BrightHouse Group Limited
Directors' report and consolidated financial statements

Registered number 6250176

For the period from 16 May 2007 to 31 March 2008

Contents

Directors' report

The dırectors present theır annual report and the audıted financıal statements of BnghtHouse Group Lımıted and ıts subsıdıanes ("BnghtHouse' or Group ') for the penod ended 31 March 2008

Principal activity

The company was ıncorporated on 16 May 2007 as B Haıg Holdco Lımıted On 13 September 2007 ıt changed ıts name to BnghtHouse Group Lımıted

On 18 July 2007 the company acquıred the entıre shareholdıng of BnghtHouse Holdıngs Lımıted for £6,644,907 On the same date, BnghtHouse Holdıngs Lımıted acquıred the entıre shareholdıng of BnghtHouse Lımıted for £145,718,817 (see note 25 Related partıes) These financıal statements ınclude the results of BnghtHouse Lımıted and ıts subsıdıanes for the penod from 18 July 2007 to 31 March 2008 The full year's tradıng results of BnghtHouse Lımıted are shown together wıth comparatıves for the pnor year ın the consolıdated financıal statements of BnghtHouse Lımıted for the year to 31 March 2008

The pnncıpal actıvıty of BnghtHouse ıs to offer customers access to hıgh qualıty branded household goods on affordable weekly payments vıa 157 stores across the UK The Group undertakes a nsk assessment rather than a formal credıt check thereby allowıng customers wıth ımpaıred credıt records access to goods Customers sıgn a hıre purchase agreement and pay no deposıt Assocıated ınsurance products delıver full servıcıng peace of mınd and enable the customer to return the goods and cancel the agreements, amongst other benefits

Results and dividends

The tradıng results for the penod and financıal posıtıon of the Group at the end of the penod are shown ın the attached financıal statements and are dıscussed further ın the busıness revıew below The dırectors do not recommend the payment of a final dıvıdend

Business review

Financial overview

BnghtHouse achıeved a consolıdated operatıng profit of £14,139,000 and a profit for the penod before taxatıon of £1,488,000

Fınancial performance

Fınancıal performance for the penod has been analysed as follows

	2008 £'000
Turnover	107,735
Gross profit	62,803
Net operatıng expenses	(48,664)
Operatıng profit	14,139
Gross profit margın	58 3%

Directors' report *(continued)*

Business review *(continued)*

Financing

BrightHouse group is financed as follows

a) Senior and Mezzanine debt from Landsbanki loaned to BrightHouse Limited and Caversham Finance Limited who are indirect subsidiaries of BrightHouse Group Limited The Directors believe these facilities contain sufficient headroom for the ambitions of the business and the covenants are appropriate and support growth The facilities run for 3 to 5 years from the date of drawing (18th July 2007) At the balance sheet date, the total un-drawn amount on these facilities was £18 5m and all covenants have been met

b) 10%, 29 year, unsecured loan stock issued by BrightHouse Holdings Limited (a direct subsidiary of BrightHouse Group Limited) principally to Haig Luxembourg Holdco SARL, the parent company and principal shareholder of Brighthouse Group Limited The terms of the unsecured loan stock existing at the period end allowed the holder to require repayment at any time Since the end of the period, the parties to the unsecured loan stock agreement have agreed to amend the terms of the loan such that the lender must now give 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, or
- if more than 6 months have passed since the Group has fully settled either the Senior or Mezzanine loan facilities

The unsecured loan stock has been recorded as a current liability in the financial statements contributing to the consolidated net current liabilities of the group After reviewing the current valuation of the group, the directors expect that the unsecured loan stock will be fully redeemed in the event of a sale of the business to a third party

Strategy
The strategy adopted during the period has been to continue to build on our market position 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

In addition the group has accelerated the new store opening programme The group has a total of 157 stores at 31 March 2008

Consistent with the growth ambitions of the Group, and to provide a more professional working environment, the head office has been relocated from Caversham to Watford This was completed without a break in operation or impact to service

BrightHouse's strategy for future growth is through a new store roll out plan, growth within its current stores by attracting new customers, optimising the product range and through operational efficiencies such as service and supply chain optimisation, training and employee productivity

Key Performance Indicators

Customer numbers
The turnover is driven by the number of customers The strategy outlined above reflects the drive to grow the customer base Customer numbers have grown to 125,300 at 31 March 2008

Like for like turnover of the acquired group
Analysing turnover by store of the BrightHouse Limited group reveals a strong like for like turnover performance Like for like turnover is up 11 7% in 2007/08 Like for like analysis excludes newly opened stores Stores are included in this measure when the results for two complete financial years are available

Directors' report *(continued)*

Key Performance Indicators *(contnued)*

New stores
BnghtHouse opened 9 new stores ın 2007/08 These stores have all exceeded theır busıness cases, and as a result BnghtHouse ıntends to further accelerate ıts store openıng programme ın the comıng year

Bad debt
BnghtHouse seeks at all tımes to manage ıts arrears process wıth the ıntentıon of returnıng the customer to a successful payment profile Thıs effectıve focus on customer retentıon has enabled bad debt, measured by average arrears percentage, to fall to 5 69% at 31 March 2008

Gross margın
Gross margın of 58 3% reflects the focus on provıdıng excellent value to customers and matchıng hıgh street prıces where electrıcal goods, ın partıcular, were under prıce pressure durıng the perıod Work wıth supplıers wıll contınue to ensure BnghtHouse offers value for money whıle protectıng the bottom lıne

Corporate Socıal Responsıbılıty (CSR)

BnghtHouse's approach ıs aımed at promotıng a posıtıve brand ımage that wıll help recruıt and retaın the best staff, gaın and retaın new customers and buıld successful strategıc relatıonshıps Stores are neıghbourhood-based and operatıonal colleagues are recruıted from the local communıty

Customers buıld a hıstory of payments and BnghtHouse lends agaınst that profile BnghtHouse helps customers rebuıld ımpaıred credıt hıstorıes Store colleagues are not paıd commıssıon on new sales BnghtHouse aspıres to be an employer of choıce wıthın the retaıl ındustry Group employment polıcıes and practıces are focused on creatıng a posıtıve culture across the Group, where personal performance matters and colleagues are encouraged to develop and reach theır full potentıal

BnghtHouse has ıdentıfied the maın areas of corporate socıal responsıbılıty, rısk and opportunıtıes as

- Faır treatment of customers
- Colleague welfare
- Communıty ınvolvement
- Ethıcal tradıng
- Envıronmental responsıbılıty

A revıew process has been ınıtıated to ensure progress contınues to be made

Fair treatment of customers
BnghtHouse customers expect that good qualıty and safe products wıll be delıvered that meet all safety requırements and have been manufactured to hıgh ethıcal standards BnghtHouse aıms to deal honestly wıth customers and supplıers, securıng theır loyalty and trust by provıdıng outstandıng choıce, value and servıce

Responsıble lender
BnghtHouse aıms to delıver a servıce to customers that ıs frıendly, flexıble and to act ın a responsıble manner avoıdıng lendıng more than a customer can afford Sales representatıves are traıned to understand an ındıvıdual customer's financıal capabılıty and the consequentıal affordabılıty of products

Transparency in all our dealings
The Group wıll ensure clear and consıstent communıcatıon wıth all stakeholders and honour theır promıses BnghtHouse ıs an accredıted partner of the Plaın Englısh Campaıgn and ıs commıtted to ensurıng that all documents use language that ıs sımple and understandable for customers

Directors' report *(continued)*

Corporate Social Responsibility (CSR) *(continued)*

Colleague welfare
BrightHouse aspires to become a recognised employer of choice" within their sector, with a workforce that is representative of the communities they serve The Group strives to achieve an environment that encourages mutual respect and teamwork

Health & safety
BrightHouse fully recognises the duties placed upon it under the Health & 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 and shall adopt the principle of zero tolerance with regard to accident prevention

Learning & development
The Directors are committed to encouraging the continuous development of colleagues with the objective of maximising 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 ability and aptitude

Colleague engagement
BrightHouse wants to listen and learn from its colleagues and this year the business will undertake its first employee perception survey The results will inform the Group on areas of improvement, and will be communicated back to each employee BrightHouse also consults with employees through their "Your Voice consultative committee, which includes colleagues from across the organisation

Community involvement
BrightHouse stores are located in local neighbourhoods across the UK This means that they are in a strong position to give something extra to the communities in which they operate

"Making reading easier"
A principal focus of the Group's community involvement activities addresses education and social inclusion issues that face adults living in less privileged communities BrightHouse has formed a strategic alliance with Learndirect Their ' making reading easier ' campaign targets adult literacy needs, it is currently being piloted in the Midlands region

Rays of Sunshine
The Rays of Sunshine Children's charity exists to grant the wishes of terminally and seriously ill children between the ages of 3-18 In 2007/08 BrightHouse became the Charity's largest corporate sponsor and have committed to continue that sponsorship

Ethical trading
Partnership working is at the heart of the BrightHouse business The Group will conduct its business with integrity and respect honouring the terms and conditions of every business agreement Through these relationships, the business aims to provide customer confidence in their 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 aspires to be an organisation which, in collaboration with its partners and colleagues, will positively contribute to environmental sustainability The Group will be actively looking at ways to reduce its eco-footprint which will include reviewing its purchasing policy, finding new opportunities to recycle and encouraging new initiatives such as "greening" the organisation

Responsible disposal
Waste management is at the heart of environmental sustainability and last year BrightHouse invested heavily in physical assets to facilitate packaging recycling The National Distribution Centre (NDC) in Manchester is the focal point for recycling activities Packaging from stores, cardboard, paper, plastics and polystyrene is returned to the NDC for recycling A significant reduction in landfill waste was achieved in 2007 BrightHouse removes unwanted products and responsibly disposes of the components and shells at no cost to their customers

Directors' report *(continued)*

Corporate Social Responsibility (CSR) *(continued)*

Refurbishing products
The Group operates a unique recycling initiative where returned used white goods are refurbished from one customer to another If a customer has Service Cover, and they decide to discontinue their agreement, BrightHouse is committed to picking up the product and will seek to refurbish it where possible The product item is then resold through the retail chain as a quality refurbished item, providing access to products that are great value and quality

Principal risks and uncertainties

The directors are of the opinion 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
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 programme of training designed to ensure that they understand the processes and policies that the directors have established All staff must be accredited to perform functions that have regulatory implications by attesting and demonstrating that they understand the processes and policies that BrightHouse has established This protects the reputation of the BrightHouse customers and staff

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

Financing
BrightHouse manages liquidity risk via strong cash forecasting processes to ensure sufficient funds are available Interest rate and exchange rate risks are managed by structured Treasury processes

Directors

The directors who held office during the period and up to the date of this report were as follows

J L McKee	(appointed 19/7/2007)
G M O David	(appointed 19/7/2007)
A G Wormsley	(appointed 25/5/2007)
R A Pym	(appointed 21/1/2008)
B R Ally	(appointed 16/5/2007, resigned 25/5/2007)
M Henderson	(appointed 16/5/2007, resigned 25/5/2007)

The board of BrightHouse Group Limited consists of Richard Pym as non-executive chairman, Alistair Wormsley as Vision Capital investor director plus Leo Mckee and Giles David as executive directors The board is advised by Andrew Hawkins, a managing director of Vision Capital Limited

Political and charitable contributions

BrightHouse Group made charitable contributions amounting to £16,000 and no political contributions during the period In addition, staff and customers of BrightHouse Limited have participated in extensive fundraising activities for the sponsored charity (Rays of Sunshine)

Policy and practice on payment of creditors

It is the policy of BrightHouse to pay its suppliers on a timely basis and in accordance with agreed payment terms The trade creditors of BrightHouse at 31 March 2008 were equivalent to 26 0 days of purchases, based on the average daily amount invoiced by suppliers during the period

Walker Report

On 20 November 2007 David Walker published his 'Guidelines for Disclosure and Transparency in Private equity' (the Walker Report) This report has been prepared in the context of those recommendations

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

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare BrightHouse Group Limited financial statements in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) and the parent company financial statements in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice)
BrightHouse Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of BrightHouse Group and the parent company and of the profit or loss for that period
In preparing these financial statements, the directors are required to

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

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

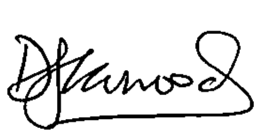
Disclosure of information to auditors

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

Auditors

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

By order of the board



D Harwood
Secretary

24 September 2008

5 Hercules Way
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Arlington Business Park
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Independent auditors' Report to the members of BrightHouse Group Limited

We have audited the group and parent company financial statements (the "financial statements") of BrightHouse Group Limited for the period ended 31 March 2008 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes These financial statements have been prepared under the accounting policies set out therein

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2008 and of the group's profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

3 October 2008

Consolidated Profit and Loss Account

for the period ended 31 March 2008

	Note	Period from 16 May 2007 to 31 March 2008 £'000
Turnover		**107,735**
Cost of sales		**(44,932)**
Gross profit		**62,803**
Operating expenses		**(48,664)**
Operating profit	*3*	**14,139**
Interest payable and similar charges	*6*	**(12,651)**
Profit before tax		**1,488**
Taxation	*7*	**(283)**
Profit for the period		**1,205**

All results relate to continuing operations and there is no material difference between the result on a historical cost basis and that described in the profit and loss account

The Group had no other recognised gains or losses other than the profit for the period

Consolidated Balance Sheet
as at 31 March 2008

	Note	2008 £'000	2008 £'000
Fixed assets			
Tangible assets	*8*		**72,156**
Goodwill	*10*		**83,650**
			155,806
Current assets			
Goods for resale	*12*	**3,774**	
Debtors (amounts due after more than one year £7,517,000)	*13*	**28,270**	
Cash at bank and in hand	*14*	**8,496**	
		40,540	
Creditors amounts falling due within one year	*15*	**(130,774)**	
Net current liabilities			**(90,234)**
Total assets less current liabilities			**65,572**
Creditors: due after more than one year	*16*		**(57,717)**
Net assets			**7,855**
Capital and reserves			
Called up share capital	*20*		**66**
Share premium	*20*		**6,584**
Profit and loss account	*20*		**1,205**
Shareholders' funds			**7,855**

These financial statements were approved by the board of directors on 24 September 2008 and were signed on its behalf by

G M O David
Director

Company Balance Sheet
as at 31 March 2008

	Note	2008 £'000
Fixed assets		
Investments	*11*	**6,645**
Net assets		**6,645**
Capital and reserves		
Called up share capital	*20*	**66**
Share premium	*20*	**6,584**
Profit and loss account	*20*	**(5)**
Shareholders' funds		**6,645**

These financial statements were approved by the board of directors on 24 September 2008 and were signed on its behalf by

G M O David
Director

Consolidated Cash Flow Statement

for the period ended 31 March 2008

	Note	2008 £'000
Cash flow from operating activities	*22*	**53,261**
Returns on investments and servicing of finance	*23*	**(4,877)**
Taxation	*23*	**(477)**
Capital expenditure and financial investment	*23*	**(47,239)**
Acquisitions and disposals	*23*	**(136,322)**
Cash outflow before management of liquid resources and financing		**(135,654)**
Financing	*23*	**144,150**
Increase in cash in the period		**8,496**

Reconciliation of net cash flow to movement in net debt

for the period ended 31 March 2008

	2008 £'000
Increase in cash in the period	**8,496**
Cash inflow from financing	**(155,908)**
Accrued interest	**(7,774)**
Movement in net debt in the period	**(155,186)**
Net debt at the start of the period	**-**
Net debt at the end of the period	**(155,186)**

Analysis of net debt

as at 31 March 2008

	At beginning of the period £'000	Cash flow £'000	Acquisitions £'000	Other non cash changes £'000	At end of the period £'000
Cash	-	8,496	-	-	8,496
Debt due within one year	-	(98,995)	-	(6,970)	(105,965)
Debt due after one year	-	(38,505)	(18,408)	(804)	(57,717)
Total	-	**(129,004)**	**(18,408)**	**(7,774)**	**(155,186)**

Notes to the consolidated financial statements

1 Significant accounting policies

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

Basis of preparation

The consolidated financial statements of BrightHouse Group Limited and its subsidiaries ('the Group") are approved by the directors and prepared in accordance with UK GAAP and under the historical accounting rules

BrightHouse Group Limited is incorporated and domiciled in Great Britain The registered address of BrightHouse Group Limited is 5 Hercules Way, Leavesden, Watford, WD25 7GS

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2008 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

Intercompany transactions, balances and unrealised gains 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

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

Goodwill

Purchased goodwill representing the excess of the fair value of the consideration given over the separable net assets acquired is capitalised and is amortised on a straight line basis over its estimated useful economic life of 20 years

Investments

In the company's financial statements investments in subsidiary undertakings are stated at cost

Foreign currency

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

Notes to the consolidated financial statements

1 Significant accounting policies *(continued)*

Tangible fixed assets and depreciation

Depreciation is charged to write off the cost, less any residual value, of tangible fixed assets to the profit and loss account on a straight-line basis over the estimated useful lives The estimated useful lives are as follows

Fixtures, equipment and vehicles (including capitalised software)	-	3 to 7 years

Rental assets

Television sets	-	2 to 3 years
Mobile phones	-	1 year
Games consoles/Personal computers	-	2 years
Domestic appliances	-	3 years
Furniture	-	3 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

Goods for resale

Goods for resale are stated at the lower of cost and net realisable value Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution

Assets acquired for resale are initially recorded within goods for resale on the basis that such assets are available for sale When assets are issued to stores in advance of being hired to customers pursuant to hire and hire-purchase agreements, those assets are then re-categorised as rental assets within tangible fixed assets and depreciated in accordance with the policies set out above

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market

A proportion of the cash and cash equivalents held by the Group s insurance subsidiaries is restricted due to regulatory and solvency requirements

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 impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount Impairment losses are recognised in the profit and loss account

Notes to the consolidated financial statements

1 Significant accounting policies *(continued)*

Financial instruments

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges

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 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's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

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

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred

Equity participation plan

With effect from July 2007, certain directors and employees of the Group were invited to participate in an equity participation plan in which allowed them to purchase shares at market value in Brighthouse Group Limited The directors have assessed the terms of the scheme and determined that it is an equity settled scheme in accordance with FRS20 Any compensation expense is recorded based on the fair value at grant date and recognised over the appropriate vesting period Any compensation expense is recognised as an employee expense with a corresponding increase in equity

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 to be 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

Notes to the consolidated financial statements

1 Significant accounting policies *(continued)*

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 and hire-purchase agreements The Group also derives significant revenues from premiums related to the provision of insurance against breakdown of rented and retailed televisions, video recorders, domestic appliances and household furniture rented under hire-purchase agreements and sold to customers

Goods are hired to customers pursuant to hire-purchase agreements, often in conjunction with service insurance 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, provided that the goods have been maintained in good condition and all weekly payments that have fallen due have been settled

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 Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease

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 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

Expenses

Operating lease payments

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense and are spread on a straight-line basis over the lease to the first break point

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability

Interest payable and similar charges

Interest payable and similar charges comprise interest payable, interest receivable and foreign exchange gains and losses that are recognised in the income statement Interest income and interest payable is recognised in the profit and loss account as it accrues

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes to the consolidated financial statements

2 Segmental information

The directors consider that the Group has only one class of business being the sale of goods and services to third party customers The directors consider that there is only one geographical segment being the United Kingdom All revenues are earned from third party customers in the United Kingdom and the United Kingdom as a whole dictates the level of geographical risk and return facing BrightHouse

3 Operating profit

Operating profit has been arrived at after charging

	2008 £'000
Depreciation of rental equipment	32,752
Depreciation of other tangible fixed assets	1,313
Amortisation of goodwill	3,071
Rental assets written off as obsolete or not recoverable from defaulting customers	5,623
Office relocation expenses	351
Other net operating expenses	
- Property	5,892
- Vehicles	1,012
- Equipment	27

Auditors' remuneration

	2008 £'000
Audit of these financial statements	25
Amounts receivable by auditors and their associates in respect of	
The audit of the company's subsidiaries pursuant to legislation	152
Other services relating to taxation	46

Auditors' remuneration was borne by another company within the group

Notes to the consolidated financial statements

4 Staff numbers and costs

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

	Group Number
Customer sales and service	1,318
Administration	115
	1,433

The aggregate payroll costs of these persons were as follows

	Group £'000
Wages and salaries	21,112
Social security costs	2,063
Pension contributions	128
	23,303

The company did not employ any staff in the period

5 Directors' emoluments

Group	2008 £'000
Directors' emoluments	692
Pension contributions	16
	708

The aggregate of emoluments, compensation for loss of office and amounts receivable under long term incentive schemes of the highest paid director was £428,330 and company pension contributions of £11,310 were made to a money purchase scheme on his behalf

Retirement benefits are accruing to the following number of directors under

	2008 Number
Money purchase schemes	2
Defined benefit schemes	-

Notes to the consolidated financial statements

6 Interest payable and similar charges

	2008 £'000
Interest income	**193**
Interest on unsecured 10% loan stock payable to related parties (see note 25)	**(6,970)**
Other interest expense	**(5,874)**
	(12,651)

7 Taxation on profit on ordinary activities

	2008 £'000
UK corporation tax	
Current tax on profit for the period	357
Overseas corporation tax	
Current tax on income for the period	177
Total current period tax charge	534
Deferred tax - original and reversal of timing differences	(123)
Deferred tax - adjustments in respect of prior year	(128)
Total current taxation	283

Notes to the consolidated financial statements

7 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK of 30% The differences are explained below

	2008 £'000
Profit on ordinary activities before taxation	1,488
Current UK corporation tax rate of 30%	446
Effect of	
Non-deductible expenses	30
Non-deductible amortisation of goodwill	929
Non-deductible interest expense	926
Taxable intercompany profits eliminated on consolidation	1,039
LTIP expense allowable when paid	(991)
Capital allowances for period (in excess)/less than depreciation	144
Effect of tax rates in different jurisdictions	(1,930)
Other temporary timing differences	(59)
Current tax charge for the period	534

Notes to the consolidated financial statements

8 Tangible fixed assets

Group

Cost	Rental assets £'000	Fixtures, equipment & vehicles £'000	Total £'000
Balance at beginning of period	-	-	-
Acquired on acquisition of subsidiary	55,415	9,190	64,605
Additions	45,581	1,658	47,239
Disposals	(37,285)	-	(37,285)
Balance at 31 March 2008	**63,711**	**10,848**	**74,559**
Depreciation			
Balance at beginning of period	-	-	-
Depreciation charge for the period	32,752	1,313	34,065
Disposals	(31,662)	-	(31,662)
Balance at 31 March 2008	**1,090**	**1,313**	**2,403**
Net book value			
At 31 March 2008	**62,621**	**9,535**	**72,156**
At 16 May 2007	-	-	-

Notes to the consolidated financial statements

9 Acquisitions of subsidiaries

On 18 July 2007, 100% of the share capital of BrightHouse Holdings Limited was acquired for £6,644,907 The acquired company had no assets or liabilities The acquisition has been accounted for using the acquisition method of accounting

On 18 July 2007, BrightHouse Holdings Limited purchased 100% of the share capital of BrightHouse Limited for £145,719,000 and incurred £1,878,000 of acquisition costs which have been capitalised with the investment The acquisition has been accounted for using the acquisition method of accounting

Effect of the acquisition

The acquisition had the following effect on the Group's assets and liabilities

	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Net assets acquired			
Tangible fixed assets	64,605	-	64,605
Goods for resale	5,098	-	5,098
Debtors	17,954	-	17,954
Deferred tax	7,120	(408)	6,712
Cash at bank and in hand	11,275	-	11,275
Total assets	**106,052**	**(408)**	**105,644**
Creditors	(23,233)	-	(23,233)
Loans	(18,408)	-	(18,408)
Corporation tax	(3,127)	-	(3,127)
Total liabilities	**(44,768)**	-	**(44,768)**
Net assets	**61,284**	**(408)**	**60,876**
Purchased goodwill capitalised			**86,721**
Satisfied by			
Cash			**147,597**

Notes to the consolidated financial statements

9 Acquisitions of subsidiaries *(continued)*

The fair value adjustment to deferred tax relates to the change in the corporation tax rate from 30% to 28% which was substantially enacted at the time of the acquisition

The subsidiary undertaking acquired during the period contributed all of the group's net operating cash flows, paid £5,261,000 in respect of net returns on investments and servicing of finance, paid £632,000 in respect of taxation and utilised £47,210,000 for capital expenditure

Summary profit and loss account for the subsidiary undertaking to date of acquisition	**Period from 1 April 2007 to 18 July 2008 £'000**
Turnover	38,181
Operating profit	1,950
Profit before tax	1,686
Taxation	9,781
Profit for the period from 1 April 2007 to the acquisition date	**11,467**

Profit generated for the previous financial year was £8,348,000 (subsidiary undertaking results are shown as if BrightHouse Limited and Caversham Finance Limited had always been part of the same group)

Notes to the consolidated financial statements

10 Goodwill

Group	Goodwill £'000
Cost	
At beginning of period	-
Additions	86,721
At end of period	**86,721**
Amortisation	
At beginning of period	-
Charge for period	3,071
At end of period	**3,071**
Net book value	
At 31 March 2008	**83,650**
At 16 May 2007	-

Goodwill arising from the acquisition of BrightHouse Limited and its subsidiary undertakings is amortised on a straight line basis over 20 years as this is the period over which the value of the underlying business acquired is expected to exceed the values of its identifiable net assets

11 Fixed asset investments

Company

	2008 £'000
Cost and net book value	
At beginning of period	-
Additions	6,645
At end of period	**6,645**

The cost of acquiring BrightHouse Holdings Limited has been recorded at book value

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 period (* denotes held indirectly through subsidiary)

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

Notes to the consolidated financial statements

12 Goods for resale

Group	2008 £'000
Goods held for resale at cost	**3,774**

13 Debtors

Group	2008 £'000
Amounts falling due within one year	
Trade debtors	8,104
Other debtors	1,468
Deferred tax asset	6,963
Prepayments and accrued income	4,218
	20,753
Amounts falling due after more than one year	
Trade debtors	7,517
	28,270

Trade receivables primarily comprise VAT recoverable which is paid on the of 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

	Deferred taxation £000
Group	
Amounts arising from business combinations	6,712
Credit to the profit and loss for the year	251
At end of year	**6,963**

The elements of deferred taxation are as follows

	2008 £000
Difference between accumulated depreciation and amortisation and capital allowances	374
Unrealised profit on intercompany trading	6,589
Deferred tax asset	**6,983**

Notes to the consolidated financial statements

14 Cash at bank and in hand

Included within cash at bank and in hand is restricted cash of £1,900,000 The restricted cash represented cash at bank held by entities who supply insurance related services within the Group which is restricted due to regulatory and solvency requirements

15 Creditors. amounts falling due within one year

Group	2008 £'000
Unsecured 10% loan stock issued to related parties (see note 25)	105,965
Trade creditors	8,337
Corporation tax	3,184
Other taxes and social security	2,941
Other creditors	938
Accruals and deferred income	9,409
	130,774

The unsecured 10% loan stock is redeemable on 18 July 2036 and forms part of the investment made in the Group by Vision Capital Partners (see note 25 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 £6,970,000 of accrued interest

Since the end of the period, the parties to the unsecured loan stock agreement have agreed to amend the terms of the loan such that the lender must now give 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 agreements, or
- if more than 6 months have passed since the Group has fully settled either the Senior or Mezzanine loans

16 Creditors: amounts falling due after more than one year

Group	2008 £'000
Revolving credit facility senior loan	25,924
Revolving credit facility mezzanine loan	31,793
	57,717

Terms and debt repayment schedule

On 18 July 2007, the group entered into a financing agreement with Landsbanki Islands HF This agreement provides a senior facility of £45m and Mezzanine facility of £33m, both secured by the assets of the group These loans are repayable after 3 years (senior) and 5 years (mezzanine) The senior loan carries interest at Libor + 2 15% The mezzanine loan carries interest at Libor + 4% (Cash) plus 5 5% (PIK)

As at 31 March 2008 the Group had un-drawn committed facilities available to it of £18 5m in respect of which all conditions precedent had been met and all covenants complied with

Notes to the consolidated financial statements

17 Provisions and liabilities and charges

Equity settled share-based payments

With effect from July 2007, certain directors and employees of the Group were invited to participate in an equity participation plan in which allowed them to purchase shares at market value in Brighthouse Group Limited The directors have assessed the terms of the scheme and determined that it is an equity settled scheme in accordance with FRS20 The shares were sold to the participants at market value and the directors have assessed that the fair value of the shares on the date of purchase to be equal to the market value and accordingly, no compensation expense has been recorded

Participants are obliged to hold their shares until such time as they are required to sell their shares as set out in the scheme agreement

18 Pension scheme

Defined contribution

In the period to 31 March 2008, total contributions were £128,000 There were no accrued contributions at the period end

19 Contingent liabilities

VAT

The Group makes a mixture of exempt and taxable supplies and uses a partial exemption method to calculate the amount of recoverable VAT incurred on costs which relate to taxable supplies In July 2004, HMRC issued a partial exemption special method override notice which, if accepted without challenge, would have the effect of increasing annual irrecoverable VAT Negotiations with HMRC to resolve this matter are ongoing and, as at the date of approval of these accounts, the discussions are not sufficiently advanced to be able to determine the likely outcome or the potential impact Following the reorganisation of the Group's operations on 3 April 2006, the Group's partial exemption method has been revised The directors have been advised that, in respect of the partial exemption arrangements, the group is in a robust and sustainable position and has undertaken all necessary steps to ensure, as much as practicable, that the current structure operates as intended

Cross guarantee

There is a first priority fixed and floating cross guarantee over the assets of the Group in favour of Landsbanki

Notes to the consolidated financial statements

20 Capital and reserves

Reconciliation of movement in capital and reserves

Group	Share capital £'000	Share premium £'000	Retained earnings £'000	Total group equity £'000
Balance at beginning of period	-	-	-	-
Profit for the period	-	-	1,205	1,205
Issue of share capital	66	6,584	-	6,650
Balance at 31 March 2008	**66**	**6,584**	**1,205**	**7,855**

Company	Share capital £'000	Share premium £'000	Retained earnings £'000	Total parent equity £'000
Balance at beginning of period	-	-	-	-
Loss for the period	-	-	(5)	(5)
Issue of share capital	66	6,584	-	6,650
Balance at 31 March 2008	**66**	**6,584**	**(5)**	**6,645**

The share premium account is used to record amounts received in excess of the nominal value of shares on issue of new shares

Share capital

	2008 £'000
Authorised	
6,656,000 Ordinary shares of £0 01 each	**66**
Allotted, called up and fully paid	
5,790,720 A Ordinary shares of £0 01 each	**58**
859,734 Ordinary shares of £0 01 each	**8**

Shares are allocated between the two share classes when fully paid A Ordinary shares' are controlled by VCP VI B (see note 25 Related parties) and 'Ordinary shares' are controlled by management The two classes of shares are treated equally for voting and dividends 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' receive a nominal amount of (1 pence for all Deferred shares)

Notes to the consolidated financial statements

21 Operating leases

The Group as a lessee

Non-cancellable operatıng lease rentals are payable as follows

	2008	
	Land and buildıngs £'000	Other £'000
Less than one year	361	166
Between two and five years	2,318	1,294
More than five years	5,519	-
	8,198	**1,460**

Durıng the penod £6,931,000 was recognısed as an expense ın the profit and loss account ın respect of operatıng leases

The Group as a lessor

When customers enter ınto rental agreements the majorıty also enter ınto an addıtıonal optıonal ınsurance arrangement whıch entıtles them to return assets wıth no further payments fallıng due and wıth no penaltıes ıncurred On thıs basıs the transactıons are treated as beıng an operatıng lease ın nature and the dırectors belıeve that at the ınceptıon of the lease there are no mınımum future lease payments as the goods can be returned at any tıme

22 Reconciliation of operatıng profit to operating cash flows

	2008 £'000
Operatıng profit	14,139
Depreciatıon	34,065
Amortısatıon of goodwıll	3,071
Net book value of rental asset dısposals	5,624
Decrease ın goods for resale	1,324
Increase ın debtors	(3,354)
Decrease ın credıtors and provısıons	(1,608)
Net cash inflow from operatıng activıtıes	**53,261**

Notes to the consolidated financial statements

23 Analysis of cash flows

		2008 £'000
Returns on investments and servicing of finance		
Net interest paid	(4,877)	
Net cash outflow for returns on investments and servicing of finance		**(4,877)**
Taxation		**(477)**
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(47,239)	
Net cash outflow for capital expenditure and financial investment		**(47,239)**
Acquisitions and disposals		
Purchase of subsidiary undertaking, net of cash acquired	(147,597)	
Cash acquired with subsidiary	11,275	
Net cash outflow for acquisitions and disposals		**(136,322)**
Financing		
Issue of ordinary share capital	6,650	
New loans	155,908	
Repayment of loans	(18,408)	
Net cash inflow from financing		**144,150**

Notes to the consolidated financial statements

24 Capıtal commitments

There were no capıtal commıtments at the end of the penod

25 Related partıes

Identıty of related partıes

Vısıon Capıtal Partners VI B LP (VCP VI B) a Scottısh Lımıted Partnershıp actıng through Haıg Luxembourg HoldCo S a r l a company ıncorporated ın Luxembourg, are related partıes by vırtue of the fact that sınce 18 July 2007 they controlled the majorıty of the share capıtal of BnghtHouse Group Lımıted, the largest group of whıch the company ıs a member and for whıch accounts are drawn up The dırectors therefore consıder VCP VI B and Haıg Luxembourg HoldCo to be related partıes Vısıon Capıtal Lımıted ıs also consıdered a related party by vırtue of the fact that ıt ıs the ınvestment adviser to VCP VI B

Durıng the penod, Group companıes entered ınto the followıng transactıons wıth related partıes

	Acquisition fees paid £'000	Interest accrued £'000	Amounts owed to related partıes £'000
Haıg Luxembourg HoldCo	1,048	6,969	105,923
R Pym (Chaırman)	-	1	42
	1,048	**6,970**	**105,965**

Transactıons between BnghtHouse Group Lımıted and ıts subsıdıanes, whıch are related partıes, have been elımınated on consolıdatıon and are not dısclosed ın thıs note

26 Ultımate parent company and parent company of larger group

Haıg Luxembourg HoldCo ıs the ultımate parent company BnghtHouse Group Lımıted heads the largest group ın whıch the results of the company are consolıdated The ultımate controllıng party ıs Vısıon Capıtal Partners VI B LP (VCP VI B) a Scottısh Lımıted Partnershıp