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# BrightHouse Group Limited

## Report and Financial Statements

31 March 2011

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COMPANIES HOUSE

**Directors**

J L McKee  
G M O David  
A G Wormsley  
R A Pym

**Secretary**

D Harwood

**Auditors**

Ernst & Young LLP  
400 Capability Green  
Luton  
LU1 3LU

**Bankers**

Lloyds Bank Plc  
1-2 Market Place  
Reading  
RG1 2EQ

**Solicitors**

Travers Smith  
10 Snow Hill  
London  
EC1A 2AL

**Registered Office**

5 Hercules Way  
Leavesden Park  
Watford  
WD25 7GS

## Directors' report

The directors present their annual report and the audited financial statements of BrightHouse Group Limited and its subsidiaries ( "BrightHouse" or "Group") for the year ended 31 March 2011

### Results and dividends

The profit for the year after taxation amounted to £8,782,000 (2009 – profit of £5,299,000) The directors do not recommend the payment of a dividend

### Principal activity and review of the business

BrightHouse offers customers access to high quality branded household goods on affordable weekly payments via 228 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 associated 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. 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 the new store opening programme. 30 new stores were opened in the year to take the total to 228 at year end (21 new stores opened in 2009/10)

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 improvements, training and employee productivity.

## Directors' report

### Financial performance

Financial performance for the year to 31 March 2011 and the year to 31 March 2010 has been analysed as follows

	2011 £000	2010 £000
Turnover	227,656	197,327
Gross profit	130,129	116,218
Net operating expenses	(100,645)	(95,716)
Operating profit	29,484	20,502
Gross profit margin	57.2%	58.9%
Profit before taxation	6,867	2,980
Profit after taxation	8,782	5,299

### 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 exceptional items) has improved by 17% from £34.1m in 2009/10 to £39.9m in 2010/11. A reconciliation of EBITdA before exceptional items to operating profit is provided below.

	2011 £000	2010 £000
BrightHouse Group Limited EBITdA	39,946	34,092
Goodwill amortisation	(4,336)	(4,336)
Depreciation of fixtures, equipment and vehicles	(8,028)	(5,370)
Exceptional items		
Out of period indirect tax charges and provisions	1,902	(3,884)
BrightHouse Group Limited reported operating profit	29,484	20,502

The exceptional items relate to the net settlement of outstanding indirect tax matters.

### 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 by 16% up from 174,800 in 2009/10 to 203,000 in 2010/11. Revenue has risen by 15% demonstrating the success of this policy.

#### Like-for-like turnover

Analysing revenue by store reveals the strong like for like revenue performance. Like-for-like revenue is up 9.2% in 2010/11, compared with a 10.7% increase in 2009/10. Like-for-like analysis excludes newly opened stores. Stores are included in this measure when the results for two complete trading years are available.

## Directors' report

### Key Performance Indicators (continued)

#### New stores

The new store opening programme continued in 2010/11 with 30 stores opening during the year. Given the opportunity in the UK the business intends to maintain its store opening programme at this level for the coming year.

#### Bad debt

BrightHouse seeks to ensure that customers can afford the repayments for goods supplied. 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 restricted to 8.1% versus 7.7% in the previous year.

#### Gross margin

Gross margin decreased from 58.9% in 2009/10 to 57.2% in 2010/11. BrightHouse has invested in category management and focused upon a limited range of product lines and supplier relationships. This has enabled the delivery of excellent value to customers and has meant products were benchmarked to high street prices throughout the year while margins have been protected.

### 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

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.

#### 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.

The business has a fully drawn Mezzanine facility and an asset backed revolving Senior facility both due for repayment at July 2012. BrightHouse Group financing includes 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. At the balance sheet date, the total un-drawn amount on these facilities was £14.1m and all covenants have been met.

## Directors' report

### Principal risks and uncertainties (continued)

#### 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.

#### 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.

### 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 service to customers that is friendly, flexible and to act in a responsible manner avoiding lending more than a customer can afford to repay. 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. Store colleagues are not paid commission on new sales, however store managers do receive incentives based upon profitable lending.

#### Transparency in all our dealings

The Group aims to achieve clear and consistent communication with all stakeholders and honour its promises. BrightHouse is an accredited partner of the Plain English Campaign and is committed to ensuring that documents use language that is simple and understandable for customers.

#### Colleague causes

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.

## Directors' report

### Corporate responsibility (continued)

#### Health and safety

BrightHouse fully recognises and complies with 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. 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 an employee perception survey. The results highlighted both areas of employee satisfaction, and areas for improvement. Valued information and views are regularly received from the "Your Voice" employee consultative committee, which includes colleagues from across the organisation.

#### 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. The Group has also supported Credit Action, Retail Trust, and Sports Aid.

#### 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.

## Directors' report

### Corporate responsibility (continued)

#### 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 is 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.

#### 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 to 5 includes 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 1 and 15 of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the group financial statements.

#### Directors

The directors who served the company during the year were as follows:

J L McKee  
G M O David  
A G Wormsley  
R A Pym

The board of BrightHouse Group Limited consists of Richard Pym as non-executive chairman, Alister Wormsley, non-executive, as Vision Capital LLP investor director plus Leo McKee and Giles David as executive directors.

#### Political and charitable contributions

The Group made charitable contributions of £207,000 (2010 – £77,000) during the year. Donations to political organisations amounted to £nil during the year (2010 – £nil). The staff and customers of BrightHouse Group Limited have participated in extensive fundraising activities for the sponsored charity (the NSPCC).



## Directors' report

### 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 2011 were equivalent to 28.1 days (2010 – 27.7 days) of purchases, based on the average daily amount invoiced by suppliers during the year.

### 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.

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

Following a retender process, KPMG resigned as auditors on 16 November 2010 and Ernst & Young LLP was appointed in their place.

In accordance with section 485 of the Companies Act 2006 a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



**D Harwood**  
Secretary  
17 June 2011

5 Hercules Way  
Leavesden  
Watford  
United Kingdom  
WD25 7GS

## Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the 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 the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the 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 company 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 Limited**

We have audited the financial statements of BrightHouse Group Limited for the year ended 31 March 2011 which comprise the Group Profit and Loss Account, Group Statement of total recognised gains and losses, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Group'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 Group'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 Group and the Group'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 in 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 directors' report 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 2011 and of the Group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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.

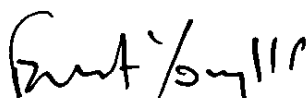
### **Matters on which we are required to report by exception**

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:

## Independent auditors' report

to the members of BrightHouse Group Limited

- 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



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

17 June 2011

## Group profit and loss account

for the year ended 31 March 2011

	Notes	2011 £000	2010 £000
<b>Turnover</b>	2	227,656	197,327
Cost of sales		(97,527)	(81,109)
<b>Gross profit</b>		130,129	116,218
Operating expenses		(100,645)	(95,716)
<b>Operating profit</b>	3	29,484	20,502
Net interest payable and similar charges	6	(22,617)	(17,522)
<b>Profit on ordinary activities before taxation</b>		6,867	2,980
Tax on profit on ordinary activities	7	1,915	2,319
<b>Profit for the financial year</b>		8,782	5,299

All results relate to continuing activities

## Group statement of total recognised gains and losses

for the year ended 31 March 2011

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

## Group balance sheet

at 31 March 2011

	Notes	2011 £000	2010 £000
<b>Fixed assets</b>			
Goodwill	8	70,642	74,978
Tangible assets	9	134,299	111,237
		<u>204,941</u>	<u>186,215</u>
<b>Current assets</b>			
Goods for resale	11	7,498	5,162
Debtors (amounts due after more than one year £12,021,000 (2010 – £8,685,000))	12	52,659	40,174
Cash at bank and in hand	13	6,872	19,906
		<u>67,029</u>	<u>65,242</u>
<b>Creditors: amounts falling due within one year</b>	14	(35,680)	(29,529)
<b>Net current assets</b>		<u>31,349</u>	<u>35,713</u>
<b>Total assets less current liabilities</b>		<u>236,290</u>	<u>221,928</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(212,856)	(207,426)
<b>Net assets</b>		<u>23,434</u>	<u>14,502</u>
<b>Capital and reserves</b>			
Called up share capital	18	65	65
Share premium	19	6,592	6,442
Profit and loss account	19	16,777	7,995
<b>Shareholders' funds</b>		<u>23,434</u>	<u>14,502</u>

These financial statements were approved by the board of directors on 17 June 2011 and were signed on its behalf by



**G M O David**  
Director

## Company balance sheet

at 31 March 2011

	Notes	2011 £000	2010 £000
<b>Fixed assets</b>			
Investments	10	6,645	6,645
<b>Creditors</b> amounts falling due within one year	14	(498)	(385)
<b>Net assets</b>		<u>6,147</u>	<u>6,260</u>
<b>Capital and reserves</b>			
Called up share capital	18	65	65
Share premium	19	6,592	6,442
Profit and loss account	19	(510)	(247)
<b>Shareholders' funds</b>		<u>6,147</u>	<u>6,260</u>

These financial statements were approved by the board of directors on 17 June 2011 and were signed on its behalf by



**G M O David**  
Director

**Group statement of cash flows**

for the year ended 31 March 2011

	<i>Notes</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
<b>Cash flow from operating activities</b>	21(a)	122,774	101,674
<b>Returns on investments and servicing of finance</b>	21(b)	(7,072)	(4,815)
<b>Taxation</b>	21(b)	(1,114)	(645)
<b>Capital expenditure and financial investment</b>	21(b)	(119,020)	(98,309)
Cash outflow before management of liquid resources and financing		(4,432)	(2,095)
<b>Financing</b>	21(b)	(8,602)	553
<b>(Decrease) in cash in the year</b>		(13,034)	(1,542)

**Reconciliation of net cash flow to movement in net debt  
for the year ended 31 March 2011**

	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
<b>Decrease in cash in the year</b>	(13,034)	(1,542)
Cash outflow/(inflow) from financing	11,452	(565)
Accrued interest	(16,445)	(13,958)
New finance lease	(700)	–
<b>Movement in net debt in the year</b>	(18,727)	(16,065)
<b>Net debt at the start of the year</b>	(187,520)	(171,455)
<b>Net debt at the end of the year</b>	(206,247)	(187,520)

**Analysis of net debt  
as at 31 March 2011**

	<i>At beginning of the year</i> <i>£000</i>	<i>Cash flow</i> <i>£000</i>	<i>Other non cash changes</i> <i>£000</i>	<i>At end of the year</i> <i>£000</i>
Cash	19,906	(13,034)	–	6,872
Debt due within one year	–	437	(700)	(263)
Debt due after one year	(207,426)	11,015	(16,445)	(212,856)
<b>Total</b>	(187,520)	(1,582)	(17,145)	(206,247)



## Notes to the financial statements

at 31 March 2011

### 1. Accounting policies

#### *Basis of preparation*

The group financial statements of BrightHouse Group Limited and its subsidiaries ("the Group") are approved by the directors and prepared in accordance with UK Generally Accepted Accounting Practice ("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

#### *Group financial statements*

The group financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2011. 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 group profit and loss account from the date of acquisition or up to the date of disposal.

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the reasons set out below.

The BrightHouse Limited Group meets its operational financing requirements by utilising a senior loan facility of £45m and a mezzanine loan facility of £30m. These facilities include a number of covenants and the directors have prepared Group trading and cashflow forecasts that take into account reasonably possible changes in trading performance which demonstrate that the Group is able to operate within its current facilities and that current covenants will not be breached over a period of at least 12 months from the date of approval of these financial statements.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Intercompany transactions, balances and unrealised gains between Group companies are eliminated in preparing the group 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 408 of the Companies Act 2006 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.

## Notes to the financial statements

at 31 March 2011

### 1. Accounting policies (continued)

#### *Tangible fixed assets*

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

Estimated useful lives

Rental assets	–	equal to the total contract length which may vary from asset to asset
Fixtures, equipment and vehicles (including capitalised software)	–	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.

Only direct costs of relevant employees are capitalised as part of systems development costs. Such assets are not depreciated until they are brought into use by the Group.

#### *Investments*

In the Company's financial statements investments in subsidiary undertakings are stated at cost, less any provision for impairment.

#### *Foreign currencies*

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.

#### *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 initial location. 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.

## Notes to the financial statements

at 31 March 2011

### 1. Accounting policies (continued)

A proportion of the cash and cash equivalents held by the Group's insurance subsidiaries is restricted due to regulatory and solvency requirements. The restricted cash also includes cash at bank held by the Group on behalf of customers.

#### *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.

#### *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.

#### *Employee benefits*

##### *Defined contribution pension 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 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 FRS 20. 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. As fair value was equal to market value on grant date, no expense has been recognised.

##### *Own shares held by ESOP trust*

Transactions of the Company sponsored ESOP trust are treated as being those of the Company and are therefore reflected in the Company's financial statements. In particular, the trust's purchase and sale of shares in the Company are debited and credited to equity respectively.

## Notes to the financial statements

at 31 March 2011

### 1. Accounting policies (continued)

#### *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.

#### *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, 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 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, provided that the goods have been maintained in good condition and all weekly payments that have fallen due have been settled.

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. 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.

#### *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.

##### *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 year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

## Notes to the financial statements

at 31 March 2011

### 1. Accounting policies (continued)

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

#### *Hire purchase and finance lease contracts*

Assets obtained under finance lease leases and hire purchase contracts and the related obligations are recorded in the balance sheet at the fair value of the assets at the inception of the lease or contract. Finance charges are allocated over the period of the lease or contract in proportion to the capital amount outstanding.

### 2 Turnover

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

(a) This is stated after charging

	2011 £000	2010 £000
Auditors' remuneration		
Audit of these financial statements	10	17
Amounts receivable by auditors and their associates in respect of		
The audit of the Company's subsidiaries pursuant to legislation	118	135
Other transaction services	43	18
Other services relating to taxation	298	–
	<hr/>	<hr/>
Depreciation of rental equipment	71,707	60,392
Depreciation of other tangible fixed assets	8,028	5,370
Rental assets written off as obsolete or not recoverable from defaulting customers	13,409	10,795
Amortisation of goodwill	4,336	4,336
Net book value of rental assets sold to customers	2,814	2,227
Hire of other assets – operating leases		
– Property	10,742	10,009
– Vehicles	2,184	740
– Equipment	332	343
	<hr/>	<hr/>
Included within operating profit are exceptional items		
	2011 £000	2010 £000
Out of period indirect tax charges and provisions	1,902	(3,884)
	<hr/>	<hr/>

The exceptional items relate to the net settlement of outstanding indirect tax matters

## Notes to the financial statements

at 31 March 2011

### 4 Directors' remuneration

	2011	2010
<i>Group</i>	<i>£000</i>	<i>£000</i>
Directors' remuneration	1,144	1,161
Pension contributions	39	38
	<u>1,183</u>	<u>1,199</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £659,000 (2010 – £667,000) and in addition Company pension contributions of £26,000 (2010 – £26,000) were made to a money purchase scheme on his behalf

Retirement benefits are accruing to the following number of directors under

	2011	2010
	<i>No</i>	<i>No</i>
Money purchase schemes	2	2

### 5. Staff costs

	2011	2010
<i>Group</i>	<i>£000</i>	<i>£000</i>
Wages and salaries	45,246	40,270
Social security costs	4,254	3,791
Pension contributions	463	402
	<u>49,963</u>	<u>44,463</u>

The average monthly number of employees (including directors) during the year was made up as follows

	2011	2010
<i>Group</i>	<i>No</i>	<i>No</i>
Customer sales and service	1,869	1,678
Administration	184	147
	<u>2,053</u>	<u>1,825</u>

### 6. Net interest payable and similar charges

	2011	2010
	<i>£000</i>	<i>£000</i>
Interest income	83	33
Interest on unsecured loan stock payable to related parties (see note 25)	(13,553)	(12,292)
Other interest expense	(9,114)	(5,263)
Finance charges on hire purchase contracts and finance leases	(33)	-
	<u>(22,617)</u>	<u>(17,522)</u>

## Notes to the financial statements

at 31 March 2011

### 7. Tax

#### (a) Tax on profit on ordinary activities

The tax credit is made up as follows

	2011 £000	2010 £000
<i>Current tax</i>		
UK corporation tax on profit for the year	–	570
Adjustment in respect of prior year	–	484
<i>Overseas corporation tax</i>		
Current tax on income for the year	370	401
Total current tax (note 7(b))	370	1,455
<i>Deferred tax</i>		
Original and reversal of timing differences	(2,285)	(3,774)
Tax on profit on ordinary activities	(1,915)	(2,319)

#### (b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2010 – 28%) The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before taxation	6,867	2,980
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 – 28%)	1,923	834
<i>Effects of</i>		
Non-deductible expenses	512	1,001
Non-deductible amortisation of goodwill	1,214	1,214
Non-deductible interest expense	(4,884)	3,442
Taxable intercompany profits eliminated on consolidation	2,452	1,935
Depreciation for year in excess of capital allowances	–	948
Capital allowances for year in excess of depreciation	(205)	–
Effect of tax rates in different jurisdictions	(2,093)	(1,471)
Adjustments in respect of prior years	–	483
Other temporary timing differences	–	2,203
Group relief	–	(9,134)
Unrelieved tax losses	1,451	–
Current tax for the year (note 7(a))	370	1,455

# Notes to the financial statements

at 31 March 2011

## 8. Intangible fixed assets

<i>Group</i>	<i>Goodwill £000</i>
Cost	
At 1 April 2010 and 31 March 2011	86,721
Amortisation	
At 1 April 2010	11,743
Charge for year	4,336
At 31 March 2011	16,079
Net book value	
At 31 March 2011	70,642
At 1 April 2011	74,978

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 value of its identifiable net assets. Following an assessment of the carrying value of goodwill, management are satisfied that there is no indication of impairment.

## 9. Tangible fixed assets

<i>Group</i>	<i>Rental assets £000</i>	<i>Fixtures, equipment and vehicles £000</i>	<i>Total £000</i>
Cost			
At 1 April 2010	110,840	33,966	144,806
Additions	109,941	14,467	124,408
Disposals	(80,272)	—	(80,272)
Transfers	(4,024)	(1,364)	(5,388)
At 31 March 2011	136,485	47,069	183,554
Depreciation			
At 1 April 2010	22,230	11,339	33,569
Depreciation charge for the year	71,707	8,028	79,735
Disposals	(64,049)	—	(64,049)
At 31 March 2011	29,888	19,367	49,255
Net book value			
At 31 March 2011	106,597	27,702	134,299
At 1 April 2010	88,610	22,627	111,237

Included within the total net book value of tangible fixed assets is £560,000 (2010 - £nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £140,000 (2010 - £nil).



## Notes to the financial statements

at 31 March 2011

### 10. Investments

<i>Company</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Cost and net book value		
At 1 April 2010 and 31 March 2011	6,645	6,645

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)

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held</i>
<i>shares held</i>			
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 Company	100
Caversham Trading Limited*	England	Rental of domestic equipment	100

Following an assessment of the carrying value of investments, management are satisfied that there is no indication of impairment

### 11. Goods for resale

<i>Group</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Goods held for resale	7,498	5,162

### 12. Debtors

<i>Group</i>	<i>2011</i> <i>£000</i>	<i>2010</i> <i>£000</i>
Amounts falling due within one year		
Trade debtors	17,082	12,982
Other debtors	3,654	1,183
Deferred tax asset	13,658	11,373
Prepayments and accrued income	6,244	5,951
	40,638	31,489
Amounts falling due after more than one year		
Trade debtors	12,021	8,685
	52,659	40,174

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 or from HMRC on customer default

## Notes to the financial statements

at 31 March 2011

### 12. Debtors (continued)

	2011 £000	2010 £000
Group deferred tax		
At 1 April 2010	11,373	7,599
Credit to the profit and loss for the year	2,285	3,774
At 31 March 2011	13,658	11,373
The elements of deferred taxation are as follows		
	2011 £000	2010 £000
Difference between accumulated depreciation and amortisation and capital allowances	2,225	2,362
Unrealised profit on intercompany trading	11,433	9,011
Deferred tax asset	13,658	11,373

The Chancellor announced in the Emergency Budget on 22 June 2010 that the standard rate of UK Corporation Tax would be reduced from 28% to 27% from 1 April 2011, and that there will be progressive annual reductions of a further 1% until a rate of 24% is reached with effect from 1 April 2014. The Chancellor further announced in the Budget on 23 March 2011 that the standard rate of UK Corporation Tax will be reduced by a further 1% to 26% from 1 April 2011. This reduction was substantively enacted on 29 March 2011 and as such the reduction has been reflected in the deferred tax balances at the balance sheet date. The future reductions are now planned to take the rate down by 1% per annum to 23% from 1 April 2014 and will be reflected in future accounts following substantive enactment.

### 13. Cash at bank and in hand

Included within cash at bank and in hand is restricted cash of £666,000 (2010 – £666,000). 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. This also includes restricted cash of £850,000 (2010 – £740,000) which represents cash held by the Group on behalf of customers.

## Notes to the financial statements

at 31 March 2011

### 14. Creditors: amounts falling due within one year

	2011	2010
<i>Group</i>	<i>£000</i>	<i>£000</i>
Trade creditors	11,720	8,275
Obligations under hire purchase contracts and finance leases	263	-
Corporation tax	508	1,251
Other taxes and social security	7,157	8,748
Other creditors	1,534	374
Accruals and deferred income	14,498	10,881
	<u>35,680</u>	<u>29,529</u>
<i>Company</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
Amounts due to Group undertakings	489	385
Accruals and deferred income	9	-
	<u>498</u>	<u>385</u>

## Notes to the financial statements

at 31 March 2011

### 15. Creditors: amounts falling due after more than one year

	2011	2010
Group	£000	£000
Senior loan facility	29,193	39,219
Mezzanine loan facility	37,021	35,117
Unsecured 10% loan stock issued to related parties (see note 25)	141,040	128,218
Unsecured 15% loan stock issued to related parties (see note 25)	5,602	4,872
	<u>212,856</u>	<u>207,426</u>

#### 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 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 £9,274,000 (2010 £8,431,000) of accrued interest.

The terms of the unsecured loan stock are such that the lender must 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 of BrightHouse Limited and Caversham Finance Limited, or
- if more than 6 months have passed since the Group has fully settled either the senior or mezzanine loan facilities of BrightHouse Limited and Caversham Finance Limited.

The unsecured 15% loan stock was issued on 10 October 2008 for a period of 29 years and forms part of the investment made in the Group by funds advised by Vision Capital LLP (see note 25 Related Parties). This period may be extended or reduced at the discretion of the stock holder. The amount above includes £372,000 (2010 £323,000) of accrued interest.

The parties to the unsecured loan stock agreement have agreed to amend the terms of the loan such that the holder 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 of BrightHouse Limited and Caversham Finance Limited, or
- if more than 6 months have passed since the Group has fully settled either the senior or mezzanine loans of BrightHouse Limited and Caversham Finance Limited. This condition is not applied if the settlement is activated through refinancing.

The Group has a financing agreement with Landsbanki Islands HF. This agreement provides a senior facility of £45m and mezzanine facility of £35.1m (£30m initial facility and £5.1m rolled up interest), both secured by the assets of the Group. These loans are repayable in July 2012. The senior loan carries interest at Libor + 6%. The mezzanine loan carries interest at Libor + 4% (Cash) + 5.5% (PIK). There is a first priority fixed and floating cross guarantee over the assets of the Group in favour of Landsbanki Islands HF.

## Notes to the financial statements

at 31 March 2011

### 15. Creditors: amounts falling due after more than one year (continued)

As at 31 March 2011 the Group had un-drawn committed facilities available to it of £14.1m in respect of which all conditions precedent had been met and all covenants complied with

### 16. Operating leases

#### *The Group as a lessee*

Annual commitments under non-cancellable operating leases are as follows

	2011		2010	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Less than one year	542	433	580	277
Between two and five years	3,683	1,656	3,376	1,611
More than five years	10,179	–	8,005	–
	<u>14,404</u>	<u>2,089</u>	<u>11,961</u>	<u>1,888</u>

During the year £13,257,000 (2010 – £11,092,000) was recognised as an expense in the profit and loss account in respect of operating leases

#### *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 an 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.

### 17. Employee benefits

#### **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 FRS 20. 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.

## Notes to the financial statements

at 31 March 2011

### 18. Issued share capital

		2011		2010
<i>Allotted, called up and fully paid</i>	<i>No</i>	<i>£000</i>	<i>No</i>	<i>£000</i>
A Ordinary shares of £0.01 each	5,790,720	58	5,790,720	58
Ordinary shares of £0.01 each	865,280	8	865,280	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'.

### 19. Movement on reserves

#### Reconciliation of movement in capital and reserves

<i>Group</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total Group equity £000</i>
Balance at beginning of year	65	6,442	7,995	14,502
Profit for the year	—	—	8,782	8,782
Receipt of own shares	—	150	—	150
Balance at 31 March 2011	65	6,592	16,777	23,434

<i>Company</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total Group equity £000</i>
Balance at beginning of year	65	6,442	(247)	6,260
Loss for the year	—	—	(263)	(263)
Receipt of own shares	—	150	—	150
Balance at 31 March 2011	65	6,592	(510)	6,147

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

The shares receipted during the current financial year are held by an employee share trust for distribution to certain employees and directors as part of the employee participation plan.

## Notes to the financial statements

at 31 March 2011

### 20. Reconciliation of shareholders' funds

	<i>Group</i>		<i>Company</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b><i>Profit/(loss) for the financial year</i></b>	8,782	5,299	(263)	(114)
<b><i>Retained profit/(loss)</i></b>	8,782	5,299	(263)	(114)
Consideration received for the receipt of own shares	150	(12)	150	(12)
<b><i>Net addition to/(reduction in) shareholders' funds</i></b>	8,932	5,287	(113)	(126)
Opening shareholders' funds	14,502	9,215	6,260	6,386
<b><i>Closing shareholders' funds</i></b>	23,434	14,502	6,147	6,260

### 21. Notes to the statement of cash flows

(a) Reconciliation of operating profit to operating cash flows

	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>
<b><i>Operating profit</i></b>	29,484	20,502
Depreciation	79,735	65,762
Amortisation of goodwill	4,336	4,336
Net book value of rental asset disposals	16,223	13,040
Increase in goods for resale	(2,336)	(2,345)
Increase in debtors	(10,199)	(3,760)
Increase in creditors and provisions	5,531	4,139
<b><i>Net cash inflow from operating activities</i></b>	122,774	101,674

## Notes to the financial statements

at 31 March 2011

### 21. Notes to the statement of cash flows (continued)

(b) Analysis of cash flows

	2011 £000	2010 £000
<b>Returns on investments and servicing of finance</b>		
Bank loan interest paid	(7,039)	(4,815)
Finance lease interest paid	(33)	
<b>Net cash outflow for returns on investments and servicing of finance</b>	<b>(7,072)</b>	<b>(4,815)</b>
<b>Taxation</b>	<b>(1,114)</b>	<b>(645)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(119,020)	(98,309)
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(119,020)</b>	<b>(98,309)</b>
<b>Financing</b>		
Proceeds/(purchase) of own shares	150	(12)
(Repayment of loans)/new loans	(9,015)	565
New finance lease	700	–
Capital element of finance lease rental payment	(437)	–
<b>Net cash (outflow)/inflow from financing</b>	<b>(8,602)</b>	<b>553</b>

### 22. Capital commitments

There were no capital commitments at the end of the year and consequently no provision has been made (2010 – £nil)

### 23. Pensions

#### Defined contribution scheme

In the year to 31 March 2011, total contributions were £463,000 (2010 – £402,000) There were no accrued contributions at the year end (2010 – £nil)

### 24. Derivatives

The Group purchases interest rate swaps to manage interest rate volatility and forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the derivatives held at the balance sheet date, determined by reference to their market values, are as follows

	2011 £000	2010 £000
Forward foreign currency contracts	(197)	221
Interest rate swaps	(479)	(526)



## Notes to the financial statements

at 31 March 2011

### 25. Related party transactions

#### Identity of related parties

Vision Capital Partners VI B LP (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 VCP VI B.

During the year, Group companies entered into the following transactions with related parties

	<i>Interest accrued £000</i>	<i>Amounts owed to related parties £000</i>
Haig Luxembourg HoldCo	9,646	8,754

On 28 June 2010 R Pym sold £51,691 unsecured 10% loan stock for 13,272 £0.01 ordinary shares in BrightHouse Group Limited. During the year R Pym accrued interest of £1,199 on the unsecured 10% loan stock prior to the sale.

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

### 26. Ultimate parent undertaking and controlling party

Haig Luxembourg HoldCo is the ultimate parent Company. BrightHouse Group Limited heads the largest Group in which the results of the Company are consolidated. The ultimate controlling party is Vision Capital Partners VI B LP (VCP VI B), a Scottish Limited Partnership.