limited reported operating profit	35,292	34,545
Depreciation of fixtures, equipment and vehicles and amortisation	13,155	10,979
Exceptional items,		
Out of period indirect tax charges and provisions	234	(1,166)
Professional fees incurred during re-financing	–	213
Exceptional EBT bonus award	715	–
BrightHouse Group Limited EBITdA before exceptional items	49,396	44,571

Notes to the group financial statements

at 31 March 2013

3. Exceptional items

a) Recognised as part of operating profit

	2013	*2012*
	£000	*£000*
Out of period indirect tax charges and provisions	234	(1,166)
Professional fees incurred during re-financing	–	213
Exceptional EBT bonus award	715	–
	949	(953)

The exceptional items relate to the net settlement of outstanding indirect tax matters, costs incurred during the refinancing of the debt facilities in 2012 and an exceptional bonus award

b) Recognised within financial expenses

	2013	*2012*
	£000	*£000*
Ineffective cash flow hedge – transfer from equity	2,674	–
Acceleration of capitalised finance costs	3,682	–
	6,356	–

The exceptional items relate to the fair value loss on the interest rate swap at March 2013 As a result of the refinancing anticipated to be completed shortly after the approval of the financial statements, the hedged items are no longer expected to occur As a result the hedged transaction is no longer considered highly probable and related amounts previously recognised in other comprehensive income have been transferred to the income statement The acceleration of recognition of the capitalised transaction costs relate to the existing syndicate loan facility which is expected to be repaid following the refinancing

4. Revenue

Revenue comprises revenue from the provision of home electronic and domestic appliances, household furniture and other related products to domestic customers through hire purchase agreements and related service insurance agreements When customers enter into rental agreements the majority also enter into an additional optional insurance arrangement, which entitles them to return assets with no further payments falling due and with no penalties incurred On this basis the transactions are treated as being operating lease in nature and the directors believe that at the inception of the lease there are no minimum future lease payments as the goods can be returned at any time

Notes to the group financial statements

at 31 March 2013

5. Operating profit

This is stated after charging

	2013	2012
	£000	£000
Depreciation of property, plant and equipment		
– owned assets	8,007	6,619
– rental assets	97,490	85,881
Amortisation of intangible assets	5,148	4,360
Rental assets written off as obsolete or not recoverable from defaulting customers	17,687	15,704
Net book value of rental assets sold to customers	1,374	2,735
Occupancy costs	15,168	14,149
Operating lease rentals payable		
– property	15,270	13,325
– vehicles	3,362	3,596
– equipment	432	451
Cost of inventories recognised as an expense	967	916
Exchange differences	105	72

Operating expenses include auditors' remuneration for audit and non-audit services as follows

	2013	2012
	£000	£000
Fees payable to the company's auditor for the audit of the company's group financial statements	5	5
The audit of the company's subsidiaries pursuant to legislation	147	147
Taxation advisory services	196	172
Audit related assurance services	100	78
Taxation compliance services	33	–
Other services	22	–

6. Directors' remuneration

	2013	2012
	£000	£000
Directors' remuneration	2,051	1,415
Pension contributions	47	47
	2,098	1,462

The aggregate of remuneration and amounts receivable under long-term incentive schemes of the highest paid director was £1,156,000 (2012 – £809,000), and in addition Company pension contributions of £32,000 (2012 – £32,000) were made to a money purchase scheme on his behalf

Directors' remuneration includes an exceptional bonus award of £526,000 (2012 nil)

Notes to the group financial statements

at 31 March 2013

6. Directors' remuneration (continued)

Retirement benefits are accruing to the following number of directors under

	2013 *No*	*2012* *No*
Money purchase schemes	2	2

See note 23 for the remuneration of key management

7. Staff costs

	2013 *£000*	*2012* *£000*
Wages and salaries	59,465	52,359
Social security costs	5,305	4,858
Pension contributions	557	493
	65,327	57,710

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

	2013 *No*	*2012* *No*
Customer sales and service	2,524	2,096
Administration	190	189
	2,714	2,285

BrightHouse Group Limited had no employees during the year to 31 March 2013 (2012 – nil)

8. Finance income and expenses

Recognised in income statement

	2013 *£000*	*2012* *£000*
Interest income	18	32
Unwinding of discount re trade receivables due after more than 1 year	14	221
Fair value gains on interest rate swaps	–	479
Fair value gains on forward foreign exchange contracts	432	–
Finance income	464	732

Notes to the group financial statements

at 31 March 2013

8. Finance income and expenses (continued)

	2013	*2012*
	£000	*£000*
Interest expense	23,841	22,534
Fair value losses on interest rate swaps	2,674	199
Fair value losses on forward foreign exchange contracts	–	55
Finance expenses	26,515	22,788

Interest expense includes £14,378,000 payable on loans provided from Haig Luxemburg HoldCo (2012 – £14,677,000), the ultimate parent company which is consequently a related party (note 23)

9. Income tax

(a) Income tax on profit on ordinary activities

Recognised in the income statement

	2013	*2012*
	£000	*£000*
Current tax		
Corporation tax charge overseas	666	425
Adjustments for prior years	–	537
Total current income tax	666	962
Deferred tax		
Deferred tax charge	1,947	1,784
Total deferred tax charge (note 12)	1,947	1,784
Total income taxation in income statement	2,613	2,746

Notes to the group financial statements

at 31 March 2013

9. Income tax (continued)

(b) Reconciliation of the total income tax charge

	ETR %	2013 £000	ETR %	2012 £000
Accounting profit before tax		8,281		12,489
Accounting profit before tax by standard rate of corporation tax in the UK of 24% (2012 – 26%)	24 0%	1,987	26 0%	3,247
Non-deductible expenses	19 0%	1,575	21 2%	2,645
Deferred tax rate change	5 5%	458	8 3%	1,040
Adjustment to tax charge in respect of previous years	(2 1%)	(176)	2 0%	244
Benefit from previously unrecognised deferred tax assets	(2 4%)	(202)	(26 2%)	(3,268)
Effect of tax rates in different jurisdictions	(17 5%)	(1,448)	(12 1%)	(1,502)
Unrelieved tax losses	5 1%	419	2 7%	340
Total income taxation in income statement	31 6%	2,613	22 0%	2,746

(c) Tax treatment of related party transactions

The UK corporation tax treatment of the Group's transactions with overseas related parties and the UK corporation tax status of the Group's overseas subsidiaries are currently subject to enquiry by the UK tax authorities The expected liabilities have been recognised in the financial statements, but adjustments may arise in future periods upon agreement of the position with the UK tax authorities.

In addition see note 12 in respect of the impact of changes in tax rate

Notes to the group financial statements

at 31 March 2013

10. Property, plant and equipment

	Rental assets £000	Fixtures, equipment and vehicles £000	Total £000
Cost			
At 1 April 2011	136,485	27,451	163,936
Additions	112,167	10,236	122,403
Disposals	(89,799)	–	(89,799)
At 1 April 2012	158,853	37,687	196,540
Additions	139,475	9,753	149,228
Disposals	(101,479)	–	(101,479)
At 31 March 2013	196,849	47,440	244,289
Depreciation			
At 1 April 2011	29,888	10,941	40,829
Depreciation charge for the year	85,881	6,619	92,500
Disposals	(71,360)	–	(71,360)
At 1 April 2012	44,409	17,560	61,969
Depreciation charge for the year	97,490	8,007	105,497
Disposals	(82,418)	–	(82,418)
At 31 March 2013	59,481	25,567	85,048
Net book value			
At 31 March 2013	137,368	21,873	159,241
At 1 April 2012	114,444	20,127	134,571
At 1 April 2011	106,597	16,510	123,107

Notes to the group financial statements

at 31 March 2013

11. Intangible assets

	Software *£000*	*Goodwill* *£000*	*Total* *£000*
Cost			
At 1 April 2011	30,073	74,978	105,051
Additions	3,080	–	3,080
At 1 April 2012	33,153	74,978	108,131
Additions	3,284	–	3,284
At 31 March 2013	36,437	74,978	111,415
Amortisation			
At 1 April 2011	18,881	–	18,881
Amortisation charge for the year	4,360	–	4,360
At 1 April 2012	23,241	–	23,241
Amortisation charge for the year	5,148	–	5,148
At 31 March 2013	28,389	–	28,389
Net book value			
At 31 March 2013	8,048	74,978	83,026
At 1 April 2012	9,912	74,978	84,890
At 1 April 2011	11,192	74,978	86,170

Impairment testing

Goodwill arose from the acquisition of BrightHouse Limited and has been allocated to the Group's one cash generating unit (CGU) of retail sales, hire-purchase agreements and associated premiums for insurance and warranty contracts The recoverable amount of the CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by the board covering a 5 year period The pre-tax discount rate applied to these cashflows is 8 7% (2012 8 6%) Cashflows beyond the five year period have been extrapolated at a 0% growth rate Given the level of prudence already incorporated within the impairment review by using a 0% growth rate and the resulting headroom, the calculation is most sensitive to a change in discount rate An increase in discount rate by 2% would result in no impairment

Notes to the group financial statements

at 31 March 2013

12. Deferred tax assets and liabilities

	2013	*2012*
	£000	*£000*
Assets		
Tax losses recognised	3,082	–
Interest rate swap	615	428
Foreign forward exchange contracts	(41)	61
Unrealised profit on intercompany trading	3,094	9,930
Other property, plant and equipment	3,340	2,192
Capital contributions on lease incentives	447	302
Total tax assets	10,537	12,913

	1 April 2012	*Recognised in income*	*Recognised in other comprehensive income*	*31 March 2013*
	£000	*£000*	*£000*	*£000*
Tax losses recognised	–	(3,082)	–	(3,082)
Interest rate swap	(428)	(615)	428	(615)
Foreign forward exchange contracts	(61)	102	–	41
Difference between book value and tax base of property, plant and equipment	(2,192)	(1,148)	–	(3,340)
Unrealised profit on intercompany trading	(9,930)	6,836	–	(3,094)
Capital contributions on lease incentives	(302)	(145)	–	(447)
Net asset	(12,913)	1,948	428	(10,537)

	1 April 2011	*Recognised in income*	*Recognised in other comprehensive income*	*31 March 2012*
	£000	*£000*	*£000*	*£000*
Discounted trade receivables	(88)	88	–	–
Rent free lease incentives	(346)	346	–	–
Interest rate swap	(125)	125	(428)	(428)
Foreign forward exchange contracts	(51)	(10)	–	(61)
Difference between book value and tax base of property, plant and equipment	(2,225)	33	–	(2,192)
Unrealised profit on intercompany trading	(11,433)	1,503	–	(9,930)
Capital contributions on lease incentives	–	(302)	–	(302)
Net asset	(14,268)	1,783	(428)	(12,913)

Notes to the group financial statements

at 31 March 2013

12. Deferred tax assets and liabilities (continued)

There are unrecognised deferred tax assets of £2,397,000 (2012 - £2,309,000)

In the March 2013 Budget the Chancellor announced that the main rate of UK corporation tax will fall to 20% from 1 April 2015 This follows the announcement in the Autumn Statement that the main rate will fall to 21% with effect from 1 April 2014 Both rates are expected to be included within Finance Bill 2013 which will be substantively enacted and subsequently enacted during the course of 2013 and are therefore not reflected in the financial statements In 2013, the rate will fall to 23%, from 24% with effect from 1 April 2013 This rate reduction to 23% was included in Finance Act 2012, enacted in July 2012

The effect of the subsequent reduction to 20% if enacted will be to reduce the deferred tax asset by a further £892,000

13. Inventories

	2013	*2012*
	£000	*£000*
Goods held for resale at cost	8,865	11,639

During the year assets acquired for resale amounting to £139,475,000 (2012 – £112,167,000) were capitalised within property, plant and equipment as rental assets when issued to stores in advance of being hired to customers pursuant to hire and hire-purchase agreements

14. Trade and other receivables

	2013	*2012*
	£000	*£000*
Current		
Trade receivables	1,421	1,675
Other trade receivables and prepayments	9,491	7,453
Other non-trade receivables	657	517
VAT incurred in advance of recovery from customers	23,565	19,566
Prepaid refinancing professional fees	8,274	–
	43,408	29,211

	2013	*2012*
	£000	*£000*
Non current		
VAT incurred in advance of recovery from customers	15,745	14,089

The directors consider that the carrying amount of trade and other receivables approximates to their fair value Trade receivables primarily comprise VAT recoverable which is paid on the full value of assets acquired by customers under hire and hire-purchase agreements when the contracts commence and are recovered from customers over the full length of these agreements or from HMRC on customer default Within trade receivables £15,745,000 (2012 – £14,089,000) are receivable after more than one year and have been discounted to determine their fair value (note 20)

All trade and other receivables have been reviewed for indicators of impairment Certain trade receivables were found to be impaired and a bad debt provision of £856,000 (2012 – £823,000) has been recorded accordingly

Notes to the group financial statements

at 31 March 2013

14. Trade and other receivables (continued)

In addition, some of the unprovided trade receivables are past due as at the reporting date The age of financial assets past due but not provided for is as follows

	2013	*2012*
	£000	*£000*
1-7 days	93	76
8-14 days	46	49
15-45 days	82	91
45-90 days	5	5
	226	221

Movements in bad debt provision

	2013	*2012*
	£000	*£000*
At beginning of year	823	730
Amounts written off as uncollectable	(7,902)	(8,622)
Increase in bad debt provision	7,935	8,715
At end of year	856	823

The movement in the bad debt provision consists of individually insignificant balances The Group's exposure to credit risk related to trade and other receivables is disclosed in note 20

15. Cash and cash equivalents

	2013	*2012*
	£000	*£000*
Cash and cash equivalents per balance sheet and cash flow statement	10,873	8,579

Cash and cash equivalents comprise cash at bank and in hand Included within cash and cash equivalents is restricted cash of £1,716,000 (2012 – £1,636,000) This includes restricted cash of £666,000 which represents cash at bank held by entities who supply insurance related services within the Group which is restricted due to regulatory and solvency requirements This also includes restricted cash of £1,050,000 (2012 – £970,000) which represents cash held by the Group on behalf of customers

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value

Notes to the group financial statements

at 31 March 2013

16. Financial assets and liabilities

	2013 £000	2012 £000
Current assets		
Foreign currency forward contracts	180	–
	180	–
Current liabilities		
Interest rate swaps	2,674	1,786
Foreign currency forward contracts	–	252
Revolving credit facility senior loan	300	–
	2,974	2,038
Non-current liabilities		
Revolving credit facility senior loan	74,346	75,619
Unsecured 10% loan stock issued to related parties (see note 23)	153,906	146,320
	228,252	221,939

Terms and debt repayment schedule

The unsecured 10% loan stock is redeemable on 18 July 2036 and forms part of the investment made in the Group by funds advised by Vision Capital LLP (see note 23 Related Parties) The unsecured loan stock can be redeemed at an earlier date by either party, at which time the stock and any accrued and unpaid interest will become payable The amount above includes £10,346,000 (2012 £10,050,000) of accrued interest The Group repaid £6,792,000 unsecured 10% loan stock during the year

The terms of the unsecured loan stock are such that the lender must give not less 12 months notice of proposed early redemption unless the following conditions apply

- if the ownership of the Group has changed, or
- if the Group fails to pay amounts due under the senior or mezzanine loan facility agreements of BrightHouse Limited and Caversham Finance Limited, or
- if more than 6 months have passed since the Group has fully settled the senior loan of Caversham Finance Limited This condition is not applied if the settlement is activated through refinancing

Notes to the group financial statements

at 31 March 2013

16. Financial liabilities (continued)

On 10 November 2011 the Company entered into a syndicate loan facility with Lloyds TSB Bank Plc, GE Corporate Finance Bank SAS and Ares Capital Europe Limited This currently amounts to a total facility of £101 7m In the year, £0 3m was repaid All facilities are secured against the assets of the Group and are repayable in two stages The Lloyds TSB Bank Plc and GE Corporate Finance Bank SAS elements amount to £59 7m £0 3m is repayable on 8 November 2013 and £59 4m is repayable on 8 November 2014 The Ares Capital Europe Limited facility amounts to £40m and is repayable on 8 November 2016

As at 31 March 2013 the Group had undrawn committed facilities available to it of £25 6m (2012 – £19 6m) in respect of which all conditions precedent had been met and all covenants complied with

There is a first priority fixed security and floating charge over the assets of the Group in favour of Lloyds TSB Bank Plc, acting as security agent

17 Trade and other payables

	2013	*2012*
	£000	*£000*
Trade payables	17,930	10,927
Other taxes and social security	6,085	4,632
Other non-trade payables	711	450
Accrued expenses	24,622	20,657
Accrued refinancing professional fees	8,274	–
	57,622	36,666

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs The directors consider that the carrying amount of trade and other payables approximates to their fair value

Professional fees to be incurred on new debt facilities have been recognised as a £8 3m other receivable and a £8 3m other payable These fees are expected to be amortised over the term of the new facility Should this new facility not materialise, the Group will incur costs of £1 7m

18. Employee benefits

Pension schemes

Defined contribution

In 2013 total contributions in respect of defined contribution schemes were £557,000 (2012 – £493,000)

Notes to the group financial statements

at 31 March 2013

19. Capital and reserves

		2013		2012
Allotted, called up and fully paid	*No*	*£000*	*No*	*£000*
A Ordinary shares of £0 001 each	–	–	5,790,720	5
Ordinary shares of £0 01 each	–	–	215,465	2
B Ordinary shares of £0 01 each	–	–	299,066	3
C Ordinary shares of £0 01 each	–	–	190,907	2
D Ordinary shares of £0 01 each	–	–	79,921	1
E Ordinary shares of £0 01 each	–	–	79,921	1
A Ordinary shares of £0 001 each	4,350,000	4	–	–
Ordinary shares of £0 001 each	117,500	–	–	–
B Ordinary shares of £0 01 each	200,000	2	–	–
C Ordinary shares of £0 01 each	100,000	1	–	–
D Ordinary shares of £0 01 each	62,500	1	–	–
E Ordinary shares of £0 01 each	62,500	1	–	–
F Ordinary shares of £500 each	1	1	–	–
G Ordinary shares of £0 001 each	107,499	–	–	–
A Preferred shares of £0 0000001 each	6,725,639	–	–	–
B Preferred shares of £0 0000001 each	86,583,475	–	–	–
Deferred shares of £0 0000001 each	4,743,992,053	–	–	–

On 22 November 2012 new Articles of Association were adopted by the Company which resulted in the sub-division and re-designation of the existing share capital into new classes of both Ordinary and Preferred Shares as set out below

Details of the share classes held at 31 March 2013 after the reorganisation on 22 November 2012 are as follows -

'A Ordinary Shares' are controlled by VCP VI B (see note 23 Related parties) 'B Ordinary Shares', 'C Ordinary Shares', 'D Ordinary Shares', E Ordinary Shares', 'F Ordinary Shares', 'G Ordinary Shares' and 'Ordinary Shares' are controlled by management ('Management Shares') 'A Preferred Shares' are controlled by VCP VI B, 'B Preferred Shares' are controlled by VCP VI B and management and 'Deferred Shares' are controlled by the Employee Benefit Trust Dividends are distributed first to A Preferred Shares until the maximum hurdle rate, described in the Articles of Association, has been met Remaining dividend amounts are then distributed to B Preferred Shares until the maximum hurdle rate has been met Deferred Shares receive no dividend distribution All other classes of share are treated equally for any remaining distribution For voting, each class of share holds in aggregate, the % of votes as follows A Ordinary 75%, B Ordinary 5%, C Ordinary 5%, D Ordinary 5%, E Ordinary 5% and F Ordinary 5% All other classes of share hold no voting rights In the event of a sale of the business, realisation proceeds are allocated in the following order To the extent that the hurdle rate exceeds any previous return of capital A Preferred Shares receive proceeds first Next to the extent that the hurdle rate exceeds any previous return of capital B Preferred Shares receive proceeds Deferred Shares receive a maximum of 1p on a sale of the business Finally any remaining proceeds are distributed equally between the remaining share classes However, in certain circumstances described in the Articles, participation of Management Shares in the proceeds may increase

Notes to the group financial statements

at 31 March 2013

19. Capital and reserves (continued)

Details of the share classes held at 31 March 2012 were as follows

'A Ordinary Shares' were controlled by VCP VI B (see note 23 Related parties) 'B Ordinary Shares', 'C Ordinary Shares', 'D Ordinary Shares', 'E Ordinary Shares' and 'Ordinary Shares' were controlled by management The classes of shares were treated equally for dividends For voting, each class of share held in aggregate, the % of votes as follows A Ordinary 77 13%, B Ordinary 5%, C Ordinary 5%, D Ordinary 5%, E Ordinary 5% and Ordinary 2 87% Under certain circumstances described in the Articles of Association, B Ordinary, C Ordinary, D Ordinary and E Ordinary shares could be converted into Ordinary Shares, and the voting rights of A Ordinary and Ordinary shares adjusted accordingly In the event of sale of the business (subject to certain rules described in the Articles of Association) the participation of the management in the proceeds could be increased by converting a number of A Ordinary shares into 'Deferred shares' 'Deferred shares' would receive a nominal amount of £0 01 for all 'Deferred shares'

20. Financial instruments

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity The Group's overall strategy remains unchanged from 2012 The capital structure of the Group consists of debt, which includes borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings The capital structure of the Group at the year end was as follows

	2013	*2012*
	£000	*£000*
Debt (i)	(231,226)	(223,977)
Cash and cash equivalents	10,873	8,579
Net debt	(220,353)	(215,398)
Equity (ii)	41,874	34,264
Net debt to equity ratio	526%	629%

(i) Debt is defined as long-and short-term borrowings including derivative financial instruments, as detailed in notes 16

(ii) Equity includes all capital and reserves of the Group

Notes to the group financial statements

at 31 March 2013

20. Financial instruments (continued)

Categories of financial instruments

	2013	2012
	£000	£000
Financial assets		
Carried at amortised cost		
Cash and cash equivalents	10,873	8,579
Trade and other receivables	59,153	43,300
Foreign currency forward contracts	180	–
	70,206	51,879
Financial liabilities		
Carried at amortised cost		
Borrowings	228,552	221,939
Trade payables	17,930	10,927
Carried at fair value through other comprehensive income		
Interest rate swaps	–	1,786
Carried at fair value through profit or loss		
Trade receivables – foreign currency forward contracts	–	252
Interest rate swaps	2,674	–
	249,156	234,904

Financial risk management objectives

The risks facing the Group comprise market risk (including currency risk and interest rate risk), credit risk and liquidity risk The Group's approach to these risks is noted below

Credit risk

The primary credit risk of the Group arises from the significant cash investment in all new agreements which are at risk of payment default or theft of the product made available to the customer before the full term of the agreement is reached The Group manages these risks by developing close relationships with its customers These relationships are managed by requiring customers to pay amounts due weekly in-store and in the event of a payment default, through the application of proven positive collection processes

The amounts presented in the balance sheet are net of allowances for impairment calculated by the Group's management based on prior experience and their assessment of the current economic environment The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers

The directors consider that the carrying value of trade and other receivables approximates to their fair value The maximum exposure to credit risk is represented by the carrying amount of each financial asset

Notes to the group financial statements

at 31 March 2013

20. Financial instruments (continued)

Liquidity risk

The objective of the Group's liquidity risk management is to ensure sufficient cash resources and the availability of funding as required by maintaining a balance between continuity of funding and flexibility through cash pooling and shareholder funding The Group holds financial assets either for which there is a liquid market or which are expected to generate cash inflows that are available to meet liquidity needs In addition, as at 31 March 2013, the Group has committed undrawn bank facilities of £25 6m (2012 – £19 6m) These facilities expire in November 2014 and November 2016 The undrawn facility element all expires in November 2014 Both facilities are subject to financial covenants

The Group monitors its liquidity risk on an ongoing basis by undertaking rigorous cash flow forecasting procedures This monitoring includes financial ratios to assess headroom under financial covenants on bank facilities and takes into account the accessibility of cash and cash equivalents In order to ensure continuity of funding, the Group seeks to arrange funding ahead of business requirements and maintain sufficient un-drawn committed borrowing facilities

The unsecured loan stock, which has a maturity date of 17 July 2036, detailed in the table below was purchased by Vision Capital at the time of its acquisition of BrightHouse in 2007 All interest is rolled up into the principal on an annual basis and is designed to be payable upon the sale of the business See note 16 for details relating to the circumstances in which the loan stock can be redeemed at either the option of the Company or loan note holder

The Group are at an advanced stage to replace the existing debt facilities Accordingly, the Group have incurred exceptional finance costs of £6 4m relating to the acceleration of the amortisation of existing loan transaction costs and the recycling of losses from equity relating to interest rate swaps which are no longer considered effective Professional fees to be incurred on new debt facilities have been recognised as a £8 3m other receivable and a £8 3m other payable These fees are expected to be amortised over the term of the new facility Should this new facility not materialise, the Group will incur costs of £1 7m

The following table details the remaining contractual maturity for the Group's non-derivative interest bearing undiscounted financial liabilities

Notes to the group financial statements

at 31 March 2013

20. Financial instruments (continued)

At 31 March 2013

	6 months or less £000	*6 -12 months £000*	*1 - 2 years £000*	*Over 2 years £000*	*Total £000*
Senior credit facility	2,267	2,723	37,603	48,223	90,816
Unsecured loan stock	–	–	169,161	–	169,161
Trade payables	17,930	–	–	–	17,930
	20,197	2,723	206,764	48,223	277,907

At 31 March 2012

	6 months or less £000	*6 -12 months £000*	*1 - 2 years £000*	*Over 2 years £000*	*Total £000*
Senior credit facility	2,351	2,160	5,058	92,676	102,245
Unsecured loan stock	–	–	160,828	–	160,828
Trade payables	10,927	–	–	–	10,927
	13,278	2,160	165,886	92,676	274,000

The following table details the Group's liquidity analysis for its derivative financial instruments as at the year end

At 31 March 2013

	6 months or less £000	*6 -12 months £000*	*1 - 2 years £000*	*Over 2 years £000*	*Total £000*
Net settled interest rate swaps	(396)	(602)	(834)	(771)	(2,603)
Gross settled foreign currency					
- forward contracts outflow	(5,030)	(621)	–	–	(5,651)
- forward contracts inflow	5,172	658	–	–	5,830
	(254)	(565)	(834)	(771)	(2,424)

At 31 March 2012

	6 months or less £000	*6 -12 months £000*	*1 - 2 years £000*	*Over 2 years £000*	*Total £000*
Net settled interest rate swaps	(2)	(258)	(653)	(1,493)	(2,406)
Gross settled foreign currency					
- forward contracts outflow	(4,466)	(4,839)	(2,580)	–	(11,885)
- forward contracts inflow	4,443	4,724	2,466	–	11,633
	(25)	(373)	(767)	(1,493)	(2,658)

Notes to the group financial statements

at 31 March 2013

20. Financial instruments (continued)

Interest rate risk

The Group manages its interest rate risk through a combination of cash pooling, shareholder funding and borrowing at a mix of both fixed and variable rates Management regularly monitors movements in interest rates to determine the most advantageous debt profile for the Group Whilst the fixed rate interest bearing debt is not exposed to cash flow interest rate risk, the floating rate borrowings expose the group to cash flow risk as costs increase if market rates rise To manage this risk the Group enters into interest rate swaps agreed with counter parties to generate the desired interest profile At the year end 100% of the Group's borrowings (*2012* 94%) were at fixed rates after taking into account interest rate swap hedges

The Group has access to financing facilities, the total unused amount of which is £25 6m at the balance sheet date The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-1%, with effect from the beginning of the year This analysis assumes that all other variables remain constant These changes are considered to be reasonably possible based on observation of current market conditions The calculations are based on BrightHouse Group Limited s financial instruments held at each balance sheet date All other variables are held constant

		2013		*2012*
		£000		*£000*
	+1%	*-1%*	*+1%*	*-1%*
Net result for the year	1,808	(844)	2,509	(1,690)

Cash flow hedges - Interest rate risk

At 31 March 2013, the Group held interest rate swap contracts for a nominal value of £75m (*2012 £75m)*, designated as a hedge of the cash flow interest rate risk of the £74 0m (*2012 £80 0m)* drawn down from the syndicate loan facility in the year At March 2013 the hedges were not expected to be highly effective in the following year and related amounts previously recognised in other comprehensive income have been transferred to the income statement

In the prior year hedge accounting was applied in relation to these interest rate swaps The terms of the interest rate swap agreement have been negotiated to match the terms of the hedged item – the syndicate loan facility

The cash flow hedges of the expected interest charges on the facility between November 2012 to November 2016 were assessed to be highly effective and at 31 March 2012, a net unrealised loss of £1 4m with a related deferred tax credit of £0 3m, was included in other comprehensive income in respect of these hedging contracts

The interest rate swaps are on the balance sheet as a fair value liability of £2 7m (2012 £1 8m)

Currency risk

The Group is exposed to fluctuations in the US dollar, arising from the import of goods from overseas suppliers, which impacts operating activities Management aim to limit this market risk with selected derivative financial instruments being used for this purpose The group hedges these cash flow exposures by acquiring forward currency contracts The exposure may be covered for a period up to 2 years

Notes to the group financial statements

at 31 March 2013

20. Financial instruments (continued)

Based on the Group's dollar denominated financial instruments at the end of the year, the impact of a reasonably possible change in the US dollar rates of +5%, sterling weakening against the dollar, would have resulted in an increase in profit of £0 3m (2012 – £0 6m) A -5% change in the rate, would have resulted in a £0 3m decrease in profit (2012 – £0 6m) This analysis assumes that all other variables remain constant These changes are considered to be reasonably possible based on observation of current market conditions All other variables are held constant These derivatives are used to hedge planned transactions but are not accounted for using hedge accounting

Fair value

Derivative financial instruments

The fair value of interest rate swaps and foreign currency forward contracts is calculated as the present value of future cash flows where the discount factors are derived from the forward curve

Trade receivables

Trade receivables due after more than one year have been discounted to determine the present value of the future cash flows using a discount rate of 0 5% (*2012 0 7%)* based on the government bond yield curve

Fair value compared to carrying value

	Carrying amount		Fair value	
	2013	*2012*	*2013*	*2012*
	£000	*£000*	*£000*	*£000*
Financial assets				
Cash and cash equivalents	10,873	8,579	10,873	8,579
Trade and other receivables	59,153	43,300	59,153	43,300
Foreign currency forward contracts	180	–	180	–
Financial liabilities				
Amortised cost				
Interest bearing loans and borrowings				
Floating rate borrowings	74,646	75,619	74,646	75,619
Fixed rate borrowings	153,906	146,230	142,506	135,398
Trade and other payables	17,930	10,927	17,930	10,927
Fair value through profit and loss				
Foreign currency forward contracts	–	252	–	252
Interest rate swaps	2,674	–	2,674	–
Derivatives used for hedging				
Interest rate swaps	–	1,786	–	1,786

IFRS 7 fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique -

Level 1 quoted prices in active markets for identical assets or liabilities
Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Notes to the group financial statements

at 31 March 2013

20. Financial instruments (continued)

As at 31 March 2013 and 31 March 2012 respectively the group held the following financial instruments measured at fair value

	Level 1 *£000*	*Level 2* *£000*	*Level 3* *£000*
Fair value through the income statement			
Foreign currency forward contracts	–	180	–
Derivatives used for hedging			
Interest rate swaps	–	(2,674)	–

	Level 1 *£000*	*Level 2* *£000*	*Level 3* *£000*
Fair value through the income statement			
Foreign currency forward contracts	–	(252)	–
Derivatives used for hedging			
Interest rate swaps	–	(1,786)	–

21. Other financial commitments

The Group as a lessee

Non-cancellable operating lease rentals are payable as follows

		2013		*2012*
	Land and buildings *£000*	*Other* *£000*	*Land and buildings* *£000*	*Other* *£000*
Operating leases which expire				
Less than one year	15,715	3,018	14,659	2,664
Between two and five years	52,074	4,191	49,136	4,371
More than five years	29,628	–	30,520	–
	97,417	7,209	94,315	7,035

The Group leases a number of retail facilities under operating leases Land and buildings have been considered separately for lease classification in accordance with IAS17 "Leases" and based on the nature and terms of the respective agreements the directors believe they are operating in nature

During the year £19,064,000 was recognised as an expense in the income statement in respect of operating leases (2012 – £17,372,000)

The Group as a lessor

When customers enter into rental agreements the majority also enter into an additional optional insurance arrangement which entitles them to return assets with no further payments falling due and with no penalties incurred On this basis the transactions are treated as being operating lease in nature and the directors believe that at the inception of the lease there are no minimum future lease payments as the goods can be returned at any time

Notes to the group financial statements

at 31 March 2013

22. Capital commitments

There were no capital commitments at the end of the financial year and consequently no provision has been made (2012 – £nil)

23. Related party transactions

Identity of related parties

Vision Capital Partners VI B L P (VCP VI B), a Scottish Limited Partnership acting through Haig Luxembourg Holdco S a r l (Haig Luxembourg HoldCo), a company incorporated in Luxembourg, are related parties by virtue of the fact that since 18 July 2007 they controlled the majority of the share capital of BrightHouse Group Limited, the largest group of which the company is a member and for which accounts are drawn up The directors therefore consider VCP VI B and Haig Luxembourg HoldCo S a r l to be related parties Vision Capital LLP is also considered a related party by virtue of the fact that it is the investment adviser to the general partner of VCP VI B

During the year the group had transactions with the following companies, which are deemed to be related parties on the basis that they were owned by VCP VI B During this period, group companies entered into the following transactions with related parties

2013

	Interest accrued £000	*Amounts owed to related parties £000*
Haig Luxemburg Holdco	10,346	153,906

2012

	Interest accrued £000	*Amounts owed to related parties £000*
Haig Luxemburg Holdco	10,050	146,320

Other related party transactions

Transactions between BrightHouse Limited and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note

During the year the loan given in the prior year to D A Poole, a director of a subsidiary, namely, Caversham Finance Limited was repaid This loan amounted to £45,000 and was made to cover the costs of shares purchased in BrightHouse Group Limited

In November 2012, Haig Luxembourg HoldCo, the ultimate parent company, purchased from the Employee Benefit Trust 707,947 A Preferred Shares

Notes to the group financial statements
at 31 March 2013

23. Related party transactions (contınued)

Remuneratıon of key management

The compensatıon of key management personnel (ıncludıng the dırectors) ıs as follows

	2013	*2012*
	£000	*£000*
Key management emoluments	3,569	2,425
Company contnbutıons to money purchase pensıon plans	68	65
	3,637	2,490

24. Ultimate parent undertaking and controlling party

Haıg Luxembourg HoldCo ıs the ultımate parent company of BnghtHouse Group Lımıted The Group financıal statements of thıs group are avaılable to the publıc and may be obtaıned from the regıstered office

The ultımate controllıng party ıs Vısıon Capıtal Partners VI B L P (VCP VI B), a Scottısh Lımıted Partnershıp

25. Post balance sheet events

As a pre-requısıte of the proposed refinancıng antıcıpated to be completed followıng the approval of the financıal statements ıt was necessary that the Company re-regıstered as a publıc lımıted company ('PLC') At 31 March 2013 the Company had ınsufficıent share capıtal and dıstnbutable reserves to re-regıster as a PLC Thus followıng the balance sheet date a share reorganısatıon exercıse was ımplemented whıch ıs detaıled below

The Company reduced ıts share premıum account (by a reductıon of share capıtal supported by a solvency statement) by £6m Thıs actıon resulted ın posıtıve net dıstnbutable reserves as requıred for PLC conversıon

A number of share transactıons were also ımplemented ın order to ıncrease the share capıtal of the Company to at least £50,000

ı) A new class of non-votıng share of the Company wıth a nomınal value of £1 ('C Preferred Shares') was created

ıı) 5 members of Senıor Management subscnbed for 1 C Preferred share each and Haıg Luxembourg Holdco S a r l (Haıg') subscnbed for 15 C Preferred Shares at market value

ııı) The Company carned out a bonus ıssue to the holders of the C Preferred Shares whereby 2,024 C Preferred Shares were ıssued for each C Preferred Share held

ıv) The E Ordınary shares of £0 01 each were transferred to the Employee Benefit Trust These shares lost theır 5% votıng nghts

v) A new class of share wıth 5% votıng nghts was created wıth a nomınal value of £500 ('H shares') One H share was subscnbed for at market value

On 22 Apnl 2013 BnghtHouse Group Lımıted was re-regıstered as BnghtHouse Group Plc

Company Statement of financial position

at 31 March 2013

	Notes	2013 £000	2012 £000
Non current assets			
Investments	27	6,645	6,645
		6,645	6,645
Current assets			
Trade and other receivables	28	8,274	–
		8,274	–
Total assets		**14,919**	**6,645**
Current liabilities			
Trade and other payables	29	9,759	886
		9,759	886
Total liabilities		9,759	886
Net assets		**5,160**	**5,759**
Equity attributable to equity holders of the parent			
Share capital	30	9	13
Share premium		6,592	6,437
Capital redemption reserve		57	52
Own shares reserve		(286)	–
Retained earnings		(1,212)	(743)
Total equity		**5,160**	**5,759**

The notes on pages 49 to 55 are an integral part of the financial statements

These financial statements were approved by the board of directors on 22 April 2013 and were signed on its behalf by

G M O David
Director

Company statement of changes in equity

at 31 March 2013

	Share capital £000	*Share premium £000*	*Own shares £000*	*Retained earnings £000*	*Capital redemption reserve £000*	*Total equity £000*
At 1 April 2011	65	6,592	–	(510)	–	6,147
Total comprehensive income for the year	–	–	–	(233)	–	(233)
Sale of own shares	–	(155)	–	–	–	(155)
Cancelled shares	(52)	–	–	–	52	–
At 1 April 2012	13	6,437	–	(743)	52	5,759
Total comprehensive income for the year	–	–	–	(1,184)	–	(1,184)
Issue / purchase of shares	1	155	(286)	–	–	(130)
Sale of treasury shares	–	–	–	715	–	715
Cancelled shares	(5)	–	–	–	5	–
At 31 March 2013	9	6,592	(286)	(1,212)	57	5,160

Notes to the company financial statements

at 31 March 2013

26. Accounting policies

General information

BrightHouse Group Limited is a limited company ("company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 6250176) The Company is domiciled in the United Kingdom and its registered address is 5 Hercules Way, Leavesden, Watford, WD25 7GS

Authorisation of financial statements and statement of compliance with IFRS.

The financial statements of BrightHouse Group Limited for the year ended 31 March 2013 were authorised for issue on 22 April 2013 by the board of directors and the balance sheet signed on the board's behalf by Giles David The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as endorsed by the European Union, and these parts of the Companies Act 2006 applicable to Companies reporting under IFRS

Basis of preparation

The financial statements of BrightHouse Group Limited ("the Company") are approved by the directors and prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("EU") ("Adopted IFRSs") The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated

A summary of the Company's accounting policies are set out below

Exemptions

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company alone The Company made a loss of £1,184,000 in the year (2012 – loss of £233,000) The Company held no cash at the start of, end of or during the year and thus a statement of cash flows has not been prepared

Investments

The investment in the subsidiary undertaking is stated at cost, less any amounts written off

Impairment

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated An asset s recoverable amount is the higher of an asset s or cost generating unit's fair value less costs to sell and its value in use and is determined for an individual asset An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of assets in the unit on a pro rata basis

For assets excluding goodwill, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount

Notes to the company financial statements

at 31 March 2013

26. Accounting policies (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Taxation

Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability

Financial liabilities

i) Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate The Company determines the classification of its financial liabilities at initial recognition

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs

Notes to the company financial statements

at 31 March 2013

26. Accounting policies (continued)

The Company's financial liabilities include trade and other payables and loans and borrowings

ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below

iii) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process

Amortised costs is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR, The EIR amortisation is included in finance costs in the income statement

New standards and interpretations not applied

The following standards and interpretations that are relevant to the Company have not been applied in the financial information as, although in issue at the date of preparation, were not effective for the periods covered by these financial statements

International Financial Reporting Standards ('IFRS')		Effective date
• IFRS 9	Financial Instruments Classification and measurement (not yet endorsed by EU)	1 January 2015
• IFRS 13	Fair Value Measurement	1 January 2013
• IFRS 10	Consolidated Financial Statements	1 January 2013
• IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
International Accounting Standards		
• IAS 19	Employee Benefits (Revised)	1 January 2013
• IAS 27	Separate Financial Statements	1 January 2013
• IAS 1	Presentation of Items of Other Comprehensive Income – Amendments to IAS 1	1 July 2012

The directors do not anticipate that the adoption of these Standards and Interpretations will have a material impact on the Group's consolidated financial statements in the period of initial application

27. Investments

	2013	*2012*
	£000	*£000*
Cost and net book value		
At 1 April 2011, 1 April 2012 and 31 March 2013	6,645	6,645

In April 2007, BrightHouse Limited acquired all of the shares of Caversham Finance Limited in a share-for-share exchange The cost of acquiring Caversham Finance Limited has been recorded at book value

The Company has taken advantage of section 162 of the Companies Act 2006 in preparing its financial statements

Notes to the company financial statements

at 31 March 2013

27. Investments (continued)

The businesses set out below are those that in the opinion of the directors significantly affected the Company's results and net assets during the year (* denotes held indirectly through subsidiary)

	Country of incorporation	*Principal activity*	*Shares*	*Percentage of shares held*
BrightHouse Holdings Limited	England	Holding Company	Ordinary	100
BrighHouse Limited*	England	Holding company	Ordinary	100
Caversham Finance Limited*	England	Rental of domestic equipment	Ordinary	100
Caversham Insurance Limited*	Guernsey	Insurance	Ordinary	100
Caversham Insurance (Isle of Man) Limited*	Isle of Man	Insurance	Ordinary	100
Caversham Insurance (Malta) Limited*	Malta	Insurance	Ordinary	100
Caversham Holdings (Malta) Limited *	Malta	Holding company	Ordinary	100
Caversham Trading Limited*	England	Rental of domestic equipment	Ordinary	100

28. Trade and other receivables

	2013 *£000*	*2012* *£000*
Prepaid refinancing professional fees	8,274	–
	8,274	–

29. Trade and other payables

	2013 *£000*	*2012* *£000*
Amounts due to subsidiary undertakings	1,185	856
Other non trade payables	300	30
Accrued refinancing professional fees	8,274	–
	9,759	886

Notes to the company financial statements

at 31 March 2013

30. Capital and reserves

Allotted, called up and fully paid	*No*	*2013 £000*	*No*	*2012 £000*
A Ordinary shares of £0 001 each	–	–	5,790,720	5
Ordinary shares of £0 01 each	–	–	215,465	2
B Ordinary shares of £0 01 each	–	–	299,066	3
C Ordinary shares of £0 01 each	–	–	190,907	2
D Ordinary shares of £0 01 each	–	–	79,921	1
E Ordinary shares of £0 01 each	–	–	79,921	1
A Ordinary shares of £0 001 each	4,350,000	4	–	–
Ordinary shares of £0 001 each	117,500	–	–	–
B Ordinary shares of £0 01 each	200,000	2	–	–
C Ordinary shares of £0 01 each	100,000	1	–	–
D Ordinary shares of £0 01 each	62,500	1	–	–
E Ordinary shares of £0 01 each	62,500	1	–	–
F Ordinary shares of £500 each	1	1	–	–
G Ordinary shares of £0 001 each	107,499	–	–	–
A Preferred shares of £0 0000001 each	6,725,639	–	–	–
B Preferred shares of £0 0000001 each	86,583,475	–	–	–
Deferred shares of £0 0000001 each	4,743,992,053	–	–	–

On 22 November 2012 new Articles of Association were adopted by the Company which resulted in the sub-division and re-designation of the existing share capital into new classes of both Ordinary and Preferred Shares as set out below

Details of the share classes held at 31 March 2013 after the reorganisation on 22 November 2012 are as follows -

A Ordinary Shares' are controlled by VCP VI B (see note 23 Related parties) 'B Ordinary Shares', 'C Ordinary Shares', 'D Ordinary Shares', 'E Ordinary Shares', F Ordinary Shares', G Ordinary Shares' and 'Ordinary Shares' are controlled by management (Management Shares') 'A Preferred Shares' are controlled by VCP VI B, 'B Preferred Shares' are controlled by VCP VI B and management and 'Deferred Shares' are controlled by the Employee Benefit Trust Dividends are distributed first to A Preferred Shares until the maximum hurdle rate, described in the Articles of Association, has been met Remaining dividend amounts are then distributed to B Preferred Shares until the maximum hurdle rate has been met Deferred Shares receive no dividend distribution All other classes of share are treated equally for any remaining distribution For voting, each class of share holds in aggregate, the % of votes as follows A Ordinary 75%, B Ordinary 5%, C Ordinary 5%, D Ordinary 5%, E Ordinary 5% and F Ordinary 5% All other classes of share hold no voting rights In the event of a sale of the business, realisation proceeds are allocated in the following order To the extent that the hurdle rate exceeds any previous return of capital A Preferred Shares receive proceeds first Next to the extent that the hurdle rate exceeds any previous return of capital B Preferred Shares receive proceeds Deferred Shares receive a maximum of 1p on a sale of the business Finally any remaining proceeds are distributed equally between the remaining share classes However, in certain circumstances described in the Articles, participation of Management Shares in the proceeds may increase

Notes to the company financial statements

at 31 March 2013

30. Capital and reserves (continued)

Details of the share classes held at 31 March 2012 were as follows

'A Ordinary Shares' were controlled by VCP VI B (see note 23 Related parties) 'B Ordinary Shares', 'C Ordinary Shares', 'D Ordinary Shares', 'E Ordinary Shares' and 'Ordinary Shares' were controlled by management The classes of shares were treated equally for dividends For voting, each class of share held in aggregate, the % of votes as follows A Ordinary 77 13%, B Ordinary 5%, C Ordinary 5%, D Ordinary 5%, E Ordinary 5% and Ordinary 2 87% Under certain circumstances described in the Articles of Association, B Ordinary, C Ordinary, D Ordinary and E Ordinary shares could be converted into Ordinary Shares, and the voting rights of A Ordinary and Ordinary shares adjusted accordingly In the event of sale of the business (subject to certain rules described in the Articles of Association) the participation of the management in the proceeds could be increased by converting a number of A Ordinary shares into 'Deferred shares' 'Deferred shares' would receive a nominal amount of £0 01 for all 'Deferred shares'

31. Related party transactions

Vision Capital Partners VI B L P (VCP VI B), a Scottish Limited Partnership acting through Haig Luxembourg Holdco S a r l (Haig Luxembourg HoldCo), a company incorporated in Luxembourg, are related parties by virtue of the fact that since 18 July 2007 they controlled the majority of the share capital of BrightHouse Group Limited, the largest group of which the Company is a member and for which accounts are drawn up The directors therefore consider VCP VI B and Haig Luxembourg HoldCo S a r l to be related parties Vision Capital LLP is also considered a related party by virtue of the fact that it is the investment adviser to the general partner of VCP VI B

During the year, the Company entered into the following with related parties

	Amount owed to related parties £000
2013	
Subsidiaries	1,185
	1,185

	Amount owed to related parties £000
2012	
Subsidiaries	856
	856

Notes to the company financial statements

at 31 March 2013

31. Related party transactions (continued)

Other related party transactions

In November 2012, Haig Luxembourg HoldCo, the ultimate parent company, purchased from the Employee Benefit Trust 707,947 A Preferred Shares

32. Ultimate parent undertaking and controlling party

BrightHouse Group Limited (a company incorporated in England and Wales) is the parent Company of the largest Group in which the results of the Company are consolidated

The ultimate controlling party is Vision Capital Partners VI B L P (VCP VI B), a Scottish Limited Partnership

33. Post balance sheet events

As a pre-requisite of the proposed refinancing anticipated to be completed following the approval of the financial statements it was necessary that the Company re-registered as a public limited company ('PLC) At 31 March 2013 the Company had insufficient share capital and distributable reserves to re-register as a PLC Thus following the balance sheet date a share reorganisation exercise was implemented which is detailed below

The Company reduced its share premium account (by a reduction of share capital supported by a solvency statement) by £6m This action resulted in positive net distributable reserves as required for PLC conversion

A number of share transactions were also implemented in order to increase the share capital of the Company to at least £50,000

i) A new class of non-voting share of the Company with a nominal value of £1 (C Preferred Shares') was created

ii) 5 members of Senior Management subscribed for 1 C Preferred share each and Haig Luxembourg Holdco S a r l ('Haig') subscribed for 15 C Preferred Shares at market value

iii) The Company carried out a bonus issue to the holders of the C Preferred Shares whereby 2,024 C Preferred Shares werek issued for each C Preferred Share held

iv) The E Ordinary shares of £0 01 each were transferred to the Employee Benefit Trust These shares lost their 5% voting rights

v) A new class of share with 5% voting rights was created with a nominal value of £500 ('H shares') One H share was subscribed for at market value

On 22 April 2013 BrightHouse Group Limited was re-registered as BrightHouse Group Plc