

**BrightHouse**

**BrightHouse Group Limited**

**Quarterly Report**

**as of and for the thirty-nine weeks ended 29 December 2018**

**BrightHouse Group Limited**

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## Operational Highlights for the First Three Quarters 2018

BrightHouse Group Limited (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 29 December 2018.

### Key Summary

- EBITDA pre-exceptionals of (£4.0) million for the First Three Quarters 2018;
- Our asset base remains strong as our contract portfolio grew to £392.1 million as of 29 December 2018 from £370.9 million as of 29 September 2018;
- As of 29 December 2018, we had 203,100 customers representing a decrease of 3.7% compared to 211,000 customers as of 30 December 2017;
- Gross customer additions increased by 20% to 60,400 for the First Three Quarters 2018 from 50,300 for the First Three Quarters 2017;
- Gross customer losses in the First Three Quarters 2018 reduced by 15.6% to 60,200 from 71,300 in the First Three Quarters 2017;
- Our cost of debt has reduced to 12.3% for the Third Quarter 2018 compared to 12.6% for the Third Quarter 2017;
- Successful trial of cash loans in Teeside region;

Hamish Paton, Chief Executive Officer, said:

“The third quarter was positive for BrightHouse in terms of customer growth, although trading conditions on the UK High Street remain challenging.

“We now have greater clarity on the future, following the publication of the FCA’s proposals for the RTO sector, as part of its high-cost credit review. Ahead of the introduction of new rules, we have taken prudent steps to further reduce our costs and to successfully trial medium term cash loans to selected existing customers.”

<b>(in thousands of £)</b>	<b>For the Third Quarter 2018</b>	<b>For the Third Quarter 2017</b>	<b>For the First Three Quarters 2018</b>	<b>For the First Three Quarters 2017</b>
Loss before tax	(7,928)	(9,763)	(30,120)	(29,674)
Financial income and expense	2713	5,450	8,068	16,301
Depreciation of fixtures and equipment and amortization of software	3,264	3,194	10,173	9,577
Exceptional items	2,035	1,999	7,851	4,427
EBITDA	<u>84</u>	<u>880</u>	<u>(4,028)</u>	<u>631</u>

### 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 Limited.

“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”.

“FCA” refers to the Financial Conduct Authority

“First Three Quarters 2017” refers to the thirty-nine weeks ended 30 December 2017.

“First Three Quarters 2018” refers to the thirty-nine weeks ended 29 December 2018.

“First Three Quarters Report” refers to this report as of and for the thirty-nine weeks ended 29 December 2018.

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

“Indenture” refers to the indenture dated 2 February 2018 relating to the 9% senior secured notes due 2023 issued by the group.

“Insurance Subsidiaries” refers to, collectively, Caversham Insurance (Malta) Limited and Caversham Holdings (Malta) Limited.

“SEC” refers to the U.S. Securities and Exchange Commission.

“Third Quarter 2017” refers to the thirteen weeks ended 30 December 2017.

“Third Quarter 2018” refers to the thirteen weeks ended 29 December 2018.

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

“the period” and “this period” refer to the Third Quarter 2018 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 First Three Quarters Report we refer to the thirty-nine weeks ended 29 December 2018 as “First Three Quarters 2018”, and the thirty-nine weeks ended 30 December 2017 as “First Three Quarters 2017”. We refer to our fiscal year started 1 April 2018 and ending 31 March 2019 as “Fiscal 2019”.

### ***Consolidated financial statements***

The consolidated financial statements of the Company and its subsidiaries for the thirty-nine weeks ended 29 December 2018 presented in this First Three Quarters 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 First Three Quarters Report, the following terms have the following meanings:

We define “EBITDA” as profit for the period before financial charges, tax, depreciation of fixtures, equipment and vehicles (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 and payments from the purchase of our optional insurance and warranty products. This First Three Quarters Report also presents information on the performance of our Contract Portfolio.

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 29 December 2018

		<i>13 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>13 weeks ended 30 December 2017 (Unaudited) £000</i>	<i>39 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>39 weeks ended 30 December 2017 (Unaudited) £000</i>
	Notes				
<b>Revenue</b>	3	68,168	71,314	204,257	213,445
Cost of sales		(35,985)	(36,155)	(107,399)	(106,762)
<b>Gross Profit</b>		32,183	35,159	96,858	106,683
Operating expenses		(37,398)	(39,472)	(118,910)	(120,056)
<b>Operating (loss) / profit</b>		(5,215)	(4,313)	(22,052)	(13,373)
Analysed by					
Depreciation of fixtures, fittings and equipment and amortisation of intangible assets		3,264	3,194	10,173	9,577
Exceptional items	2	2,035	1,999	7,851	4,427
Earnings before interest, tax, depreciation, amortisation and exceptional items		84	880	(4,028)	631
Other finance income	4	32	8	55	15
Other finance expense	4	(2,745)	(5,458)	(8,123)	(16,316)
<b>Loss before taxation</b>		(7,928)	(9,763)	(30,120)	(29,674)
Tax credit/(charge)	5	4,568	(1,075)	5,188	1,339
<b>Loss for the period</b>		(3,360)	(10,838)	(24,932)	(28,335)

The results shown above all relate to continuing activities.

## Group statement of comprehensive income

for the thirteen weeks and thirty-nine weeks ended 29 December 2018

		<i>13 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>13 weeks ended 30 December 2017 (Unaudited) £000</i>	<i>39 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>39 weeks ended 30 December 2017 (Unaudited) £000</i>
<b>Loss for the period</b>		(3,360)	(10,838)	(24,932)	(28,335)
<i>Other comprehensive income for the period net of tax</i>		-	-	-	-
<b>Total comprehensive income for the period net of tax</b>		(3,360)	(10,838)	(24,932)	(28,335)



## Group statement of financial position

as of 29 December 2018

		<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
	Notes		
<b><i>Non-current assets</i></b>			
Property, plant and equipment	6	112,128	120,211
Intangible assets	7	17,307	22,435
Trade and other receivables	10	11,289	12,557
Deferred tax assets	8	17,026	12,497
		<hr/>	<hr/>
		157,750	167,700
		<hr/>	<hr/>
<b><i>Current assets</i></b>			
Inventories	9	17,423	20,979
Trade and other receivables	10	44,729	49,671
Cash and cash equivalents	11	16,609	29,001
Current tax receivable		232	-
		<hr/>	<hr/>
		78,993	99,651
		<hr/>	<hr/>
<b><i>Total assets</i></b>		236,743	267,351
		<hr/>	<hr/>
<b><i>Current liabilities</i></b>			
Trade and other payables	12	39,789	53,946
Financial liabilities	13	16,099	219,438
Other provisions	14	11,096	10,523
Current tax payable		-	1,257
		<hr/>	<hr/>
		66,984	285,164
		<hr/>	<hr/>
<b><i>Non-current liabilities</i></b>			
Financial liabilities	13	123,367	39,026
		<hr/>	<hr/>
<b><i>Total Liabilities</i></b>		190,351	324,190
		<hr/>	<hr/>
		46,392	(56,839)
		<hr/>	<hr/>
<b><i>Equity attributable to equity holders of the parent</i></b>			
Share capital	15	1,294	50
Share premium		72,598	552
Capital redemption reserve		57	57
Own shares reserve		-	(296)
Capital contribution reserve		39,274	-
Retained earnings		(66,831)	(57,202)
		<hr/>	<hr/>
<b><i>Total equity</i></b>		46,392	(56,839)
		<hr/>	<hr/>

## Group statement of changes in equity

as of and for the thirty-nine weeks ended 29 December 2018

	<i>Share capital</i>	<i>Share premium</i>	<i>Own shares</i>	<i>Retained earnings</i>	<i>Capital contribution reserve</i>	<i>Capital redemption reserve</i>	<i>Total Equity</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
As of 1 April 2017	50	552	(296)	(28,867)	–	57	(28,504)
Loss for the period	–	–	–	(28,335)	–	–	(28,335)
As of 30 December 2017	50	552	(296)	(57,202)	–	57	(56,839)
As of 1 April 2018	1,294	72,598	–	(41,899)	39,274	57	71,324
Loss for the period	–	–	–	(24,932)	–	–	(24,932)
As of 29 December 2018	1,294	72,598	–	(66,831)	39,274	57	46,392

## Group statement of cash flows

for the thirteen weeks and thirty-nine weeks ended 29 December 2018

	13 weeks ended 29 December 2018 (Unaudited) £000	13 weeks ended 30 December 2017 (Unaudited) £000	39 weeks ended 29 December 2018 (Unaudited) £000	39 weeks ended 30 December 2017 (Unaudited) £000
<i>Cash flows from operating activities</i>				
Loss for the period	(3,360)	(10,838)	(24,932)	(28,335)
Adjustments for:				
Sales proceeds from sales of rental assets	563	530	1,742	1,730
Depreciation	24,256	21,934	71,056	69,115
Amortisation of intangible assets	2,565	2,354	8,016	6,790
Financial income	(32)	(8)	(55)	(15)
Financial expense	2,745	5,458	8,123	16,316
Profit on rental assets sold to customers	(442)	(144)	(1,073)	(1,738)
Rental assets written off as obsolete or not recoverable from defaulting customers	6,134	5,841	18,244	17,303
Purchase of rental assets	(37,677)	(35,168)	(88,319)	(88,915)
Taxation	(4,568)	1,075	(5,188)	(1,339)
<i>Operating cash flow before changes in working capital</i>	(9,816)	(8,966)	(12,386)	(9,088)
Increase in trade and other receivables	(1,596)	(6,440)	(2,191)	(13,495)
Increase in inventories	(998)	(2,331)	(3,925)	(7,689)
Increase in trade and other payables	1,345	4,661	7,562	16,142
Decrease in provisions	(1,804)	(4,356)	(2,478)	(5,937)
<i>Cash generated from operations</i>	(12,869)	(17,432)	(13,418)	(20,067)
Tax repayment received / (paid)	641	647	292	(108)
<i>Net cash flow from operating activities</i>	(12,228)	(16,785)	(13,126)	(20,175)
<i>Cash flows from investing activities</i>				
Interest received	14	8	37	15
Purchase of property, plant and equipment	(420)	(302)	(1,232)	(677)
Payments to acquire intangible assets	(2,071)	(1,983)	(5,009)	(10,636)
<i>Net cash from investing activities</i>	(2,477)	(2,277)	(6,204)	(11,298)
<i>Cash flows from financing activities</i>				
Proceeds from financing facilities	16,301	–	16,400	–
Repayment of financing facilities	(100)	–	(100)	–
Interest paid	(322)	(8,659)	(322)	(17,322)
<i>Net cash from financing activities</i>	15,879	(8,659)	15,978	(17,322)
<b>Net Increase/(Decrease) in cash and cash equivalents</b>	<b>1,174</b>	<b>(27,721)</b>	<b>(3,352)</b>	<b>(48,795)</b>
Cash and cash equivalents at the beginning of the period	15,435	56,722	19,961	77,796
Cash and cash equivalents at the end of the period	11	16,609	16,609	29,001

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 1. Accounting policies and basis of preparation

This Quarterly Report contains condensed consolidated financial information of BrightHouse Group Limited for the thirteen weeks ended 29 December 2018 and the thirty-nine weeks ended 29 December 2018. 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 Limited for the year ended 31 March 2018. This financial information should be read in conjunction with the consolidated financial statements of BrightHouse Group Limited for the year ended 31 March 2018.

#### **Basis of preparation**

The consolidated financial statements of BrightHouse Group Limited and its subsidiaries (the “Group”) are approved by the directors and prepared in accordance with 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

	<i>13 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>13 weeks ended 30 December 2017 (Unaudited) £000</i>	<i>39 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>39 weeks ended 30 December 2017 (Unaudited) £000</i>
Affordability action plan	-	1,804	-	3,094
Historic unaffordable lending	-	-	2,500	-
Onerous lease provision	491	126	905	809
Restructuring provision	1,444	69	3,646	524
Cost arising from historic staff purchase scheme	100	-	800	-
	<u>2,035</u>	<u>1,999</u>	<u>7,851</u>	<u>4,427</u>

#### **Affordability action plan**

The costs of our affordability action plan (which includes the costs associated with our Redress scheme) were not increased during the period.

#### **Historic unaffordable lending**

The costs of our historic provision have not increased during the period. Further details of the provision are detailed in note 14 in the accounts.

#### **Vacant and onerous lease provision**

As at 29 December 2018 we reassessed the provision and incurred a charge of £491,000 to reflect the remaining liability of the leases.

#### **Restructuring provision**

A business-wide cost reduction programme is underway which led to store and head office redundancy costs. There were £683,000 of incremental redundancy costs during the Third Quarter 2018-19. There were also £761,000 of costs in relation to restructuring of key departments within the business during the period.

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 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. With effect from 26 February 2017, when we unbundled warranty cover, the automatic right of return remains included within the hire purchase agreement. The Group accounts for its revenue on an accruals basis for all domestic hire-purchase, 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.

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.

### 4. Finance income and expense

Recognised in the income statement

	<i>13 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>13 weeks ended 30 December 2017 (Unaudited) £000</i>	<i>39 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>39 weeks ended 30 December 2017 (Unaudited) £000</i>
Interest income	14	8	37	15
Unwinding of discount on VAT incurred in advance (note 10)	18	-	18	-
Finance income	<u>32</u>	<u>8</u>	<u>55</u>	<u>15</u>
	<i>13 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>13 weeks ended 30 December 2017 (Unaudited) £000</i>	<i>39 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>39 weeks ended 30 December 2017 (Unaudited) £000</i>
Interest expense	2,747	5,369	8,123	16,114
Unwinding of discount on VAT incurred in advance (note 10)	(2)	-	-	48
Unwinding of discount on provision (note 14)	-	89	-	154
Finance expense	<u>2,745</u>	<u>5,458</u>	<u>8,123</u>	<u>16,316</u>

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 5. Taxation

Tax on loss on ordinary activities

Recognised in the income statement

	<i>13 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>13 weeks ended 30 December 2017 (Unaudited) £000</i>	<i>39 weeks ended 29 December 2018 (Unaudited) £000</i>	<i>39 weeks ended 30 December 2017 (Unaudited) £000</i>
<i>Current tax:</i>				
Corporation tax charge UK	-	-	-	-
Adjustment in respect of prior years	(1,365)	-	(1,365)	-
Corporation tax charge overseas	15	519	39	508
Total current tax	<u>(1,350)</u>	<u>519</u>	<u>(1,326)</u>	<u>508</u>
<i>Deferred tax:</i>				
Deferred tax credit	(3,218)	556	(3,862)	(1,847)
Total taxation in income statement	<u>(4,568)</u>	<u>1,075</u>	<u>(5,188)</u>	<u>(1,339)</u>

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 6. Property, plant and equipment

	<i>Rental assets (unaudited) £000</i>	<i>Fixtures, equipment and vehicles (unaudited) £000</i>	<i>Total (unaudited) £000</i>
Cost:			
As of 1 April 2017	230,457	62,250	292,707
Additions	88,915	677	89,592
Disposals	(97,946)	-	(97,946)
As of 30 December 2017	<u>221,426</u>	<u>62,927</u>	<u>284,353</u>
As of 1 April 2018	212,108	63,331	275,439
Additions	88,319	1,232	89,551
Disposals	(93,378)	-	(93,378)
As of 29 December 2018	<u>207,049</u>	<u>64,563</u>	<u>271,612</u>
Depreciation:			
As of 1 April 2017	123,622	52,056	175,678
Depreciation charge for the period	66,328	2,787	69,115
Disposals	(80,651)	-	(80,651)
As of 30 December 2017	<u>109,299</u>	<u>54,843</u>	<u>164,142</u>
As of 1 April 2018	106,949	55,945	162,894
Depreciation charge for the period	68,899	2,157	71,056
Disposals	(74,466)	-	(74,466)
As of 29 December 2018	<u>101,382</u>	<u>58,102</u>	<u>159,484</u>
Net book value:			
As of 29 December 2018	<u>105,667</u>	<u>6,461</u>	<u>112,128</u>
As of 1 April 2018	<u>105,159</u>	<u>7,386</u>	<u>112,545</u>
As of 30 December 2017	<u>112,127</u>	<u>8,084</u>	<u>120,211</u>
As of 1 April 2017	<u>106,835</u>	<u>10,194</u>	<u>117,029</u>

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 7. Intangible assets

	<i>Software</i> <i>(unaudited)</i> £000	<i>Goodwill</i> <i>(unaudited)</i> £000	<i>Total</i> <i>(unaudited)</i> £000
<b>Cost:</b>			
As of 1 April 2017	70,117	74,978	145,095
Additions	10,636	-	10,636
As of 30 December 2017	<u>80,753</u>	<u>74,978</u>	<u>155,731</u>
As of 1 April 2018	80,872	74,978	155,850
Additions	5,009	-	5,009
As of 29 December 2018	<u>85,881</u>	<u>74,978</u>	<u>160,859</u>
<b>Amortisation:</b>			
As of 1 April 2017	51,528	74,978	126,506
Amortisation charge for the period	6,790	-	6,790
As of 30 December 2017	<u>58,318</u>	<u>74,978</u>	<u>133,296</u>
As of 1 April 2018	60,558	74,978	135,536
Amortisation charge for the period	8,016	-	8,016
As of 29 December 2018	<u>68,574</u>	<u>74,978</u>	<u>143,552</u>
<b>Net book value:</b>			
As of 29 December 2018	<u>17,307</u>	-	<u>17,307</u>
As of 1 April 2018	<u>20,314</u>	-	<u>20,314</u>
As of 30 December 2017	<u>22,435</u>	-	<u>22,435</u>
As of 1 April 2017	<u>18,589</u>	-	<u>18,589</u>



## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 8. Deferred tax assets

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
Assets:		
Tax losses recognised	10,879	5,080
Other property, plant and equipment	5,993	7,257
Capital contributions on lease incentives	154	160
	<hr/>	<hr/>
Total tax assets	17,026	12,497
	<hr/> <hr/>	<hr/> <hr/>

### 9. Inventories

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
Goods held for resale at cost	17,423	20,979
	<hr/> <hr/>	<hr/> <hr/>

During the period assets acquired for resale amounting to £88,319,000 (2017 – £88,915,000 ) 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

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
Current:		
Trade receivables	2,597	3,024
Amounts owed from parent undertakings	3,679	-
Other trade receivables and prepayments	17,970	23,425
Other non-trade receivables	230	884
VAT incurred in advance of recovery from customers	20,253	21,734
Other taxes and social security	-	604
	<hr/>	<hr/>
	44,729	49,671
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 10. Trade and other receivables (continued)

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
Non current:		
VAT incurred in advance of recovery from customers	9,987	11,373
Other trade receivables and prepayments	1,302	1,184
	<u>11,289</u>	<u>12,557</u>

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 £9,987,000 (2017 – £11,373,000) 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 £1,132,000 (2017 – £1,566,000) 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:

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
1-7 days	79	93
8-14 days	82	114
15-45 days	257	431
45-90 days	8	11
	<u>426</u>	<u>649</u>

#### Movements in bad debt provision

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
At beginning of period	1,345	1,335
Amounts written off as uncollectable	(11,786)	(12,778)
Increase in bad debt provision	11,573	13,009
	<u>1,132</u>	<u>1,566</u>

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

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 11. Cash and cash equivalents

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
Cash and cash equivalents per balance sheet and cash flow statement	16,609	29,001

Cash and cash equivalents comprise cash at bank and in hand. Included within cash and cash equivalents is restricted cash of £5.2 million (2017 – £3.4 million). This includes restricted cash of £4.3 million (2017 - £3.2 million) 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 £0.9 million (2017 – £0.2 million) 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.

### 12. Trade and other payables

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
Trade payables	18,331	19,060
Other taxes and social security	2,548	2,667
Other non-trade payables	327	340
Accrued expenses	17,226	29,677
Accrued interest	1,357	2,202
	<u>39,789</u>	<u>53,946</u>

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

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
Current liabilities:		
Revolving credit facility	16,099	-
Senior secured notes 2018	-	219,438
	<u>16,099</u>	<u>219,438</u>

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 13. Financial liabilities (continued)

	<i>29 December 2018 (Unaudited) £000</i>	<i>30 December 2017 (Unaudited) £000</i>
Non-current liabilities:		
Unsecured 10% loan stock issued to related parties	-	39,026
Senior secured notes 2023	123,367	-
	<hr/>	<hr/>
	123,367	39,026
	<hr/> <hr/>	<hr/> <hr/>

#### Terms and debt repayment schedule

##### Unsecured 10% loan stock

The unsecured 10% loan stock was redeemable on 9 May 2040 and formed part of the investment made in the Group by funds advised by Vision Capital LLP. The unsecured 10% loan stock was subordinated and junior in right of payment to the senior secured notes. The terms of the unsecured loan stock were such that the maturity date could not be prior to the maturity date of the senior secured notes. This loan was waived on 2 February 2018 by Vision Capital LLP when it had a balance of £39,274,000 and reported in the statement of changes in equity.

The amount above includes £nil (2017: £11,722,000) of accrued interest.

##### Senior secured notes 2018 and Senior secured notes 2023

On the 2nd of February 2018 the £220 million bond was refinanced in exchange for debt and equity.

The holders of the existing bond accepted the following in exchange for releasing the liability;

- An equal share of £107,208,000 of new debt to be issued on The International Stock Exchange, an additional £4,467,000 which was issued to bondholders who consented early to the refinancing and £3,705,625 which was issued to all bondholders in exchange for the accrued interest on the existing bond. After adjustments for de minimis payments in cash of £286,331, the total value of the new issued debt is £115,091,000. The bond was issued with an interest rate of 9% which is payable on 15 May and 15 November. The bond is due for payment on 15 May 2023.
- An equal share of 97% of the new holding company of the group, BrightHouse TopCo Limited. The bondholders could choose whether to receive cash in exchange for these shares, in which case the remaining shares were offered to the remaining bondholders at £245 per share. All offers of remaining shares were taken up. The value of the cashouts and subsequent share subscriptions was £2,463,230.

BrightHouse Group Limited was released from its bond in exchange for an intercompany debt due to its subsidiary, BrightHouse FinCo Limited, (issuer of the new issued debt of £115,091,000) and an intercompany debt due to its ultimate parent, BrightHouse TopCo Limited, (issuer of the new equity to bondholders). The debt due to BrightHouse TopCo Limited was immediately capitalised via the issue of shares with a nominal value of £1,252,893.

##### Revolving credit facility

The revolving credit facility has a limit of £35 million.

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 14. Other provisions

	<i>Dilapidation provision £000</i>	<i>Affordability Action Plan £000</i>	<i>Historic Unaffordable Lending £000</i>	<i>Restruc- -turing £000</i>	<i>Onerous lease provision £000</i>	<i>Historic staff purchase scheme £000</i>	<i>Total £000</i>
As of 1 April 2017	3,807	8,246	-	154	4,100	-	16,307
Charged to the income statement	-	3,094	-	524	809	-	4,427
Unwind of discount	-	-	-	-	154	-	154
Released during the period	-	-	-	-	-	-	-
Utilised during the period	(312)	(7,102)	-	(678)	(2,273)	-	(10,365)
As of 30 December 2017	3,495	4,238	-	-	2,790	-	10,523
As of 1 April 2018	3,317	815	6,340	140	2,962	-	13,574
Unwind of discount	-	-	-	-	-	-	-
Charged to the income statement	-	-	2,500	3,646	905	800	7,851
Released during the period	-	-	-	-	-	-	-
Utilised during the period	(275)	(596)	(4,479)	(3,718)	(1,261)	-	(10,329)
As of 29 December 2018	3,042	219	4,361	68	2,606	800	11,096

#### **Dilapidation provision**

£275,000 has been utilised during the period for work completed on a number of stores.

#### **Affordability action plan**

We developed an affordability action plan with the FCA which includes customer redress payments announced by the FCA on 24 October 2017. The provision was calculated at the amount owed to identified customers and the operational cost of returning the money. During the January 2019 we have finished to distribute the remaining monies to charities.

#### **Historic unaffordable lending**

We have continued to receive claims from customers not included within our announced redress scheme which we are required to investigate and, if it is found that the correct procedures have not been followed, reimburse them accordingly.

The provision will be reviewed in light of a recent increase in the claims received since the quarter end. The level of claims received varies from week to week, therefore we need a longer period before concluding whether this will impact the provision. We will provide an update at the next quarter.

The current provision recognised is based upon an estimation of future claims, payout rates using historic rates, processing costs and the rate of cases referred to the Financial Ombudsman Service.

## Notes to the Group financial statements

as of and for the thirteen weeks and thirty-nine weeks ended 29 December 2018

### 14. Other provisions (continued)

However, a number of risks and uncertainties remain in particular with respect to the number of claims that will be received and the rate of cases referred. The cost could differ from the Group's estimates and the assumptions underpinning them, and could result in under-utilisation or a further provision being required.

#### Restructuring

The brought forward provision covers the non-property related costs resulting from the business wide cost reduction programme announced in March 2017. During the First Three Quarters 2018-19 the group incurred costs in relation to incremental redundancies and costs in relation to restructuring of key departments within the business during the period.

#### Vacant and Onerous lease provision

This provision covers both leases on unprofitable stores and vacant properties.

During the period incremental costs were incurred in relation to costs to service the vacant properties.

### 15. Share capital

	29 December 2018 (Unaudited)		30 December 2017 (Unaudited)	
	No.	£000	No.	£000
<i>Allotted, called up and fully paid</i>				
A Ordinary shares of £0.001 each	1,291,642,507	1,294	4,340,000	4
Ordinary shares of £0.001 each	–	–	152,500	–
B Ordinary shares of £0.01 each	–	–	200,000	2
C Ordinary shares of £0.01 each	–	–	75,000	1
D Ordinary shares of £0.01 each	–	–	62,500	1
E Ordinary shares of £0.01 each	–	–	62,500	1
F Ordinary shares of £500 each	–	–	1	1
G Ordinary shares of £0.001 each	–	–	107,499	–
H Ordinary shares of £500 each	–	–	1	1
A Preferred shares of £0.0000001 each	–	–	6,725,639	–
B Preferred shares of £0.0000001 each	–	–	86,583,475	–
Deferred shares of £0.0000001 each	–	–	6,993,992,053	–
C Preferred shares of £1.00 each	–	–	40,500	41

As at 30 December 2017 'A Ordinary Shares', 'B Ordinary Shares', 'A Preferred Shares', 'B Preferred Shares', and 'C Preferred Shares' are controlled by VCP VI B. 'Ordinary Shares', 'C Ordinary Shares', 'D Ordinary Shares', 'E Ordinary Shares', 'F Ordinary Shares', 'G Ordinary Shares', 'H Ordinary Shares', and 'Deferred Shares' were held by the company after being repurchased between the 19 November 2017 and 22 November 2017.

## 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 29 December 2018 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. Forward-looking statements appear in various locations of this Quarterly Report, including, without limitation, in the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations.*"

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. Although we believe that the expectations reflected in the forward looking statements contained herein were reasonable at the time they were made, 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 276 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 26 February 2017, the proposition was improved to allow greater flexibility and choice for the customer. Our customers are able to choose the length of the agreement they use to purchase products from us. This gives the customer choice over the amount of the weekly payment, and the total amount payable under the agreement. They also have choice about whether to purchase a service package from us, and how to insure the product. If taken, our optional product service and insurance covers can be cancelled by the customer at any time. The Group accounts for its revenue on an accruals basis for all domestic hire-purchase, 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. Prior to entering into an agreement with a customer, we conduct bespoke creditworthiness and affordability assessments. If these are passed, we will enter into a hire purchase agreement with the customer, 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 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. As a result, customers benefit from 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.

	<b>As of and for the thirty-nine weeks ended 29 December 2018</b>	<b>As of and for the thirty-nine weeks ended 30 December 2017</b>
<b>Summary Statistical and Operating Data</b>		
<b>Customer Data</b>		
Total customers (thousands) <sup>(1)</sup> .....	203.1	211.0
Total Gross Dues (in millions of £) <sup>(2)</sup> .....	15.7	16.5
Closing Dues base (in millions of £) <sup>(2)</sup> .....	26.1	26.8
Average number of contracts per customer <sup>(3)</sup> .....	2.55	2.62
Average revenue per customer per month <sup>(4)</sup> .....	£128.42	£126.89
<b>Stores</b>		
Number of stores .....	276	282
<b>Contract Portfolio</b> (in millions of £) <sup>(5)</sup> .....	392.1	422.5

- (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) Dues is the expected amount of receipts from customer agreement instalments in an average month. An average month is assumed to have 4.333 weeks. Total Gross Dues is the Dues value for new agreements signed in the relevant period. Closing Dues Base is the closing dues at the end of the relevant period.
- (3) Average number of contracts per customer is calculated by dividing the total number of hire purchase agreements outstanding on the relevant date by the total number of customers on such date.
- (4) 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.
- (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 and payments from the purchase of our optional insurance and warranty products.

### **Total customers**

Revenue is driven by the number of customers and their average spend with BrightHouse.

Customer numbers have decreased by 3.7% from 211,000 as at 30 December 2017 to 203,100 as at 29 December 2018, as the rate of customer termination in the last twelve months continued to reflect the higher level of customer acquisition achieved before the stricter affordability processes and tightened credit criteria were put in place during the 2016-17 financial year.



However, in the First Three Quarters 2018, new customer acquisition improved by 20.1% to 60,400 from 50,300 in the First Three Quarters 2017. Customer losses in the First Three Quarters 2018 reduced by 15.6% to 60,200 from 71,300 in the First Three Quarters 2017; as the rate of termination rebalanced towards the lower rate of acquisition experienced when the tightened criteria were introduced.

### ***Total Gross Dues***

Total Gross Dues reduced by 4.8% to £15.7 million for the First Three Quarters 2018 from £16.5 million for the First Three Quarters 2017. This is due to lower gross dues from add-on sales which reduced by 9.6% from £13.0 million in the First Three Quarters 2017 to £12.0 million in the First Three Quarters 2018. This is a result of the lower customer numbers across the First Three Quarters 2018 compared to the First Three Quarters 2017.

### ***Closing Dues base***

The Closing Dues base decreased by 2.6% to £26.1 million as at 29 December 2018 from £26.8 million as at 30 December 2017, compared to a reduction of 4.6% between 30 December 2017 and 31 December 2016. This is a significant factor in the lower revenue recorded in the First Three Quarters 2018.

### ***Average number of contracts per customer***

Average number of contracts per customer decreased to 2.55 as at 29 December 2018 compared to 2.62 as at 30 December 2017.

### ***Number of stores***

As of 29 December 2018, we had a total of 276 stores, which reflects the continuation of our business plan to review and reduce our store estate, as appropriate, as we further develop our transactional website.

### ***Contract Portfolio***

The value of our Contract Portfolio as at 29 December 2018 was £392.1 million compared to £422.5 million as at 30 December 2017.

## **Regulation and compliance**

Our business is authorised and regulated by the Financial Conduct Authority (the “FCA”).

On 22 November 2018 the FCA issued the conclusions of their High-Cost Credit Review. For rent-to-own, this includes plans to introduce a price cap for the market and to require a two day gap between the sale of the credit agreement and the sale of the extended warranty. We worked in collaboration with the FCA throughout the process and are still digesting the long term impacts on the business.

## **Strategic Review**

Central to our business plan is the objective to return to positive customer growth, improve margins and develop a multi-channel operation. We have developed our transactional website to allow new and existing customers to sign up online without visiting a store. We anticipate making further propositional changes to target adjacent facets of customer demand.

Cost management is another strategically important aspect of our focus over the year. Active management of lease renewal and lease breaks has led to significantly reduced costs through closures, relocations and renegotiations on both stores and engineering centres. During September 2018 we agreed a credit facility with a third party up to a limit of £35 million.

## Discussion and Analysis of Our Consolidated Results of Operations

### *Results of operations for the Third Quarter 2018 compared with the results of operations for the Third Quarter 2017*

The following table sets forth certain information with respect to our consolidated results of operations for the Third Quarter 2018 and the Third Quarter 2017, 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 £, except percentages)	For the	For the	Change	
	Third Quarter 2018	Third Quarter 2017	Amount	%
	(unaudited)			
Revenue .....	68,168	71,314	(3,146)	-4.4%
Gross profit.....	32,183	35,159	(2,976)	-8.5%
Gross profit margin .....	47.2%	49.3%	(2.1%)	-4.2%
Operating expenses excluding exceptionals .....	(32,099)	(34,279)	2,180	-6.4%
EBITDA .....	84	880	(796)	-90.5%
Exceptionals .....	(2,035)	(1,999)	(36)	-1.8%
Loss for the period.....	(3,360)	(10,838)	7,478	-69.0%

#### **Revenue**

Our revenue decreased by £3.1 million, or 4.4%, to £68.2 million from £71.3 million. This is largely attributable to the average closing dues base during the Third Quarter 2018 being lower than in the Third Quarter 2017.

#### **Gross profit**

Gross profit reduced by £3.0 million to £32.2 million from £35.2 million. This was caused by the reduction in the revenue discussed above, together with reduced product margins as a result of lower installation margins achieved in the Quarter.

That gives a gross profit margin of 47.2% for the Third Quarter 2018 compared to 49.3% for the Third Quarter 2017.

#### **Net operating expenses before exceptional items**

Our operating expenses decreased by £2.2 million during the quarter to £32.1 million from £34.3 million.

#### **EBITDA**

Our EBITDA for the quarter is £0.1 million compared to £0.9 million in the previous year quarter. This is the result of the reduction in revenue and gross profit margin discussed above.

#### **Exceptionals**

The charge in this period represents an increase in the historic unaffordable lending provision, staff purchase scheme provision and further restructuring of the business including changes to the retail management structure and reorganising the customer relations department.

#### **Loss for the period**

Our loss for the Third Quarter 2018 is £3.4 million compared to £10.8 million in the Third Quarter 2017. This is the result of the factors described above.

## Cash Flows

<b>(in thousands of £)</b>	<b>For the Third Quarter 2018</b>	<b>For the Third Quarter 2017</b>	<b>For the First Three Quarters 2018</b>	<b>For the First Three Quarters 2017</b>
Cash and cash equivalents at beginning of period.....	15,435	56,722	19,961	77,796
Net cash flow from operating activities.....	(12,228)	(16,785)	(13,126)	(20,175)
Net cash flow from investing activities.....	(2,477)	(2,277)	(6,204)	(11,298)
Net cash flow from financing activities.....	15,879	(8,659)	(15,978)	(17,322)
Net increase/(decrease) in cash and cash equivalents.....	1,174	(27,721)	(3,352)	(48,795)
<b>Cash and cash equivalents at end of period .....</b>	<b>16,609</b>	<b>29,001</b>	<b>16,609</b>	<b>29,001</b>

### *Net cash flow from operating activities*

Net cash flow from operating activities increased from (£16.8) million in the Third Quarter 2017 to (£12.2) million in the Third Quarter 2018 due to a reduction in the credit limits and terms being offered by suppliers.

### *Net cash flow from investing activities*

Net cash used in investing activities increased by £0.2 million to an outflow of £2.5 million for the Third Quarter 2018 from an outflow of £2.3 million for the Third Quarter 2017. This has been analysed in the capital expenditure section but largely relates to the investment in our transactional website.

### *Net cash flow from financing activities*

Net cash flow from financing activities for the Third Quarter 2018 includes a drawdown of the new credit facility.

### *Restricted cash*

Included within cash and cash equivalents is restricted cash of £5.2 million (2017 – £3.4 million). This includes restricted cash of £4.3 million (2017 - £3.2 million) which represents cash at bank held by our Insurance Subsidiaries which is restricted due to regulatory and solvency requirements. This also includes restricted cash of £0.9 million (2017 – £0.2 million) which represents cash held by the Group on behalf of customers; this cash is held in a separate and ring-fenced bank account.

## Capital Expenditures

Our capital expenditures (excluding purchases of hire purchase assets) comprise investments in our information technology systems and capital expenditure relating to the refurbishment of existing stores and service centres. The following table sets out our capital expenditures for the First Three Quarters 2018 and the First Three Quarters 2017:

<b>(in millions of £)</b>	<b>For the Third Quarter 2018</b>	<b>For the Third Quarter 2017</b>	<b>For the First Three Quarters 2018</b>	<b>For the First Three Quarters 2017</b>
Capital expenditure on information technology hardware.....	0.1	–	0.5	–
Capital expenditure on software development <sup>(1)</sup> .....	2.2	2.0	5.0	10.6
Others <sup>(2)</sup> .....	0.2	0.3	0.7	0.7
<b>Total capital expenditure .....</b>	<b>2.5</b>	<b>2.3</b>	<b>6.2</b>	<b>11.3</b>

- (1) Includes expenditure relating to the transactional website and other strategic programmes.
- (2) Primarily includes capital expenditure relating to our stores and service centres, including refurbishment, new signage and similar improvements.

Total capital expenditure incurred in the Third Quarter 2018 increased by £0.2 million to £2.5 million compared to the Third Quarter 2017. We have continued to invest in our fully transactional website throughout the quarter.

## **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 29 December 2018, the value of our Contract Portfolio, which is unrecognised and maintained off-balance sheet until instalment payments are due, was £392.1 million compared to £422.5 million at 30 December 2017 which represents a 7.2% reduction. This is compared to a 8.5% reduction in the 12 months to 1 October 2017. The Contract Portfolio was supported by hire purchase assets, recognized on our balance sheet, underpinning our Contract Portfolio, having a net book value of £105.7 million as of 29 December 2018.

## **Key Contacts and Calendar**

### ***Key Contacts***

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### ***Finance Calendar***

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