Registered No. 06250176

BrightHouse Group plc

Quarterly Report

as of and for the thirty-nine weeks ended 31 December 2016

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Operational Highlights for the First Three Quarters 2016

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 31 December 2016.

Key Highlights

- Generated EBITDA of £11.8 million for the First Three Quarters 2016;
- Generated pre-financing cash flows of £57.4 million for the First Three Quarters 2016 compared to £25.3 million for the First Three Quarters 2015;
- Our Contract Portfolio is valued at £438.1 million as of 31 December 2016 compared to £601.6 million as of 28 December 2015;
- As of 31 December 2016, we had 242,400 customers, representing a decrease of 13.7% compared to 280,800 customers as of 28 December 2015;
- Online applications for the First Three Quarters 2016 increased by 1.6% compared to the First Three Quarters 2015;
- Successful launch of initiatives to simplify the sign-up process; and
- Continued progress in relation to our FCA authorisation application

Hamish Paton, Chief Executive Officer, said:

"The Group's trading and financial results continue to be adversely affected by the embedment of new affordability processes which are impacting the sign-up process for customers. However our investment in key strategic initiatives, together with the continued pursuit of operational excellence, provide significant opportunity for long-term growth. FCA authorisation remains our number one priority, with the decision process approaching conclusion."

The following table reconciles EBITDA to (loss)/profit for the period for the Third Quarter 2015 and the Third Quarter 2016, as well as the First Three Quarters 2015 and the First Three Quarters 2016.

(in thousands of £)	**For the Third Quarter 2016**	**For the Third Quarter 2015**	**For the First Three Quarters 2016**	**For the First Three Quarters 2015**
(Loss) / Profit before tax	(7,090)	5,623	(16,107)	13,808
Financial income and expenses	5,395	5,592	16,653	16,607
Depreciation of fixtures and equipment and amortisation of software	3,165	3,089	9,657	9,391
Exceptional items	196	–	1,631	–
EBITDA	1,666	14,304	11,834	39,806

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 "Presentation of Financial and Other Data—Presentation of non-IFRS operating measures".

"EBT" refers to the Employee Benefit Trust.

"First Three Quarters 2015" refers to the thirty-nine weeks ended 28 December 2015.

"First Three Quarters 2016" refers to the thirty-nine weeks ended 31 December 2016.

"First Three Quarters Report" refers to this report as of and for the thirty-nine weeks ended 31 December 2016.

"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 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.

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

"Third Quarter 2015" refers to the thirteen weeks ended 28 December 2015.

"Third Quarter 2016" refers to the thirteen weeks ended 31 December 2016.

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

"the period" and "this period" refer to the Third Quarter 2016 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 31 December 2016 as "First Three Quarters 2016", and the thirty-nine weeks ended 28 December 2015 as "First Three Quarters 2015." We refer to our fiscal year started 1 April 2016 ending 31 March 2017 as "Fiscal 2017."

Consolidated financial statements

The consolidated financial statements of the Company and its subsidiaries for the thirty-nine weeks ended 31 December 2016 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), amortisation 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, payments from the purchase of optional product insurance cover taken by customers since 27 April 2015. These payments also include our previously offered warranty and insurance options, namely, optional service cover and damage liability cover purchased by 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.

Consolidated Financial Statements

Group income statement

for the thirteen weeks and thirty-nine weeks ended 31 December 2016

	Notes	*13 weeks ended 31 December 2016 (unaudited) £000*	*13 weeks ended 28 December 2015 (unaudited) £000*	*39 weeks ended 31 December 2016 (unaudited) £000*	*39 weeks ended 28 December 2015 (unaudited) £000*
Revenue	3	76,173	93,529	248,702	275,638
Cost of sales		(36,488)	(43,139)	(122,087)	(127,167)
Gross profit		39,685	50,390	126,615	148,471
Operating expenses		(41,380)	(39,175)	(126,069)	(118,056)
Operating (loss) / profit		(1,695)	11,215	546	30,415
Analysed by:					
Depreciation of fixtures and equipment and amortisation of intangible assets		3,165	3,089	9,657	9,391
Exceptional items	2	196	–	1,631	–
Earnings before interest, tax, depreciation amortisation and exceptional items		1,666	14,304	11,834	39,806
Other finance income	4	19	23	134	38
Other finance expenses	4	(5,414)	(5,615)	(16,787)	(16,645)
(Loss) / Profit before taxation		(7,090)	5,623	(16,107)	13,808
Tax credit / (charge)	5	1,735	(1,226)	2,309	(3,036)
(Loss) / Profit for the period		(5,355)	4,397	(13,798)	10,772

The results shown above all relate to continuing activities.

Group statement of comprehensive income

for the thirteen weeks and thirty-nine weeks ended 31 December 2016

	13 weeks ended 31 December 2016 (unaudited) £000	*13 weeks ended 28 December 2015 (unaudited) £000*	*39 weeks ended 31 December 2016 (unaudited) £000*	*39 weeks ended 28 December 2015 (unaudited) £000*
(Loss) / Profit for the period	(5,355)	4,397	(13,798)	10,772
Other comprehensive income for the period net of tax	–	–	–	–
Total comprehensive income for the period net of tax	(5,355)	4,397	(13,798)	10,772

Group statement of financial position

as of 31 December 2016

	Notes	*31 December 2016 (unaudited) £000*	*28 December 2015 (unaudited) £000*
Non-current assets			
Property, plant and equipment	6	129,038	175,178
Intangible assets	7	91,609	85,385
Trade and other receivables	10	13,933	21,691
Deferred tax assets	8	8,018	6,862
		242,598	289,116
Current assets			
Inventories	9	16,261	22,257
Trade and other receivables	10	42,009	56,800
Cash and cash equivalents	11	81,273	27,712
		139,543	106,769
Total assets		382,141	395,885
Current liabilities			
Trade and other payables	12	59,297	70,154
Other provisions	14	3,845	–
Current tax payable		2,123	2,399
		65,265	72,553
Non-current liabilities			
Financial liabilities	13	254,219	249,938
		254,219	249,938
Total liabilities		319,484	322,491
Net assets		62,657	73,394
Equity attributable to equity holders of the parent			
Share capital	15	50	50
Share premium		552	552
Capital redemption reserve		57	57
Own shares reserve		(296)	(304)
Retained earnings		62,294	73,039
Total equity		62,657	73,394

Group statement of changes in equity

as of and for the thirty-nine weeks ended 31 December 2016

	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 2015	50	552	(296)	62,267	57	62,630
Profit for the period	–	–	–	10,772	–	10,772
Issue of shares to employees (net)	–	–	(8)	–	–	(8)
As of 28 December 2015	50	552	(304)	73,039	57	73,394
As of 1 April 2016	50	552	(296)	76,092	57	76,455
Loss for the period	–	–	–	(13,798)	–	(13,798)
As of 31 December 2016	50	552	(296)	62,294	57	62,657

Group statement of cash flows

for the thirteen weeks and thirty-nine weeks ended 31 December 2016

	Notes	*13 weeks ended 31 December 2016 (unaudited) £000*	*13 weeks ended 28 December 2015 (unaudited) £000*	*39 weeks ended 31 December 2016 (unaudited) £000*	*39 weeks ended 28 December 2015 (unaudited) £000*
Cash flows from operating activities					
(Loss) / Profit for the period		(5,355)	4,397	(13,798)	10,772
Adjustments for:					
Sales proceeds from sales of rental assets		584	707	1,861	2,233
Depreciation		24,484	26,921	83,704	84,305
Amortisation of intangible assets		1,822	1,581	5,308	4,438
Financial income		(19)	(23)	(134)	(38)
Financial expense		5,414	5,615	16,787	16,645
Profit on rental assets sold to customers		(484)	(483)	(662)	(762)
Rental assets written off as obsolete or not recoverable from defaulting customers		5,963	7,964	18,850	20,808
Purchase of rental assets		(29,609)	(44,162)	(69,677)	(106,861)
Taxation		(1,735)	1,226	(2,309)	3,036
Operating cash inflow before changes in working capital		1,065	3,743	39,930	34,576
Decrease / (increase) in trade and other receivables		2,286	(3,103)	11,331	(4,295)
Decrease / (increase) in inventories		2,530	(4,793)	2,822	(7,893)
Increase in trade and other payables		10,819	15,463	12,255	14,822
(Decrease) / increase in provisions		(33)	–	745	–
Cash generated from operations		16,667	11,310	67,083	37,210
Tax reclaimed / (paid)		1,274	(394)	457	(475)
Net cash flow from operating activities		17,941	10,916	67,540	36,735
Cash flows from investing activities					
Interest received		19	23	62	38
Purchase of property, plant and equipment		(759)	(2,097)	(2,045)	(6,997)
Payments to acquire intangible assets		(2,552)	(849)	(8,151)	(4,514)
Net cash from investing activities		(3,292)	(2,923)	(10,134)	(11,473)
Cash flows from financing activities					
Interest paid		(8,663)	(8,755)	(17,502)	(17,601)
Proceeds from sale of shares by EBT		–	–	–	(8)
Net cash flow from financing activities		(8,663)	(8,755)	(17,502)	(17,609)
Net increase in cash and cash equivalents		5,986	(762)	39,904	7,653
Cash and cash equivalents at the beginning of the period		75,287	28,474	41,369	20,059
Cash and cash equivalents at the end of the period	11	81,273	27,712	81,273	27,712

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 31 December 2016

1. Accounting policies and basis of preparation

This Quarterly report contains condensed consolidated financial information of BrightHouse Group plc for the thirteen weeks ended 31 December 2016 and the thirty-nine weeks ended 31 December 2016. 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 2016. This financial information should be read in conjunction with the consolidated financial statements of BrightHouse Group plc for the year ended 31 March 2016.

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.

2. Exceptional items

Recognised as part of operating profit

	13 weeks ended 31 December 2016 (unaudited) £000	*13 weeks ended 28 December 2015 (unaudited) £000*	*39 weeks ended 31 December 2016 (unaudited) £000*	*39 weeks ended 28 December 2015 (unaudited) £000*
Affordability action plan	266	–	1,501	–
Restructuring	(70)	–	130	–
	196	–	1,631	–

Further details on the affordability action plan and the restructuring provision are provided in note 14 of the Quarterly report.

3. Revenue

Revenue comprises revenue from the provision of home electronic and domestic appliances, technology products, household furniture and other related products to domestic customers through hire purchase agreements and related service insurance and warranty 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. The Group accounts for its revenue on an accruals basis for all domestic hire-purchase and service insurance and warranty 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. 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 leases 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 31 December 2016

4. Finance income and expense

Recognised in the income statement

	13 weeks ended 31 December 2016 (unaudited) £000	*13 weeks ended 28 December 2015 (unaudited) £000*	*39 weeks ended 31 December 2016 (unaudited) £000*	*39 weeks ended 28 December 2015 (unaudited) £000*
Interest income	19	23	62	38
Unwinding of discount re: trade receivables due after more than 1 year	–	–	72	–
Finance income	19	23	134	38

	13 weeks ended 31 December 2016 (unaudited) £000	*13 weeks ended 28 December 2015 (unaudited) £000*	*39 weeks ended 31 December 2016 (unaudited) £000*	*39 weeks ended 28 December 2015 (unaudited) £000*
Interest expense	5,382	5,535	16,787	16,566
Unwinding of discount re: trade receivables due after more than 1 year	32	80	–	79
Finance expenses	5,414	5,615	16,787	16,645

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 31 December 2016

5. Taxation

Tax on ordinary activities

Recognised in the income statement

	13 weeks ended 31 December 2016 (unaudited) £000	*13 weeks ended 28 December 2015 (unaudited) £000*	*39 weeks ended 31 December 2016 (unaudited) £000*	*39 weeks ended 28 December 2015 (unaudited) £000*
Current tax:				
Corporation tax charge UK	–	1,028	–	2,011
Corporation tax (credit) / charge overseas	(172)	2	58	65
Total current income tax	(172)	1,030	58	2,076
Deferred tax:				
Deferred tax (credit) / charge	(1,563)	196	(2,367)	960
Total deferred tax (credit) / charge	(1,563)	196	(2,367)	960
Total taxation in income statement	(1,735)	1,226	(2,309)	3,036

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 31 December 2016

6. Property, plant and equipment

	Rental assets (unaudited) £000	*Fixtures, equipment and vehicles (unaudited) £000*	*Total (unaudited) £000*
Cost:			
As of 1 April 2015	200,380	56,242	256,622
Additions	106,861	6,998	113,859
Disposals	(111,560)	–	(111,560)
As of 28 December 2015	195,681	63,240	258,921
As of 1 April 2016	180,795	63,066	243,861
Additions	69,677	2,045	71,722
Disposals	(117,961)	–	(117,961)
As of 31 December 2016	132,511	65,111	197,622
Depreciation:			
As of 1 April 2015	47,664	41,055	88,719
Depreciation charge for the period	79,352	4,953	84,305
Disposals	(89,281)	–	(89,281)
As of 28 December 2015	37,735	46,008	83,743
As of 1 April 2016	35,166	47,627	82,793
Depreciation charge for the period	79,355	4,349	83,704
Disposals	(97,913)	–	(97,913)
As of 31 December 2016	16,608	51,976	68,584
Net book value:			
As of 31 December 2016	115,903	13,135	129,038
As of 1 April 2016	145,629	15,439	161,068
As of 28 December 2015	157,946	17,232	175,178
As of 1 April 2015	152,716	15,187	167,903

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 31 December 2016

7. Intangible assets

	Software (unaudited) £000	*Goodwill (unaudited) £000*	*Total (unaudited) £000*
Cost:			
As of 1 April 2015	48,826	74,978	123,804
Additions	4,514	–	4,514
As of 28 December 2015	53,340	74,978	128,318
As of 1 April 2016	58,612	74,978	133,590
Additions	8,151	–	8,151
As of 31 December 2016	66,763	74,978	141,741
Amortisation:			
As of 1 April 2015	38,495	–	38,495
Amortisation charge for the period	4,438	–	4,438
As of 28 December 2015	42,933	–	42,933
As of 1 April 2016	44,824	–	44,824
Amortisation charge for the period	5,308	–	5,308
As of 31 December 2016	50,132	–	50,132
Net book value:			
As of 31 December 2016	16,631	74,978	91,609
As of 1 April 2016	13,788	74,978	88,766
As of 28 December 2015	10,407	74,978	85,385
As of 1 April 2015	10,331	74,978	85,309

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 Management.

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 31 December 2016

8. Deferred tax assets

	31 December 2016 (unaudited) £000	*28 December 2015 (unaudited) £000*
Assets:		
Tax losses recognised	2,366	774
Other property, plant and equipment	5,474	5,777
Capital contributions on lease incentives	178	311
Total tax assets	8,018	6,862

As of 31 December 2016, there is an unrecognised deferred tax asset within the Group of £47,000 (2015 - £nil).

9. Inventories

	31 December 2016 (unaudited) £000	*28 December 2015 (unaudited) £000*
Goods held for resale at cost	16,261	22,257

During the period assets acquired for resale amounting to £69,677,000 (2015 – £106,861,000) 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

	31 December 2016 (unaudited) £000	*28 December 2015 (unaudited) £000*
Current:		
Trade receivables	1,830	4,518
Other trade receivables and prepayments	15,841	19,857
Other non-trade receivables	995	680
VAT incurred in advance of recovery from customers	23,343	31,745
	42,009	56,800

	31 December 2016 (unaudited) £000	*28 December 2015 (unaudited) £000*
Non-current:		
VAT incurred in advance of recovery from customers	13,092	19,603
Other trade receivables and prepayments	841	1,535
Other non-trade receivables	–	553
	13,933	21,691

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 31 December 2016

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 £13,092,000 (2015 – £19,603,000) 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 were found to be impaired and a bad debt provision of £1,322,000 (2015 – £1,914,000) has been recorded accordingly.

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

	31 December 2016 (unaudited) £000	*28 December 2015 (unaudited) £000*
1-7 days	124	115
8-14 days	135	182
15-45 days	370	430
46-90 days	9	11
	638	738

Movements in bad debt provision

	31 December 2016 (unaudited) £000	*28 December 2015 (unaudited) £000*
At beginning of period	1,437	1,387
Amounts written off as uncollectable	(12,626)	(13,099)
Increase in bad debt provision	12,511	13,626
At end of period	1,322	1,914

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

11. Cash and cash equivalents

	31 December 2016 (unaudited) £000	*28 December 2015 (unaudited) £000*
Cash and cash equivalents per balance sheet and cash flow statement	81,273	27,712

Cash and cash equivalents comprise cash at bank and in hand. Included within cash and cash equivalents is restricted cash of £5,513,000 (2015 – £7,895,000). This includes restricted cash of £4,826,000 (2015 – £7,166,000) 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 £687,000 (2015 – £729,000) 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 31 December 2016

12. Trade and other payables

	31 December 2016 (unaudited) £000	*28 December 2015 (unaudited) £000*
Trade payables	24,968	39,051
Other taxes and social security	2,669	483
Other non-trade payables	398	454
Accrued expenses	29,013	28,020
Accrued interest	2,249	2,146
	59,297	70,154

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

	31 December 2016 (unaudited) £000	*28 December 2015 (unaudited) £000*
Non-current liabilities:		
Unsecured 10% loan stock issued to related parties	36,369	33,676
Senior secured notes	217,850	216,262
	254,219	249,938

In August 2016, the Group took the decision to cancel the senior credit facility with Lloyds Bank Plc and Sumitomo Mitsui Banking Corporation Europe Limited in advance of the planned repayment date.

As of 28 December 2015, the senior credit facility included a drawdown of £nil, with the carrying value of fees incurred on the debt facility equalling £553,000.

The senior secured notes include an issue of £220 million (2015 – £220 million) less fees incurred on the debt facility of £2,150,000 (2015 - £3,738,000). 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 secured notes. The amount above includes £9,729,000 (2015 – £7,036,000) of accrued interest. The terms of the unsecured loan stock are such that the maturity date cannot be prior to the maturity date of the senior secured notes.

In 2013/14 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.

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 31 December 2016

14. Other provisions

	Affordability Action Plan (unaudited) £000	*Restructuring (unaudited) £000*	*Total (unaudited) £000*
As of 1 April 2015 and 28 December 2015	–	–	–
As of 1 April 2016	3,100	–	3,100
Charged to the income statement	919	200	1,119
Released during the period	–	(70)	(70)
Utilised during the period	(241)	(63)	(304)
As of 31 December 2016	3,778	67	3,845

In the latter part of 2015/16, we developed an affordability action plan in relation to customer acceptance policies ahead of FCA authorisation. The estimated costs of implementing this plan were recorded as an exceptional item of £3,100,000 in the annual financial statements of BrightHouse Group plc for the year ended 31 March 2016.

The estimated costs of this plan have increased by £1,501,000 in the First Three Quarters 2016, of which £919,000 is provided for, £74,000 accrued for and £508,000 has been paid. The total of these amounts has been recorded as an exceptional item.

The full cost of the plan is dependent on a number of future events. Further details are not disclosed due to the ongoing nature of the discussions with the FCA. The Group expects the majority of costs to be incurred during 2017.

Additionally, in the Second Quarter 2016, the decision was taken to close the Warrington Local Distribution Centre and restructure the operations of the Manchester Local Distribution Centre. Consequently a restructuring provision of £176,000 has been recorded as an exceptional item, £70,000 of which has been released and £39,000 utilised in the Third Quarter 2016. The Warrington Local Distribution Centre is due to close in the fourth quarter of FY16/17.

There was also non-recurring expenditure of £24,000 relating to the closure of overseas insurance operations in the Isle of Man and Guernsey. This amount was paid in the Second Quarter 2016. All overseas insurance operations are consolidated in Malta from 1 April 2016.

15. Share capital

	31 December 2016 (unaudited)		*28 December 2015 (unaudited)*	
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
A Ordinary shares of £0.001 each	4,340,000	4	4,340,000	4
Ordinary shares of £0.001 each	152,500	–	152,500	–
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

Notes to Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 31 December 2016

15. Share capital (continued)

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.

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 lost voting rights. C Preferred shares are controlled by both VCP VI B and management and have no voting rights. The H Shares have 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.

On 25 July 2014 10,000 A Ordinary Shares were converted into 10,000 Ordinary Shares.

16. Post balance sheet events

On 31 January 2017 the Group announced plans to close 28 of its 311 stores across the UK, as part of a business-wide cost reduction programme, aligned to a new business strategy. Stores were selected based on their commercial performance with details of property leases and the ability to transfer customers to nearby stores also taken into account.

The Group is consulting, at this stage, with our colleagues in the impacted 28 stores. If the closures go ahead following the consultation period, the stores will close through the month of March. Customers of the 28 stores will be kept informed and automatically transferred to another local BrightHouse store.

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 31 December 2016 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 attractive to low income and credit impaired consumers who have limited access to traditional financing alternatives. We conduct our operations from our 311 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 low income customers.

We continue to evolve our proposition to ensure that it meets the needs of our customers. With effect from 27 April 2015, we offered our product insurance as a separate optional cover. This was received positively by customers. In February 2017 the Group also intends to separate out the warranty cover, providing additional choice and flexibility to its customers. The retail price of the product now comprises a package of benefits incorporating delivery and installation. The warranty cover provides for unlimited repair and maintenance of the product over the life of the agreement and a short term replacement product if the product needs to be repaired outside the home. The product must be insured and our optional product insurance cover is offered alongside the hire purchase agreement. This provides cover for loss through accidental damage, fire and theft. Optional product insurance cover can be cancelled by the customer at any time and the warranty cover will be implemented on a similar basis. The Group accounts for its revenue on an accruals basis for all domestic hire-purchase and service insurance and warranty 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.

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 and affordability 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. Since 27 April 2015, the representative APR offered in our hire purchase agreements is 69.9%. The actual rate offered to individual customers is currently in the range 69.9% – 99.9% based upon the customer's individual credit score, the product taken and the length of the agreement. Included within the credit agreement, we provide 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 are able to 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.

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 31 December 2016	**As of and for the thirty-nine weeks ended 28 December 2015**
Summary Statistical and Operating Data		
Customer Data		
Total customers[(1)]	242,400	280,800
Average number of contracts per customer[(2)]	2.67	2.84
Average revenue per customer per month[(3)]	£115.77	£121.99
Stores		
Number of stores	311	307
LTM like-for-like revenue growth[(4)]	(7.5%)	4.3%
Contract Portfolio (in millions of £)[(5)]	438.1	601.6

(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) Average revenue per customer per month is calculated by dividing the closing dues base at the period end by the closing customer base at the period end.

(4) 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/decrease 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.

(5) 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, payments from the purchase of optional product insurance cover taken up by customers since 27 April 2015. These payments also include our previously offered warranty and insurance options, namely, optional service cover and damage liability cover purchased by customers.

Total customers

Revenue is driven by the number of customers and their average spend with BrightHouse. Customer numbers have decreased by 13.7%, from 280,800 as at 28 December 2015 to 242,400 as at 31 December 2016. Customer additions have been impacted by the more demanding regulatory environment and changes made to the application process. Stricter affordability processes and tightened credit criteria have impacted significantly on the Group's acceptance and successful conversion of applications.

Average number of contracts per customer

Average number of contracts per customer decreased to 2.67 as of 31 December 2016 compared to 2.84 as of 28 December 2015. The decrease of this metric is primarily due to extended sign-up policies, adversely impacting application volumes and acceptance and conversion rates as existing customers adapt to the new requirements.

Number of stores

As at 31 December 2016, we had a total of 311 stores compared to 307 as at 28 December 2015. There were no new store openings and one store merger in the First Three Quarters 2016; we opened 9 new stores in the First Three Quarters 2015. Our strategy to expand the customer base is to grow like-for-like revenues through further simplification of the sign-up process, increased customer penetration and retention and to develop multi-channel capabilities.

On 31 January 2017 the Group announced plans to close 28 of its 311 stores across the UK, as part of a business-wide cost reduction programme, aligned to a new business strategy. The Group is consulting, at this stage, with our colleagues in the impacted 28 stores. If the closures go ahead following the consultation period, the stores will close through the month of March.

The E-commerce programme has continued the development of a clicks and mortar strategy. Our commercial website enables potential customers to peruse the features and benefits of different products before completing a full credit check online. We have successfully re-platformed our commercial website in the First Three Quarters 2016, in preparation of the launch of our fully transactional website in 2017. Online applications for the First Three Quarters 2016 increased by 1.6% compared to the First Three Quarters 2015.

LTM like-for-like revenue

LTM like-for-like revenue for the twelve months ended 31 December 2016 decreased by 7.5% compared to an increase of 4.3% for the twelve months ended 28 December 2015.

Contract Portfolio

The value of our Contract Portfolio as of 31 December 2016 was £438.1 million, compared to £601.6 million as of 28 December 2015. This decrease is due to the introduction of new affordability processes and lending criteria reducing sign-up volumes, as described above.

As calculated by an independent analytics firm, the Group has historically achieved a cash collection rate of circa. 70% of the Contract Portfolio. The latest estimate of cash recovery predicts a cash collection rate of 75.3% of the December 2016 Contract Portfolio. Our lowest customer risk segment, as a proportion of the customer base, has increased from 53.2% as of 28 December 2015 to 59.7% as of 31 December 2016. This is as a result of tightened lending criteria and a lower weighting of new customers in the portfolio.

Regulation and compliance

BrightHouse has always been a regulated business. On 1 April 2014, regulation for consumer credit passed from the Office of Fair Trading (OFT) to the Financial Conduct Authority (FCA).

Initially, all firms that wished to continue offering credit were granted interim permission by the FCA. Thereafter, all firms were required to apply for full authorisation, within an allocated three month window. BrightHouse submitted its application in May 2015. We are able to trade under our interim permission during the authorisation process.

Earlier in the year, we appointed an independent Skilled Person, reporting to the FCA, to assess and evaluate our plans to embed improved affordability and collection processes. The scope of the Skilled Person review also includes reporting to the FCA on the implementation of the revised processes. To aid with this, the Group has made a significant investment in its Quality Assurance Monitoring resource, resulting in strong adherence to revised processes.

The final stage is to measure and test whether changes have been fully implemented and embedded across the estate; this phase occurred in January 2017. The FCA authorisation decision process is approaching its concluding phase.

Discussion and Analysis of Our Consolidated Results of Operations

Results of operations for the First Three Quarters 2016 compared with the results of operations for the First Three Quarters 2015

The following table sets forth certain information with respect to our consolidated results of operations for the First Three Quarters 2016 and the First Three Quarters 2015, respectively, which have been derived from our unaudited consolidated financial statements included elsewhere herein.

(in thousands of £, except percentages)	For the Third Quarter 2016	For the Third Quarter 2015	For the First Three Quarters 2016	For the First Three Quarters 2015
	(unaudited)		(unaudited)	
Revenue	**76,173**	**93,529**	**248,702**	**275,638**
Cost of sales	(36,488)	(43,139)	(122,087)	(127,167)
Gross Profit	**39,685**	**50,390**	**126,615**	**148,471**
Operating expenses	(41,380)	(39,175)	(126,069)	(118,056)
Operating (loss) / profit	**(1,695)**	**11,215**	**546**	**30,415**
Finance income	19	23	134	38
Finance expense	(5,414)	(5,615)	(16,787)	(16,645)
(Loss) / Profit before taxation	**(7,090)**	**5,623**	**(16,107)**	**13,808**
Tax credit / (charge)	1,735	(1,226)	2,309	(3,036)
(Loss) / Profit for the period	**(5,355)**	**4,397**	**(13,798)**	**10,772**

Revenue

Our revenue decreased by £26.9 million, or 9.8%, to £248.7 million for the First Three Quarters 2016 from £275.6 million for the First Three Quarters 2015. This decrease was primarily due to the impact of stricter affordability processes and tightened credit criteria, which have impacted significantly on the acceptance and successful conversion of customer applications. The decision to temporarily suspend the charging of late fees has also had an adverse impact on revenue in the First Three Quarters 2016.

Cost of sales

Our cost of sales decreased by £5.1 million, or 4.0%, to £122.1 million (49.0% of revenue) for the First Three Quarters 2016 from £127.2 million (46.1% of revenue) for the First Three Quarters 2015. This decrease was due to a lower cost of debt, in absolute terms, and reduced expenditure on rental asset maintenance.

Gross profit and gross profit margin

Our gross profit decreased by £21.9 million, or 14.7%, to £126.6 million for the First Three Quarters 2016 from £148.5 million for the First Three Quarters 2015. Our gross profit margin (expressed as a percentage of revenue) decreased to 50.9% for the First Three Quarters 2016 from 53.9% for the First Three Quarters 2015. The decrease in gross profit margin was primarily a result of the factors discussed above within the revenue and cost of sales analysis. The decision to temporarily suspend the charging of late fees has also had a detrimental impact on gross margin.

Operating expenses

Our operating expenses increased by £8.0 million, or 6.8%, to £126.1 million (50.7% of revenue) for the First Three Quarters 2016 from £118.1 million (42.8% of revenue) for the First Three Quarters 2015. The increase was mainly due to an increase in costs resulting from additional compliance processes, a larger store base and exceptional costs incurred in the First Three Quarters 2016.

Operating profit

Our operating profit decreased by £29.9 million, or 98.2%, to £0.5 million for the First Three Quarters 2016, from £30.4 million for the First Three Quarters 2015. This was primarily due to the factors described above.

Finance expense (net)

Our net finance expenses of £16.7 million for the First Three Quarters 2016 remained consistent with the expense for the First Three Quarters 2015.

Tax charge

We have reported a tax credit of £2.3 million for the First Three Quarters 2016 compared to a tax charge of £3.0 million for the First Three Quarters 2015. The tax credit recognised in the First Three Quarters 2016 was driven by the loss reported in the period. Our effective tax rate for the First Three Quarters 2016 was (14.3%) compared to 22.0% for the First Three Quarters 2015.

Loss for the period

We reported a loss for the First Three Quarters 2016 of £13.8 million, compared to a profit of £10.8 million for the First Three Quarters 2015 as a result of the factors described above.

Cash Flows

(in thousands of £)	For the Third Quarter 2016	For the Third Quarter 2015	For the First Three Quarters 2016	For the First Three Quarters 2015
Cash and cash equivalents at beginning of period	75,287	28,474	41,369	20,059
Net cash flow from operating activities	17,941	10,916	67,540	36,735
Net cash from investing activities	(3,292)	(2,923)	(10,134)	(11,473)
Net cash flow from financing activities	(8,663)	(8,755)	(17,502)	(17,609)
Net increase in cash and cash equivalents	5,986	(762)	39,904	7,653
Cash and cash equivalents at end of period	**81,273**	**27,712**	**81,273**	**27,712**

Net cash flow from operating activities

Net cash flow from operating activities increased to an inflow of £67.5 million for the First Three Quarters 2016 from an inflow of £36.7 million for the First Three Quarters 2015, primarily as a result of reduced purchases of hire purchase assets.

Net cash flow from investing activities

Net cash used in investing activities decreased from an outflow of £11.5 million for the First Three Quarters 2015 to an outflow of £10.1 million for the First Three Quarters 2016. This has been analysed in the Capital Expenditure section.

Net cash flow from financing activities

Net cash used from financing activities decreased from £17.6 million for the First Three Quarters 2015 to £17.5 million for the First Three Quarters 2016. In August 2016, the Group took the decision to cancel the senior credit facility with Lloyds Bank Plc and Sumitomo Mitsui Banking Corporation Europe Limited in advance of the planned repayment date. Consequently a non-utilisation interest fee attached to the previous facility is no longer payable.

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 31 December 2016 our total restricted cash was £5.5 million compared to £7.9 million as of 28 December 2015.

Capital Expenditures

Our capital expenditures (excluding purchase of hire purchase assets) are primarily comprised of new store fit-out expenditures, investments in our information technology systems and internal software development, 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 2016 and the First Three Quarters 2015:

(in millions of £)	**For the Third Quarter 2016**	**For the Third Quarter 2015**	**For the First Three Quarters 2016**	**For the First Three Quarters 2015**
Capital expenditure on new stores[(1)]	–	0.3	–	1.6
Capital expenditure on information technology hardware	0.2	0.3	0.3	0.7
Capital expenditure on software development[(2)]	2.6	0.8	8.2	4.5
Others[(3)]	0.5	1.5	1.7	4.7
Total capital expenditure	**3.3**	**2.9**	**10.2**	**11.5**

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

(2) Includes expenditure relating to the ERP project and other strategic programmes.

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

Total capital expenditure incurred in the First Three Quarters 2016 decreased by £1.3 million to £10.2 million compared to the First Three Quarters 2015. We opened no new stores in the First Three Quarters 2016, compared to nine new stores in the First Three Quarters 2015.

Capital expenditure on software development increased from £4.5 million in the First Three Quarters 2015 to £8.2 million for the First Three Quarters 2016 predominantly due to the continued investment in the new ERP system and e-commerce.

Other capital expenditure decreased from £4.7 million in the First Three Quarters 2015 to £1.8 million in the First Three Quarters 2016 due to non-recurring expenditure in the First Three Quarters 2015, including security improvements made across the service estate, additional facilities at three local distribution centres and the relocation of several stores.

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 31 December 2016, the value of our Contract Portfolio, which is unrecognized and maintained off-balance sheet until instalment payments are due, was £438.1 million. This was supported by hire purchase assets, recognized on our balance sheet, underpinning our Contract Portfolio, having a net book value of £115.9 million as of 31 December 2016.

Upcoming Maturities

As our 7.875% senior secured notes mature in 2018, we are currently considering options to refinance or otherwise address the £220 million of aggregate principal amount outstanding thereunder.

Key Contacts and Calendar

Key Contacts

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Finance Calendar

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