Registered No. 06250176

BrightHouse

BrightHouse Group plc

Annual Report

for the year ended 31 March 2015

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

Publication Date: 30 June 2015

TABLE OF CONTENTS

Operational Highlights for the year ended 2015

BrightHouse Group plc (the "Company"), the leading provider of rent-to-own products in the United Kingdom, today announces results of operations for the year ended 31 March 2015.

Key Highlights

- Increased revenue by 5.5% to £351.7 million for the year ended 2015;
- Increased EBITDA by 6.6% to £56.1 million for the year ended 2015;
- Increased the value of the Contract Portfolio to £582.4 million as of 31 March 2015, compared to £565.5 million as of 31 March 2014;
- Increased LTM like-for-like revenue by 3.9% for the twelve months ended 31 March 2015;
- Opened 12 new stores in the year ended 2015, gaining access to new geographic areas and bringing the total number of stores across the United Kingdom to 298 as of 31 March 2015;
- Positive customer growth for the year ended 2015, bringing our total number of customers to 277,400 as of 31 March 2015;
- Online applications for the year ended 2015 increased by 15% compared to the year ended 2014;
- As part of the ongoing programme of enhancing compliance and corporate governance controls, two independent non-executive directors joined the BrightHouse board this year;
- Successfully implemented strategic change programmes and have continued to develop our multi-channel offering; and
- Continued to embrace regulatory change, further stepping-up our investment in compliance and building open and transparent working relationships with the FCA. We submitted our application to become fully authorised to the FCA in May 2015.

Leo McKee, Chief Executive Officer, said:

"We are pleased to report a strong performance which has seen the Group achieve substantial growth in revenue and EBITDA, underpinned by well controlled costs. Most importantly for the future of the business, we have again seen meaningful growth in our customer numbers. This, alongside a material rise in the number of online customer originations, provides a significant opportunity for future growth in profits."

The following table reconciles EBITDA to profit for the year ended 2014 and the year ended 2015.

(in thousands of £)	For the year ended 2015	For the year ended 2014
Profit before tax	19,640	16,875
Financial income and expense	22,027	22,733
Depreciation of fixtures and equipment and amortization of software	12,810	13,155
Exceptional items	1,598	(144)
EBITDA	56,075	52,619

Certain Definitions

Definitions of certain terms used in this Annual 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.

"year ended 2014" refers to the year ended 31 March 2014.

"year ended 2015" refers to the year ended 31 March 2015.

"Annual Report" refers to this report as of and for the year ended 31 March 2015.

"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 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.

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

"the year" and "this year" refer to the year ended 31 March 2015 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 Annual Report we refer to the year ended 31 March 2015 as "year ended 2015", and the year ended 31 March 2014 as "year ended 2014".

Consolidated financial statements

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2015 presented in this Annual 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 audited and have been derived from the audited consolidated financial statements as of and for the years ended 31 March 2014 and 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), each of which has been audited by Ernst & Young LLP.

Presentation of non-IFRS financial measures

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

We define "EBITDA" as profit for the year 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 Annual 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 on the purchase of our insurance and warranty products, namely, the optional service cover and damage liability cover, purchased by our customers. This Annual 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 Annual 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 Annual 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.

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 year ended 31 March 2015 and the accompanying notes included elsewhere in this Annual 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 Annual 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 Annual 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 Annual 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 Annual 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 Annual 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 Annual 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 298 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. As at the year end, the representative APR offered in our hire purchase agreements is 64.7% and the actual rate offered to individual customers is in the range of 64.7% – 97.9% based upon the customer's individual credit score, the product taken and the length of the agreement. Included within the credit agreement, we provide 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 year ended 31 March 2015	**As of and for the year ended 31 March 2014**
Summary Statistical and Operating Data		
Customer Data		
Total customers (thousands)[(1)]	277.4	270.7
Average number of contracts per customer[(2)]	2.87	2.78
Stores		
Number of stores	298	286
LTM like-for-like revenue growth (%)[(3)]	3.9	6.9
Contract Portfolio (in millions of £)[(4)]	582.4	565.5

(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, payments on the purchase of our previously offered insurance and warranty products, namely, the optional service cover and damage liability cover purchased by these customers.

Total customers

As of 31 March 2015, we had 277,400 customers, representing an increase of 2.5% compared to 270,700 customers as of 31 March 2014. The rate of customer growth has slowed this year compared to last year, 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 44% as of 31 March 2014 to 50% as of 31 March 2015 as a proportion of the customer base. In the year ended 2015, the number of net customers increased by 6,785 (year ended 2014: 23,814).

Average number of contracts per customer

Average number of contracts per customer increased to 2.87 as of 31 March 2015 compared to 2.78 as of 31 March 2014. The increase of this metric is primarily due to the focus on retaining proven creditworthy customers with additional agreements.

Number of stores

We opened 12 new stores in the year ended 2015, compared to 7 new stores openings and 1 store closure in the year ended 2014. As of 31 March 2015, we had a total of 298 stores, and as of 31 March 2014, we had a total of 286 stores. Improvements in our infrastructure, in-store processes and online 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. Online applications for the year ended 2015 increased by 15% compared to the year ended 2014.

LTM like-for-like revenue

LTM like-for-like revenue for the twelve months ended 31 March 2015 increased by 3.9% compared to an increase of 6.9% for the twelve months ended 31 March 2014.

Contract Portfolio

The value of our Contract Portfolio as of 31 March 2015 was £582.4 million, representing an increase of 3.0% compared to £565.5 million as of 31 March 2014. Higher levels of demand conversion and customer numbers allowed for increased lending and necessitated further investment in hire purchase assets. As at 31 March 2015 we achieve a cash collection rate of 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. The landing slot for BrightHouse was between April 2015 and June 2015. Our application was submitted in May 2015.

We have had dialogue with the FCA to improve their understanding of our rent-to-own proposition. We will continue to work with them to ensure that our business meets the letter and spirit of all applicable regulation. Material enhancements have already been made to our Compliance and Governance programmes, in addition to our Treating Customers Fairly (TCF) programme.

Discussion and Analysis of Our Consolidated Results of Operations

Results of operations for the year ended 2015 compared with the results of operations for the year ended 2014

The following table sets forth certain information with respect to our consolidated results of operations for the year ended 2015 and the year ended 2014, respectively, which have been derived from our audited consolidated financial statements included elsewhere herein, as well as the year on year changes (expressed in absolute terms and percentages) for the period under review.

(in thousands of £)	For the year ended 2015	For the year ended 2014
Revenue	**351,691**	**333,300**
Cost of sales	(155,484)	(147,487)
Gross Profit	**196,207**	**185,813**
Operating expenses	(154,540)	(146,205)
Operating profit	**41,667**	**39,608**
Finance income	281	51
Finance expense.	(22,308)	(22,784)
Profit before taxation	**19,640**	**16,875**
Tax (charge)/credit	(4,710)	84
Profit for the year	**14,930**	**16,959**

Revenue

Our revenue increased by £18.4 million, or 5.5%, to £351.7 million for the year ended 2015 from £333.3 million for the year ended 2014. This increase was due to an increase in the average number of contracts per customer and the impact of new store openings in the year ended 2015.

Cost of sales

Our cost of sales increased by £8.0 million, or 5.4%, to £155.5 million (44.2% of revenue) for the year ended 2015 from £147.5 million (44.3% of revenue) for the year ended 2014. This increase was primarily due to greater spend on the maintenance of rental assets, an increase in the value of assets beyond economic repair and year end stock take adjustments.

Cost of debt increased in absolute terms from £32.5 million to £33.4 million. However cost of debt as a percentage of total revenue has improved to 9.5% in the year ended 2015 from 9.8% in the year ended 2014, resulting from new credit strategies implemented during the year. The data underlying this annualised figure reveals a robust trend, with the cost of debt in the second half of the year ended 2015 returning at 9.0%.

Spend on rental asset maintenance increased from £7.9 million in the year ended 2014 to £10.1 million in the year ended 2015 due to increased expenditure incurred in reducing the repair queue. Assets written off due to being beyond economic repair increased from £2.7 million in the year ended 2014 to £4.0 million in the year ended 2015.

Gross profit and gross profit margin

Our gross profit increased by £10.4 million, or 5.6%, to £196.2 million (55.8% of revenues) for the year ended 2015 from £185.8 million for the year ended 2014. Our gross profit margin (expressed as a percentage of revenue) increased by 0.1% for the year ended 2015 from 55.7% for the year ended 2014. The key contributory factor to a consistent margin is that all new customers during the financial year benefited from our Five Star Service package, as a result of the Single Pricing Agreement.

Operating expenses

Our operating expenses increased by £8.3 million, or 5.7%, to £154.5 million (43.9% of revenues) for the year ended 2015 from £146.2 million (43.9% of revenues) for the year ended 2014. Operating expenses pre-exceptional items