Registered No. 06250176

BrightHouse Group plc

Quarterly Report

for the thirty-nine weeks ended 27 December 2014

BrightHouse Group plc
5 Hercules Way
Leavesden Park
Watford WD25 7GS
United Kingdom

Publication Date: 12 February 2015

TABLE OF CONTENTS

Page

Operational Highlights for the First Three Quarters 2014

BrightHouse Group plc (the "Company"), the leading provider of rent-to-own products in the United Kingdom, today announces interim results of operations for the thirteen weeks and thirty-nine weeks ended 27 December 2014.

Key Highlights

- Increased revenue by 4.4% to £258.3 million for the First Three Quarters 2014;
- Increased EBITDA by 4.1% to £37.9 million for the First Three Quarters 2014;
- Increased the value of the Contract Portfolio to £621.5 million as of 27 December 2014, compared to £589.8 million as of 28 December 2013;
- Increased LTM like-for-like revenue by 4.1% for the twelve months ended 27 December 2014;
- Opened 8 new stores in the First Three Quarters 2014, gaining access to new geographic areas and bringing the total number of stores across the United Kingdom to 294 as of 27 December 2014;
- Positive customer growth for the First Three Quarters 2014, bringing our total number of customers to 281,500 as of 27 December 2014;
- Completed online applications for the First Three Quarters 2014 increased by 18.1% compared to the First Three Quarters 2013.
- As part of the ongoing programme of enhancing compliance and corporate governance controls, two non executive directors joined the BrightHouse board at the beginning of the quarter.

Leo McKee, Chief Executive Officer, said:

"We are pleased to report a solid period of peak trading which has seen an increase in our customer base to 281,500. As a result, the contract portfolio has increased by 5% year on year, which together with a material rise in the number of online customer originations, provides a significant opportunity for future growth."

The following table reconciles EBITDA to profit for the period for the Third Quarter 2013 and the Third Quarter 2014, as well as the First Three Quarters 2013 and the First Three Quarters 2014.

(in thousands of £)	**For the Third Quarter 2014**	**For the Third Quarter 2013**	**For the First Three Quarters 2014**	**For the First Three Quarters 2013**
Profit after tax	4,218	2,871	8,415	8,644
Tax charge	1,212	1,271	2,537	762
Financial income and expenses	5,409	5,846	16,305	17,043
Depreciation of fixtures and equipment and amortization of software	3,135	3,284	9,432	9,980
Exceptional items	12	–	1,234	–
EBITDA	13,986	13,272	37,923	36,429

Certain Definitions

Definitions of certain terms used in this Quarterly Report and certain financial and operating data can be found below.

"APR" refers to the annual percentage interest rate.

"Company" refers to BrightHouse Group plc.

"Contract Portfolio" refers to, collectively, all the hire purchase agreements existing on any given date. For a detailed explanation of Contract Portfolio as a non-IFRS operating measure, see "Introduction—Presentation of Financial and Other Data—Presentation of non-IFRS operating measures."

"EBT" refers to the Employee Benefit Trust.

"First Three Quarters 2013" refers to the thirty-nine weeks ended 28 December 2013.

"First Three Quarters 2014" refers to the thirty-nine weeks ended 27 December 2014.

"First Three Quarters Report" refers to this report as of and for the thirty-nine weeks ended 27 December 2014.

"IFRS" refers to International Financial Reporting Standards as adopted by the European Union.

"Indenture" refers to the indenture dated 9 May 2013 relating to the $7^7/_8$% senior secured notes due 2018 issued by the Company.

"Insurance Subsidiaries" refers to, collectively, Caversham Insurance (Malta) Limited, Caversham Holdings (Malta) Limited, Caversham Insurance Limited and Caversham Insurance (Isle of Man) Limited.

"Loan Notes" refers to the unsecured loan stock issued by the Company to Haig Luxembourg Holdco S.à r.l. on 9 May 2013 as part of the exchange of the loan stock previously issued by BrightHouse Holdings Ltd to Haig Luxembourg Holdco S. à r.l.; the principal amount outstanding under the Loan Notes on the issue date of the Notes was the balance of amounts owing to Haig Luxembourg Holdco S. à r.l. under the previously issued loan stock instrument less cash paid from the proceeds of the offering of the Notes.

"LTM" refers to any twelve month period as required by the context.

"Notes" refers to the $7^7/_8$ % senior secured notes due 2018 issued by the Company on 9 May 2013.

"Revolving Credit Facility" refers to the agreement among the Company, the guarantors of the Notes, Lloyds TSB Bank plc, as security agent and agent, and the lenders party thereto, dated 9 May 2013, for the provision of a £25.0 million revolving credit facility, as amended from time to time.

"SEC" refers to the U.S. Securities and Exchange Commission.

"Third Quarter 2013" refers to the thirteen weeks ended 28 December 2013.

"Third Quarter 2014" refers to the thirteen weeks ended 27 December 2014.

"sterling", "pound sterling" and "£" refer to the lawful currency of the United Kingdom.

"the period" and "this period" refer to the First Three Quarters 2014 unless the context otherwise requires.

"we", "us", "our", "Group" and other similar terms refer to the Company and its consolidated subsidiaries unless the context otherwise requires or is clear from context.

Presentation of Financial and Other Data

For purposes of this Quarterly Report we refer to the thirty-nine weeks ended 27 December 2014 as "First Three Quarters 2014", and the thirty-nine weeks ended 28 December 2013 as "First Three Quarters 2013." We refer to our fiscal year started 1 April 2014 ending 31 March 2015 as "Fiscal 2015."

Consolidated financial statements

The consolidated financial statements of the Company and its subsidiaries for the thirty-nine weeks ended 27 December 2014 presented in this Quarterly Report have been prepared in accordance with IFRS and in accordance with the accounting policies presented in the offering memorandum relating to the Notes. The consolidated financial statements are unaudited and have been derived from the internal management reporting of the Company. The results of operations for prior periods or interim periods are not necessarily indicative of the results to be expected for the full financial reporting periods or any future reporting periods.

Presentation of non-IFRS financial measures

In this Quarterly Report, we present certain non-IFRS financial measures, including EBITDA and certain related ratios. As used in this Quarterly Report, the following terms have the following meanings:

We define "EBITDA" as profit for the period before financial charges, tax, depreciation of fixtures and equipment (but not depreciation of hire purchase assets), amortization of software and exceptional items.

We believe that EBITDA is a useful indicator of our overall financial performance and EBITDA is a useful indicator of our liquidity and our ability to incur and service our indebtedness, and can assist certain investors, securities analysts and other interested parties in evaluating us.

EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by us to that reported by other companies. EBITDA as presented herein differs from the definition of "Consolidated EBITDA" contained in the Indenture or for purposes of any of our other indebtedness. The information presented as EBITDA is unaudited and has not been prepared in accordance with IFRS or any other accounting standards. In addition, the presentation of these measures is not intended to and does not comply with the reporting requirements of the SEC and will not be subject to review by the SEC; compliance with its requirements would require us to make changes to the presentation of this information.

EBITDA is not a measurement of performance under IFRS and you should not consider EBITDA as an alternative to net income or operating profit or other performance measures determined in accordance with IFRS, or to cash flows from operations, investing activities or financing activities. EBITDA has limitations as an analytical tool, and you should not consider it in isolation.

Presentation of non-IFRS operating measures

This Quarterly Report includes information on our "Contract Portfolio" and other related data. Our Contract Portfolio consists of all of the hire purchase agreements we enter into with our customers. The value of our Contract Portfolio refers to the aggregate amount of remaining payments due under our hire purchase agreements on a given date through the term of the relevant contracts in effect on such date, assuming that all contracts are paid in full and not terminated prior to maturity. These payments include, in addition to the expected instalment payments towards the retail price of the product, interest and indirect taxes and payments on the purchase of our insurance and warranty products, namely, the optional service cover and damage liability cover, purchased by our customers. This Quarterly Report also presents information on the performance of our Contract Portfolio. Information relating to the value of our Contract Portfolio and performance of our Contract Portfolio has been produced by Euristix, a specialist analytics and risk management firm, based on the data we provide them. We cannot assure you of the accuracy and completeness of such information, and Euristix does not assume liability for such information.

We present the value of our Contract Portfolio because it represents our best estimate of the undiscounted cash value of the aggregate payments that will come due under our existing hire purchase agreements at certain points in time. The value of our Contract Portfolio is an important supplemental measure by which our board of directors and management assess our performance, as they highlight the cash generation capacity of the assets underlying our business. However, these numbers are not derived from our internal financial systems or management accounts, but are derived from our non-financial operating systems and they have not been audited, reviewed or verified by independent auditors.

The value of the Contract Portfolio and other Contract Portfolio related performance data, as computed by us, may not be comparable to similar metrics used by other companies in our industry. In addition, our computations could differ in the future from the figures included in this Quarterly Report. Furthermore, levels of actual recoveries are uncertain and may vary materially due to several factors. Therefore, none of the value of our Contract Portfolio or any other Contract Portfolio related data included herein should be relied on as indicators of future revenue or performance.

Rounding adjustments

Certain numerical figures contained in this Quarterly Report, including financial information and certain operating data, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or within a table may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

Restatement of the Income Statement, Statement of Financial Position and Statement of Cash Flows

Subsequent to the issuance of the Quarterly Report for the thirty-nine weeks ended 28 December 2013, the Group determined that changes were required to more accurately report the Group’s income statement, statement of financial position and statement of cash flows. Accordingly, certain incentives received from the suppliers of inventory have been credited to the cost of inventory rather than being recognised in the income statement in the period the incentives were due. This has resulted in an increase in operating expenses offset by lower rental asset depreciation incurred over the life of the asset.

Consolidated Financial Statements

Group income statement

for the thirteen weeks and thirty-nine weeks ended 27 December 2014

	Notes	13 weeks ended 27 December 2014 (unaudited) £000	Restated 13 weeks ended 28 December 2013 (unaudited) £000	39 weeks ended 27 December 2014 (unaudited) £000	Restated 39 weeks ended 28 December 2013 (unaudited) £000
Revenue	3	88,950	83,704	258,306	247,374
Cost of sales		(38,861)	(37,336)	(113,309)	(108,057)
Gross profit		50,089	46,368	144,997	139,317
Operating expenses		(39,250)	(36,380)	(117,740)	(112,868)
Operating profit		10,839	9,988	27,257	26,449
Analysed by:					
Depreciation of fixtures and equipment and amortisation of intangible assets		3,135	3,284	9,432	9,980
Exceptional items	2	12	–	1,234	–
Earnings before interest, tax, depreciation amortisation and exceptional items		13,986	13,272	37,923	36,429
Other finance income	4	138	14	203	38
Other finance expenses	4	(5,547)	(5,860)	(16,508)	(17,081)
Profit before taxation		5,430	4,142	10,952	9,406
Tax charge	5	(1,212)	(1,271)	(2,537)	(762)
Profit for the period		4,218	2,871	8,415	8,644

The results shown above all relate to continuing activities.

Group statement of comprehensive income

for the thirteen weeks and thirty-nine weeks ended 27 December 2014

	13 weeks ended 27 December 2014 (unaudited) £000	13 weeks ended 28 December 2013 (unaudited) £000	39 weeks ended 27 December 2014 (unaudited) £000	39 weeks ended 28 December 2013 (unaudited) £000
Profit for the period	4,218	2,871	8,415	8,644
Other comprehensive income for the period net of tax	–	–	–	–
Total comprehensive income for the period net of tax	4,218	2,871	8,415	8,644

Group statement of financial position

as of 27 December 2014

	Notes	27 December 2014 (unaudited) £000	Restated 28 December 2013 (unaudited) £000
Non-current assets			
Property, plant and equipment	6	177,463	171,062
Intangible assets	7	84,362	83,691
Trade and other receivables	10	25,733	22,783
Deferred tax assets	8	9,152	10,094
		296,710	287,630
Current assets			
Inventories	9	17,157	12,365
Trade and other receivables	10	55,247	47,518
Cash and cash equivalents	11	28,876	13,157
		101,280	73,040
Total assets		397,990	360,670
Current liabilities			
Trade and other payables	12	95,886	68,565
Financial liabilities	13	–	124
Current tax payable		440	572
		96,326	69,261
Non-current liabilities			
Financial liabilities	13	245,649	252,249
		245,649	252,249
Total liabilities		341,975	321,510
Net assets		56,015	39,160
Equity attributable to equity holders of the parent			
Share capital	14	50	50
Share premium		552	552
Capital redemption reserve		57	57
Own shares reserve		(246)	(371)
Retained earnings		55,602	38,872
Total equity		56,015	39,160

Group statement in changes of equity

as of and for the thirty-nine weeks ended 27 December 2014

	Share capital (unaudited) £000	Share premium (unaudited) £000	Own shares (unaudited) £000	Retained earnings (unaudited) £000	Capital redemption reserve (unaudited) £000	Total Equity (unaudited) £000
As of 1 April 2013 (as previously reported)	9	6,592	(286)	35,502	57	41,874
Prior year adjustment (see note 1)	–	–	–	(6,176)	–	(6,176)
As of 1 April 2013	9	6,592	(286)	29,326	57	35,698
Profit for the period (restated)	–	–	–	8,644	–	8,644
Issue of shares to employees (net)	–	–	(85)	–	–	(85)
Bonus issue of shares	41	(41)	–	–	–	–
Share premium reduction	–	(5,999)	–	5,999	–	–
Equity dividends paid	–	–	–	(5,097)	–	(5,097)
As of 28 December 2013	50	552	(371)	38,872	57	39,160
As of 1 April 2014	50	552	(283)	47,187	57	47,563
Profit for the period	–	–	–	8,415	–	8,415
Issue of shares to employees (net)	–	–	37	–	–	37
As of 27 December 2014	50	552	(246)	55,602	57	56,015

Group statement of cash flows

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

	Notes	13 weeks ended 27 December 2014 (unaudited) £000	Restated 13 weeks ended 28 December 2013 (unaudited) £000	39 weeks ended 27 December 2014 (unaudited) £000	Restated 39 weeks ended 28 December 2013 (unaudited) £000
Cash flows from operating activities					
Profit for the period		4,218	2,871	8,415	8,644
Adjustments for:					
Sales proceeds from sales of rental assets		675	734	1,984	2,207
Depreciation		26,056	27,319	77,853	81,071
Amortisation of intangible assets		1,330	1,264	3,900	3,780
Financial income		(138)	(14)	(203)	(38)
Financial expense		5,547	5,860	16,508	17,081
Profit on rental assets sold to customers		(96)	(328)	(1,081)	(976)
Rental assets written off as obsolete or not recoverable from defaulting customers		6,339	6,473	18,839	16,353
Purchase of rental assets		(50,507)	(44,910)	(110,060)	(113,272)
Taxation		1,212	1,271	2,537	762
Operating cash inflow before changes in working capital		(5,364)	540	18,692	15,612
Increase in trade and other receivables		(5,596)	(12,208)	(11,706)	(11,462)
Decrease / (increase) in inventories		1,888	6,912	(7,635)	(3,500)
Increase in trade and other payables		31,407	10,350	48,908	8,769
Cash generated from operations		22,335	5,594	48,259	9,419
Tax (paid) / received		(790)	249	(1,166)	(901)
Net cash flow from operating activities		21,545	5,843	47,093	8,518
Cash flows from investing activities					
Interest received		14	14	41	38
Purchase of property, plant and equipment		(1,453)	(482)	(3,308)	(3,380)
Payments to acquire intangible assets		(1,816)	(1,326)	(4,189)	(4,445)
Net cash from investing activities		(3,255)	(1,794)	(7,456)	(7,787)
Cash flows from financing activities					
Issue of new 10% loan stock		–	–	–	26,640
New senior credit facility		–	500	(9,500)	12,000
Repayment of revolving credit facility		–	–	–	(74,487)
Repayment of unsecured loan stock		–	–	–	(153,906)
Interest paid		(8,756)	(9,167)	(17,603)	(14,236)
Loan arrangement fees / financing costs		–	(181)	–	(9,277)
Issue of senior secured notes		–	–	–	220,000
Equity dividends paid		–	–	–	(5,097)
Proceeds from sale of shares by EBT		–	(100)	34	(84)
Net cash flow from financing activities		(8,756)	(8,948)	(27,069)	1,553
Net increase / (decrease) in cash and cash equivalents		9,534	(4,899)	12,568	2,284
Cash and cash equivalents at the beginning of the period		19,342	18,056	16,308	10,873
Cash and cash equivalents at the end of the period	11	28,876	13,157	28,876	13,157

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

1. Accounting policies and basis of preparation

This Quarterly report contains condensed consolidated financial information of BrightHouse Group plc for the thirteen weeks ended 27 December 2014 and the thirty-nine weeks ended 27 December 2014. The unaudited Quarterly financial information has been prepared using consistent accounting policies, presentation, and method of computation to those applied in the latest annual financial statements of BrightHouse Group plc for the year ended 31 March 2014. This financial information should be read in conjunction with the consolidated financial statements of BrightHouse Group plc for the year ended 31 March 2014.

Basis of preparation

The consolidated financial statements of BrightHouse Group plc and its subsidiaries (the "Group") are approved by the directors and prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union ("EU") ("Adopted IFRS"). The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated. The financial information contained in this interim statement does not constitute statutory accounts as defined by Section 435 of the Companies Act 2006.

Restatement of the Income Statement, Statement of Financial Position and Statement of Cash Flows

Subsequent to the issuance of the Quarterly Report for the thirty-nine weeks ended 28 December 2013, the Group determined that changes were required to more accurately report the Group's income statement, statement of financial position and statement of cash flows. Accordingly, certain incentives received from the suppliers of inventory have been credited to the cost of inventory rather than being recognised in the income statement in the period the incentives were due. This has resulted in an increase in operating expenses offset by lower rental asset depreciation incurred over the life of the asset.

2. Exceptional items

Recognised as part of operating profit

	13 weeks ended 27 December 2014 (unaudited) £000	*13 weeks ended 28 December 2013 (unaudited) £000*	*39 weeks ended 27 December 2014 (unaudited) £000*	*39 weeks ended 28 December 2013 (unaudited) £000*
Exceptional items	12	–	1,234	–

The exceptional items incurred in the thirty-nine weeks ended 27 December 2014 relate to non-recurring expenditure on strategic projects.

3. Revenue

Revenue comprises revenue from the provision of home electronic and domestic appliances, household furniture and other related products to domestic customers through hire purchase agreements and related service insurance agreements. Customers entering into our hire purchase agreements from 2 September 2013 are entitled to return assets at any time with no further payments falling due and with no penalties incurred. Prior to 2 September 2013, the automatic right of return was not provided within the hire purchase agreement, however, the majority of customers also entered into an additional optional insurance arrangement which gave them this benefit.

On this basis the transactions are treated as being operating lease in nature and the directors believe that at the inception of the lease there are no minimum future lease payments as the goods can be returned at any time.

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

4. Finance income and expenses

Recognised in income statement

	13 weeks ended 27 December 2014 (unaudited) £000	*13 weeks ended 28 December 2013 (unaudited) £000*	*39 weeks ended 27 December 2014 (unaudited) £000*	*39 weeks ended 28 December 2013 (unaudited) £000*
Interest income	14	14	41	38
Unwinding of discount re: trade receivables due after more than 1 year	124	–	104	–
Fair value gains on forward foreign exchange contracts	–	–	58	–
Finance income	138	14	203	38

	13 weeks ended 27 December 2014 *(unaudited) £000*	*13 weeks ended 28 December* 2013 *(unaudited) £000*	*39 weeks ended 27 December* 2014 *(unaudited) £000*	*39 weeks ended 28 December* 2013 *(unaudited) £000*
Interest expense	5,543	5,676	16,508	16,462
Unwinding of discount re: trade receivables due after more than 1 year	–	152	–	315
Fair value losses on forward foreign exchange contracts	4	32	–	304
Finance expenses	5,547	5,860	16,508	17,081

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

5. Income tax

Income tax on profit on ordinary activities

Recognised in the income statement

	13 weeks ended 27 December 2014 (unaudited) £000	Restated 13 weeks ended 28 December 2013 (unaudited) £000	39 weeks ended 27 December 2014 (unaudited) £000	Restated 39 weeks ended 28 December 2013 (unaudited) £000
Current tax:				
Corporation tax charge UK	734	–	953	–
Corporation tax charge overseas	44	6	169	320
Total current income tax	778	6	1,122	320
Deferred tax:				
Deferred tax charge	434	1,265	1,415	442
Total deferred tax charge	434	1,265	1,415	442
Total income taxation in income statement	1,212	1,271	2,537	762

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

6. Property, plant and equipment

	Rental assets (unaudited) £000	*Fixtures, equipment and vehicles (unaudited) £000*	*Total (unaudited) £000*
Cost:			
As of 1 April 2013 (restated)	172,457	47,440	219,897
Additions (restated)	113,272	3,380	116,652
Disposals	(88,018)	–	(88,018)
As of 28 December 2013	197,711	50,820	248,531
As of 1 April 2014	192,384	50,734	243,118
Additions	110,060	3,308	113,368
Disposals	(93,904)	–	(93,904)
As of 27 December 2014	208,540	54,042	262,582
Depreciation:			
As of 1 April 2013 (restated)	41,265	25,567	66,832
Depreciation charge for the period (restated)	74,871	6,200	81,071
Disposals	(70,434)	–	(70,434)
As of 28 December 2013	45,702	31,767	77,469
As of 1 April 2014	47,702	33,726	81,428
Depreciation charge for the period	72,321	5,532	77,853
Disposals	(74,162)	–	(74,162)
As of 27 December 2014	45,861	39,258	85,119
Net book value:			
As of 27 December 2014	162,679	14,784	177,463
As of 1 April 2014	144,682	17,008	161,690
As of 28 December 2013	152,009	19,053	171,062
As of 1 April 2013	131,192	21,873	153,065

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

7. Intangible assets

	Software (unaudited) £000	*Goodwill (unaudited) £000*	*Total (unaudited) £000*
Cost:			
As of 1 April 2013	36,437	74,978	111,415
Additions	4,445	–	4,445
As of 28 December 2013	40,882	74,978	115,860
As of 1 April 2014	42,480	74,978	117,458
Additions	4,189	–	4,189
As of 27 December 2014	46,669	74,978	121,647
Amortisation:			
As of 1 April 2013	28,389	–	28,389
Amortisation charge for the period	3,780	–	3,780
As of 28 December 2013	32,169	–	32,169
As of 1 April 2014	33,385	–	33,385
Amortisation charge for the period	3,900	–	3,900
As of 27 December 2014	37,285	–	37,285
Net book value:			
As of 27 December 2014	9,384	74,978	84,362
As of 1 April 2014	9,095	74,978	84,073
As of 28 December 2013	8,713	74,978	83,691
As of 1 April 2013	8,048	74,978	83,026

Impairment testing

Goodwill arose from the acquisition of BrightHouse Limited and has been allocated to the Group's one cash generating unit (CGU) of retail sales, hire-purchase agreements and associated premiums for insurance and warranty contracts. The recoverable amount of the CGU is determined based on a value in use calculation using cash flow projections from financial budgets approved by the board covering a five year period.

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

8. Deferred tax assets

	27 December 2014 (unaudited) £000	*Restated 28 December 2013 (unaudited) £000*
Assets:		
Tax losses recognised	2,072	3,988
Foreign forward exchange contracts	–	29
Unrealised profit on intercompany trading	332	1,203
Other property, plant and equipment	6,450	4,470
Capital contributions on lease incentives	298	404
Total tax assets	9,152	10,094

9. Inventories

	27 December 2014 (unaudited) £000	*28 December 2013 (unaudited) £000*
Goods held for resale at cost	17,157	12,365

During the period assets acquired for resale amounting to £110,060,000 (2013 – £113,272,000) were capitalised within property, plant and equipment as rental assets when issued to stores in advance of being hired to customers pursuant to hire and hire purchase agreements.

10. Trade and other receivables

	27 December 2014 (unaudited) £000	*Restated 28 December 2013 (unaudited) £000*
Current:		
Trade receivables	4,185	3,011
Other trade receivables and prepayments	17,899	14,281
Other non-trade receivables	686	1,748
VAT incurred in advance of recovery from customers	32,477	28,478
	55,247	47,518

	27 December 2014 (unaudited) £000	*28 December 2013 (unaudited) £000*
Non current:		
VAT incurred in advance of recovery from customers	23,429	21,689
Other trade receivables and prepayments	1,447	1,094
Other non-trade receivables	857	–
	25,733	22,783

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

10. Trade and other receivables (continued)

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. Trade receivables primarily comprise VAT recoverable which is paid on the full value of assets acquired by customers under hire and hire purchase agreements when the contracts commence and are recovered from customers over the full length of these agreements or from HMRC on customer default.

Within trade receivables £23,429,000 (2013 – £21,689,000) is receivable after more than one year and has been discounted to determine its fair value. All trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables (customer accounts) were found to be impaired and a bad debt provision of £1,378,000 (2013 – £1,310,000) has been recorded accordingly.

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

	27 December 2014 (unaudited) £000	*28 December 2013 (unaudited) £000*
1-7 days	147	123
8-14 days	129	117
15-45 days	348	318
46-90 days	9	8
	633	566

Movements in bad debt provision

	27 December 2014 (unaudited) £000	*28 December 2013 (unaudited) £000*
At beginning of period	1,192	856
Amounts written off as uncollectable	(10,503)	(8,872)
Increase in bad debt provision	10,689	9,326
At end of period	1,378	1,310

The movement in the bad debt provision consists of individually insignificant balances.

11. Cash and cash equivalents

	27 December 2014 (unaudited) £000	*28 December 2013 (unaudited) £000*
Cash and cash equivalents per balance sheet and cash flow statement	28,876	13,157

Cash and cash equivalents comprise cash at bank and in hand. Included within cash and cash equivalents is restricted cash of £4,507,000 (2013 – £7,026,000). This includes restricted cash of £3,776,000 (2013 - £5,976,000) which represents cash at bank held by entities who supply insurance related services within the Group which is restricted due to certain regulatory and solvency requirements. This also includes restricted cash of £731,000 (2013 – £1,050,000) which represents cash held by the Group on behalf of customers.

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

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

12. Trade and other payables

	27 December 2014 (unaudited) £000	Restated 28 December 2013 (unaudited) £000
Trade payables	61,008	29,470
Other taxes and social security	3,691	11,175
Other non-trade payables	537	437
Accrued expenses	28,546	25,312
Accrued interest	2,104	2,171
	95,886	68,565

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

13. Financial liabilities

	27 December 2014 (unaudited) £000	Restated 28 December 2013 (unaudited) £000
Current liabilities:		
Foreign currency forward contracts	–	124
	–	124
Non-current liabilities:		
Senior credit facility	–	10,844
Unsecured 10% loan stock issued to related parties	31,005	28,348
Senior secured notes	214,644	213,057
	245,649	252,249

As of 27 December 2014, the senior credit facility includes a drawdown of £nil (2013 - £12,000,000) less fees incurred on the new debt facility of £857,000 (2013 - £1,156,000). The senior secured notes include an issue of £220 million (2013 – £220 million) less fees incurred on the new debt facility of £5,356,000 (2013 - £6,943,000). These fees are amortised over the term of the facilities.

Terms and debt repayment schedule

The unsecured 10% loan stock is redeemable on 9 May 2040 and forms part of the investment made in the Group by funds advised by Vision Capital LLP. The unsecured 10% loan stock is subordinated and junior in right of payment to the senior credit facility and the senior secured notes. The amount above includes £4,365,000 (2013 – £1,708,000) of accrued interest. The Group repaid £128,800,000 unsecured 10% loan stock on 9 May 2013. The terms of the unsecured loan stock are such that the maturity date cannot be prior to the maturity date of the senior credit facility and the senior secured notes.

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

13. Financial liabilities (continued)

On 9 May 2013 the Group entered into a senior credit facility with Lloyds TSB Bank Plc, and GE Corporate Finance Bank SAS. This amounted to a total facility of £25 million and is secured against the assets of the Group. This facility is repayable on 9 September 2017. There is a first priority fixed security and floating charge over the assets of the Group in favour of Lloyds TSB Bank Plc, acting as security agent.

On 9 May 2013 the Group issued £220 million Senior Secured Notes due 15 May 2018. Interest is fixed at 7.875% and payable on 15 May and 15 November every year to the date of expiry. These notes are pari passu with the senior credit facility issued on 9 May 2013, however, in the event of enforcement of the collateral and certain distressed disposals, holders of the notes will receive proceeds from the enforcement of the collateral only after the senior credit facility lenders have been repaid.

As of 27 December 2014 the Group had undrawn committed facilities available to it of £24.5 million (2013 – £12.5 million), in respect of which all conditions precedent had been met and all covenants complied with.

14. Share capital

	27 December 2014 (unaudited)		*28 December 2013 (unaudited)*	
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
A Ordinary shares of £0.001 each	4,350,000	4	4,350,000	4
Ordinary shares of £0.001 each	142,500	–	142,500	–
B Ordinary shares of £0.01 each	200,000	2	200,000	2
C Ordinary shares of £0.01 each	75,000	1	75,000	1
D Ordinary shares of £0.01 each	62,500	1	62,500	1
E Ordinary shares of £0.01 each	62,500	1	62,500	1
F Ordinary shares of £500 each	1	1	1	1
G Ordinary shares of £0.001 each	107,499	–	107,499	–
H Ordinary shares of £500 each	1	1	1	1
A Preferred shares of £0.0000001 each	6,725,639	–	6,725,639	–
B Preferred shares of £0.0000001 each	86,583,475	–	86,583,475	–
Deferred shares of £0.0000001 each	6,993,992,053	–	6,993,992,053	–
C Preferred shares of £1.00 each	40,500	41	40,500	41

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

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

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 27 December 2014

14. Share capital (continued)

On 17 April 2013 two new classes of share were created. The H share is controlled by management and has 5% voting rights. Following the creation of this class of share the E Shares, controlled by the EBT lost voting rights. C Preferred shares are controlled by both VCP VI B and management and have no voting rights. The H Shares has the same economic rights as the Ordinary Shares and the C Preferred Shares only entitle the holders to an aggregate of £20 on any realisation.

On 28 November 2013 25,000 C Ordinary Shares were converted into 25,000 Ordinary Shares and 2,250,000,000 Deferred Shares.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read together with our consolidated financial statements as of and for the thirty-nine weeks ended 27 December 2014 and the accompanying notes included elsewhere in this Quarterly Report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below in "—Forward Looking Statements".

Forward-Looking Statements

This Quarterly Report includes "forward-looking statements" within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Quarterly Report, including, without limitation, those regarding our intentions, beliefs or current expectations concerning, among other things: our future financial conditions, financial performance, performance of our Contract Portfolio, results of operations and liquidity; our strategy, plans, objectives, prospects, growth, goals and targets; future developments in the markets in which we participate or are seeking to participate; and anticipated regulatory changes in the industry in which we operate. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "project", "should" or "will" or, in each case, their negative, or other variations or comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry, the macroeconomic environment and the regulatory landscape in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Quarterly Report. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry and regions in which we operate, are consistent with the forward-looking statements contained in this Quarterly Report, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements are only made as of the date of this Quarterly Report and, except as required by law or the rules and regulations of any stock exchange on which the Notes are listed, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Quarterly Report.

Overview

We are the leading player in the rent-to-own market in the United Kingdom measured by revenue, total customers and number of stores. We offer an integrated retail, credit and service proposition targeted at low income and credit impaired consumers who have limited access to traditional financing alternatives. We conduct our operations from our 294 stores which are located across the United Kingdom. Our product offering consists of a well-balanced mix of quality new and refurbished household goods, including essential and aspirational products, from four main categories: (i) televisions and audio products; (ii) domestic appliances, including washers, fridges and cookers; (iii) furniture, including sofas, dining sets and beds; and (iv) consumer technology, including mobile devices, gaming consoles and computers. Each product category includes a choice of leading brands from name-brand manufacturers, as well as entry level products and quality refurbished products, across a wide range of price points, which are carefully selected to appeal to our target customers.

On 2 September 2013, we launched our simplified "Single Price Agreement" pricing structure. Included within the retail price of the product is a package of benefits incorporating delivery and installation and cover providing for unlimited repair and maintenance of the product over the life of the agreement, a short term replacement product if the product needs to be repaired outside the home, and a repair or like-for-like replacement in the event of loss through accidental damage, fire or theft.

We offer our products on an affordable payment schedule. This enables customers to have the items they want and need while spreading the cost over a number of years. Once a customer has selected a product, we conduct a bespoke credit verification process and enter into a hire purchase agreement, providing, primarily, weekly instalment payments and no initial deposit. Ownership of the product passes to the customer upon full payment under the hire purchase agreement. The representative APR offered in our hire purchase agreements is 64.7%. The actual rate offered to individual customers is currently in the range 64.7% – 97.9% based upon the customer's individual credit score and the product taken. Included within the credit agreement, we provide the customers, for no additional cost, the right of return and cancellation at any time, typically without penalty, and the ability to take a payment holiday if needed. As a result, customers benefit from a package which provides them with peace of mind by providing a full repair service and also providing them with the flexibility to return the product and terminate the hire purchase at any time should their preferences or circumstances change.

Prior to 2 September 2013, our APR was 29.9%. Additional covers, including optional service cover and damage liability cover, were offered alongside the hire purchase agreement, and provided unlimited maintenance of the product during the life of the hire purchase agreement, and cover for loss through accidental damage, fire and theft, respectively. Both covers can be cancelled by the customer with seven days' notice. Agreements in effect prior to 2 September 2013 are unaffected by the introduction of the Singe Price Agreement; the contracts and covers will continue with no change to their terms and conditions.

Key Performance Indicators

We use certain key operating measures to track the financial and operating performance of our business. None of these terms are measures of financial performance under IFRS, nor have these measures been audited or reviewed by an auditor, consultant or expert. These numbers are not derived exclusively from our internal financial systems or management accounts, but also from our non-financial operating systems. As they are defined by our management, these terms may not be directly comparable to similar terms used by competitors or other companies.

	As of and for the thirty-nine weeks ended 27 December 2014	**As of and for the thirty-nine weeks ended 28 December 2013**
Summary Statistical and Operating Data		
Customer Data		
Total customers (thousands)(1)	281.5	276.4
Average number of contracts per customer(2)	2.85	2.77
Stores		
Number of stores	294	287
LTM like-for-like revenue growth (%)(3)	4.1	7.5
Contract Portfolio (in millions of £)(4)	621.5	589.8

(1) Total customers represents the number of distinct individuals who are party to one or more hire purchase agreements outstanding on the relevant date with us, without regard to the number of hire purchase agreements entered into by each such customer.

(2) Average number of contracts per customer is calculated by dividing the number of total hire purchase agreements outstanding on the relevant date by the number of total customers on such date.

(3) LTM like-for-like revenue refers to revenue generated by our stores in any given twelve-month period excluding revenues generated by new stores opened within the twelve-month period under review and the immediately preceding twelve-month period. Therefore, stores are included in this measure only when the results for two complete trading years are available. LTM like-for-like revenue growth is the increase in revenues generated by our stores in any given twelve-month period compared to the revenues generated by such stores in the previous twelve-month period presented as a percentage of such previous twelve-month period revenues. LTM like-for-like revenues are impacted by the growth in our business and trading volumes as well as the maturity profile of our store network. The number of new stores that have completed two trading years and are included in the calculation of LTM like-for-like revenues has an impact on the growth rate as these stores generally increase revenues at a faster rate.

(4) The value of our Contract Portfolio refers to the aggregate amount of remaining payments due under our hire purchase agreements on a given date through the term of the relevant contracts in effect on such date, assuming all contracts are paid in full. These payments include, in addition to the expected instalment payments towards the retail price of the product, interest and indirect taxes and payments on the purchase of our previously offered insurance and warranty products, namely, the optional service cover and damage liability cover, purchased by our customers.

Total customers

As of 27 December 2014, we had 281,500 customers, representing an increase of 1.8% compared to 276,400 customers as of 28 December 2013. The rate of customer growth has slowed in the First Three Quarters 2014 compared to the First Three Quarters 2013, resulting from the Group successfully prioritising a reduction in the cost of debt. The quality of the customer base has improved leading to the reduced probability of customer default. The group segments its customers into risk groups and the lowest risk segment has increased from 42% as of 28 December 2013 to 46% as of 27 December 2014 as a proportion of the customer base.

In the First Three Quarters 2014, the number of net customers increased by 10,886 since the beginning of the financial year. 10,424 of these net customer acquisitions were achieved in the Third Quarter as a result of our TV advertising campaign and improved window messaging.

Average number of contracts per customer

Average number of contracts per customer increased to 2.85 as of 27 December 2014 compared to 2.77 as of 28 December 2013. The increase of this metric is primarily due to the focus on retaining proven creditworthy customers with additional agreements.

Number of stores

We opened 8 new stores in the First Three Quarters 2014, compared to 7 new stores in the First Three Quarters 2013. As of 27 December 2014, we had a total of 294 stores, and as of 28 December 2013, we had a total of 287 stores. We closed one store in February 2014. Improvements in our infrastructure, in-store processes and on-line application procedures have enhanced our ability to convert leads in-store. Our strategy to expand the customer base remains to enhance customer service and demand conversion within the existing estate, to improve our E-Commerce capabilities and to launch new stores only where significant opportunities to enhance population coverage exist. Completed online applications for the First Three Quarters 2014 increased by 18.1% compared to the First Three Quarters 2013.

LTM like-for-like revenue

LTM like-for-like revenue for the twelve months ended 27 December 2014 increased by 4.1% compared to an increase of 7.5% for the twelve months ended 28 December 2013.

Contract Portfolio

The value of our Contract Portfolio as of 27 December 2014 was £621.5 million, representing an increase of 5.4% compared to £589.8 million as of 28 December 2013. Higher levels of demand conversion allowed for increased lending and necessitated increased investment in hire purchase asset purchases. As at 27 December 2014 we achieve a cash collection rate of approximately 71% of our Contract Portfolio. Independent forecasts indicate that our cash collection rates are consistent with previous quarters.

Regulation and compliance

BrightHouse operates in a regulated market and has established processes and policies for ensuring its compliance with all applicable legislation and regulation. Regulation for consumer credit passed from the Office of Fair Trading to the Financial Conduct Authority (the "FCA") on 1 April 2014. Initially all firms that wished to continue offering credit were granted interim permission by the FCA. Thereafter, all firms who offer credit are required to apply to become fully authorised. To manage this process, firms are invited to make their application within three month "landing slots" defined by the FCA. The authorisation process itself has no set time limit for completion but may take six to nine months to complete. The landing slot for BrightHouse falls between April 2015 and June 2015. It is intended that our application will be submitted in early April 2015.

Discussion and Analysis of Our Consolidated Results of Operations

Results of operations for the First Three Quarters 2014 compared with the results of operations for the First Three Quarters 2013

The following table sets forth certain information with respect to our consolidated results of operations for the First Three Quarters 2013 and the First Three Quarters 2014, respectively, which have been derived from our unaudited consolidated financial statements included elsewhere herein, as well as the period on period changes (expressed in absolute terms and percentages) for the period under review.

(in thousands of £)	For the Third Quarter 2014	For the Third Quarter 2013	For the First Three Quarters 2014	For the First Three Quarters 2013
	(unaudited)		(unaudited)	
Revenue	**88,950**	**83,704**	**258,306**	**247,374**
Cost of sales	(38,861)	(37,336)	(113,309)	(108,057)
Gross Profit	**50,089**	**46,368**	**144,997**	**139,317**
Operating expenses	(39,250)	(36,380)	(117,740)	(112,868)
Operating profit	**10,839**	**9,988**	**27,257**	**26,449**
Finance income	138	14	203	38
Finance expenses	(5,547)	(5,860)	(16,508)	(17,081)
Profit before taxation	**5,430**	**4,142**	**10,952**	**9,406**
Tax (charge)/	(1,212)	(1,271)	(2,537)	(762)
Profit for the period	**4,218**	**2,871**	**8,415**	**8,644**

Revenue

Our revenue increased by £10.9 million, or 4.4%, to £258.3 million for the First Three Quarters 2014 from £247.4 million for the First Three Quarters 2013. This increase was due to an increase in the average number of contracts per customer and the impact of new stores openings in the First Three Quarters 2014.

Cost of sales

Our cost of sales increased by £5.3 million, or 4.9%, to £113.3 million (43.9% of revenue) for the First Three Quarters 2014 from £108.1 million (43.7% of revenue) for the First Three Quarters 2013. This increase was primarily due to greater spend on the maintenance of rental assets and an increase in the value of assets beyond economic repair.

Cost of debt rose from £23.7 million (9.6% of revenue) to £25.1 million (9.7 % of revenue) driven by a higher level of asset losses in the First Three Quarters 2014. The cost of debt as a % of revenue has decreased from 9.8% in the Second Quarter 2014 to 9.0% in the Third Quarter 2014. Spend on rental asset maintenance increased from £5.7 million for the First Three Quarters 2013 to £7.5 million for the First Three Quarters 2014 due to increased expenditure incurred in reducing the repair queue. Assets written off due to being beyond economic repair increased from £1.8 million for the First Three Quarters 2013 to £3.0 million for the First Three Quarters 2014.

Gross profit and gross profit margin

Our gross profit increased by £5.7 million, or 4.1%, to £145.0 million for the First Three Quarters 2014 from £139.3 million for the First Three Quarters 2013. Our gross profit margin (expressed as a percentage of revenue) decreased to 56.1% for the First Three Quarters 2014 from 56.3% for the First Three Quarters 2013. The decrease in gross profit margin was primarily a result of the factors discussed above within the cost of sales analysis.

Operating expenses

Our operating expenses increased by £4.9 million, or 4.3%, to £117.7 million (45.6% of revenues) for the First Three Quarters 2014 from £112.9 million (45.6% of revenues) for the First Three Quarters 2013. The increase was mainly due to the exceptional costs incurred relating to non-recurring expenditure on strategic projects and increased temporary labour and marketing spend.

Operating profit

Our operating profit increased by £0.8 million, or 3.1%, to £27.3 million for the First Three Quarters 2014 from £26.4 million for the First Three Quarters 2013. This increase was primarily due to the factors described above. Our operating profit margin (expressed as a percentage of revenue) decreased to 10.6% for the First Three Quarters 2014 from 10.7% for the First Three Quarters 2013 due to the factors discussed above within the costs of sales and operating expenses analysis.

Finance expenses (net)

Our net finance expenses decreased by £0.7 million, or 4.3%, to £16.3 million for the First Three Quarters 2014 from £17.0 million for the First Three Quarters 2013. This decrease was due to a reduced drawdown of the senior credit facility attributable to a strong cash flow performance in the First Three Quarters 2014 and an interest credit generated on discounting the VAT receivable due after more than 1 year.

Tax charge

Our tax charge of £0.8 million for the First Three Quarters 2013 increased to £2.5 million for the First Three Quarters 2014. The increase in the tax charge is primarily due to the recognition of previously unrecognised tax losses in the First Three Quarters 2013.

Our effective tax rate for the First Three Quarters 2014 was 23.2% compared to 8.1% for the First Three Quarters 2013.

Profit for the period

Our profit for the period increased by £0.7 million, or 8.0%, to £9.3 million for the First Three Quarters 2014 from £8.6 million for the First Three Quarters 2013 as a result of the factors described above.

Cash Flows

(in thousands of £)	**For the Third Quarter 2014**	**For the Third Quarter 2013**	**For the First Three Quarters 2014**	**For the First Three Quarters 2013**
Cash and cash equivalents at beginning of period	19,342	18,056	16,308	10,873
Net cash flow from operating activities	21,545	5,843	47,093	8,518
Net cash from investing activities	(3,255)	(1,794)	(7,456)	(7,787)
Net cash flow from financing activities	(8,756)	(8,948)	(27,069)	1,553
Net Increase / (decrease) in cash and cash equivalents	9,534	(4,899)	12,568	2,284
Cash and cash equivalents at end of period	**28,876**	**13,157**	**28,876**	**13,157**

Net cash flow from operating activities

First Three Quarters 2014 compared to First Three Quarters 2013

Net cash flow from operating activities increased by £38.6 million to an inflow of £47.1 million for the First Three Quarters 2014 from an inflow of £8.5 million for the First Three Quarters 2013, primarily as a result of the extension of credit terms from suppliers.

Net cash flow from investing activities

First Three Quarters 2014 compared to First Three Quarters 2013

Net cash used in investing activities decreased by £0.3m to an outflow of £7.5 million for the First Three Quarters 2014 compared to an outflow of £7.8 million for the First Three Quarters 2013. This has been analysed in the Capital Expenditures section.

Net cash flow from financing activities

First Three Quarters 2014 compared to First Three Quarters 2013

Net cash used in financing activities decreased to an outflow of £27.1 million for the First Three Quarters 2014 from an inflow of £1.6 million for the First Three Quarters 2013. This decrease was primarily attributable to a £9.5 million repayment of the senior credit facility and an additional interest payment of £8.7 million on the senior secured notes in the First Three Quarters 2014, as well as the net impact of the May 2013 refinancing.

Restricted cash

We are required by regulation to maintain cash reserves at our Insurance Subsidiaries relating to our insurance operations. In addition, we hold cash received as a result of voluntary overpayments by customers (generally for the purpose of application towards future payments) in segregated accounts. As of 27 December 2014 our total restricted cash was £4.5 million compared to £7.0 million as of 28 December 2013. The decrease was predominantly attributable to lower restricted cash in the entities who supply insurance related services.

Capital Expenditures

Our capital expenditures (excluding purchase of hire purchase assets) comprise of new store fit-out expenditures, investments in our information technology systems and capital expenditure relating to refurbishment of existing stores and service centres. The following table sets out our capital expenditures for the First Three Quarters 2013 and the First Three Quarters 2014:

(in millions of £)	**For the Third Quarter 2014**	**For the Third Quarter 2013**	**For the First Three Quarters 2014**	**For the First Three Quarters 2013**
Capital expenditure on new stores[(1)]	1.2	0.2	1.9	1.2
Capital expenditure on information technology hardware	0.1	0.3	0.1	0.7
Capital expenditure on software development[(2)]	1.8	1.3	4.2	4.4
Others[(3)]	0.2	–	1.3	1.5
Total capital expenditure	**3.3**	**1.8**	**7.5**	**7.8**

(1) Includes expenditure relating to fittings, equipment and display stock.

(2) Includes expenditure relating to the development of infrastructure designed to permit changes to our pricing structure, including the ability to implement a variable APR.

(3) Primarily includes capital expenditure relating to our stores and service centres, including refurbishment, new signage and similar improvements.

Total capital expenditure of £7.5 million in the First Three Quarters 2014 decreased with the corresponding result for the First Three Quarters 2013. We opened 8 new stores in the First Three Quarters 2014, compared to 7 new stores in the First Three Quarters 2013.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet financing arrangements other than operating leases for stores, vehicles and office equipment. As of 27 December 2014, the value of our Contract Portfolio, which is unrecognized and maintained off-balance sheet until instalment payments are due, was £621.5 million. This was supported by hire purchase assets, recognized on our balance sheet, underpinning our Contract Portfolio, having a net book value of £162.7 million as of 27 December 2014.

Group income statement

for the thirteen weeks ended 29 June 2013, 28 September 2013, 28 December 2013 and 31 March 2014

	13 weeks ended 29 June 2013 (unaudited) £000	*13 weeks ended 28 September 2013 (unaudited) £000*	*13 weeks ended 28 December 2013 (unaudited) £000*	*13 weeks ended 31 March 2014 (unaudited) £000*	*Year ended 31 March 2014 (audited) £000*
Revenue	80,900	82,770	83,704	85,926	333,300
Cost of Sales	(33,941)	(36,780)	(37,336)	(39,430)	(147,487)
Gross profit	46,959	45,990	46,368	46,496	185,813
Operating expenses	(39,215)	(37,273)	(36,380)	(33,337)	(146,205)
Operating profit	7,744	8,717	9,988	13,159	39,608
Other finance income	10	14	14	13	51
Other finance expenses	(5,362)	(5,859)	(5,860)	(5,703)	(22,784)
Profit before taxation	2,392	2,872	4,142	7,469	16,875
Tax (charge)/credit	1,638	(1,129)	(1,271)	846	84
Profit for the period	4,030	1,743	2,871	8,315	16,959

Group statement of financial position

as of 29 June 2013, 28 September 2013, 28 December 2013 and 31 March 2014

	29 June 2013 (unaudited) £000	*28 September 2013 (unaudited) £000*	*28 December 2013 (unaudited) £000*	*31 March 2014 (audited) £000*
Non-current assets				
Property, plant and equipment	159,229	159,868	171,062	161,690
Intangible assets	83,096	83,629	83,691	84,073
Trade and other receivables	17,568	18,564	22,783	21,739
Deferred tax assets	12,333	11,359	10,094	10,568
	272,226	273,420	287,630	278,070
Current assets				
Inventories	15,109	19,277	12,365	9,522
Trade and other receivables	39,475	39,690	47,518	46,569
Current tax receivable	2,454	–	–	–
Cash and cash equivalents	21,261	18,056	13,157	16,308
Financial assets	105	–	–	–
	78,404	77,023	73,040	72,399
Total assets	350,630	350,443	360,670	350,469
Current liabilities				
Trade and other payables	62,820	62,850	68,565	51,455
Financial liabilities	–	92	124	58
Current tax payable	–	317	572	484
	62,820	63,259	69,261	51,997
Non-current liabilities				
Financial liabilities	253,179	250,795	252,249	250,909
	253,179	250,795	252,249	250,909
Total liabilities	315,999	314,054	321,510	302,906
Net assets	34,631	36,389	39,160	47,563
Equity attributable to equity holders of the parent				
Share capital	50	50	50	50
Share premium	552	552	552	552
Capital redemption reserve	57	57	57	57
Own shares reserve	(286)	(271)	(371)	(283)
Retained reserves	34,258	36,001	38,872	47,187
	34,631	36,389	39,160	47,563

Group statement of cash flows

for the thirteen weeks ended 29 June 2013, 28 September 2013, 28 December 2013 and 31 March 2014

	13 weeks ended 29 June 2013 (unaudited) £000	*13 weeks ended 28 September 2013 (unaudited) £000*	*13 weeks ended 28 December 2013 (unaudited) £000*	*13 weeks ended 31 March 2014 (unaudited) £000*	*Year ended 31 March 2014 (audited) £000*
Operating cash inflow before changes in working capital	4,818	10,254	540	25,710	41,322
Changes in working capital	(2,567)	(8,680)	5,054	(18,704)	(24,897)
Cash generated from operations	2,251	1,574	5,594	7,006	16,425
Tax (paid)/received	(3,765)	2,615	249	285	(616)
Net cash flow from operating activities	(1,514)	4,189	5,843	7,291	15,809
Net cash from investing activities	(3,299)	(2,694)	(1,794)	(1,499)	(9,286)
Net cash flow from financing activities	15,201	(4,700)	(8,948)	(2,641)	(1,088)
Net increase/(decrease) in cash and cash equivalents	10,388	(3,205)	(4,899)	3,151	5,435
Cash and cash equivalents at the beginning of the period	10,873	21,261	18,056	13,157	10,873
Cash and cash equivalents at the end of the period	21,261	18,056	13,157	16,308	16,308

Key Contacts and Calendar

Key Contacts

David Harwood – Company Secretary

Email: investor.relations@brighthouse.co.uk

Website: http://www.brighthousegroup.co.uk/

Telephone: +44 (0) 1923 488222

Finance Calendar

Details of future results releases will be made available on our website.