Registered No. 06250176

BrightHouse Group plc

Quarterly Report

for the thirteen weeks ended 29 June 2015

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Operational Highlights for the First Quarter 2015

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 ended 29 June 2015.

Key Highlights

- Increased revenue by 7.5% to £90.2 million for the First Quarter 2015;
- Increased EBITDA by 1.5% to £11.3 million for the First Quarter 2015;
- Our Contract Portfolio is valued at £571.5 million as of 29 June 2015 compared to £569.5 million as of 28 June 2014;
- Increased like-for-like revenue by 4.7% for the twelve months ended 29 June 2015;
- Opened 5 new stores in the First Quarter 2015, gaining access to new geographic areas and bringing the total number of stores across the United Kingdom to 303 as of 29 June 2015 compared to 286 as of 28 June 2014;
- As of 29 June 2015, we had 276,200 customers, representing an increase of 2.2% compared to 270,300 customers as of 28 June 2014;
- Online applications for the First Quarter 2015 increased by 14.3% compared to the First Quarter 2014;
- Successful implementation of the first phase of a new finance system onto a Microsoft Dynamics AX platform;
- FCA application for full authorisation submitted in May 2015.

Leo McKee, Chief Executive Officer, said:

"As we continue to invest in the infrastructure and future of the business, we are pleased to report a solid set of results which has seen the Group achieve growth in both revenue and EBITDA, underpinned by well controlled costs. We expect that our strategy to grow like-for-like revenue within our existing store portfolio, implementing operational efficiency improvements, selectively expanding our store portfolio and further developing our online presence will continue to drive growth."

The following table reconciles EBITDA to profit before tax for the period for the First Quarter 2014 and the First Quarter 2015.

(in thousands of £)	**For the First Quarter 2015**	**For the First Quarter 2014**
Profit before tax	2,539	2,440
Financial income and expense	5,595	5,480
Depreciation of fixtures and equipment and amortization of software	3,135	3,181
EBITDA	11,269	11,101

Certain Definitions

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

"APR" refers to the annual percentage interest rate.

"Company" refers to BrightHouse Group plc.

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

"EBT" refers to the Employee Benefit Trust.

"First Quarter 2014" refers to the thirteen weeks ended 28 June 2014.

"First Quarter 2015" refers to the thirteen weeks ended 29 June 2015.

"First Quarter Report" refers to this report as of and for the thirteen weeks ended 29 June 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 period" and "this period" refer to the First Quarter 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 Quarterly Report we refer to the thirteen weeks ended 29 June 2015 as "First Quarter 2015", and the thirteen weeks ended 28 June 2014 as "First Quarter 2014". We refer to our fiscal year started 1 April 2015 ending 31 March 2016 as "Fiscal 2016".

Consolidated financial statements

The consolidated financial statements of the Company and its subsidiaries for the thirteen weeks ended 29 June 2015 presented in this Quarterly Report have been prepared in accordance with IFRS and in accordance with the accounting policies presented in the offering memorandum relating to the Notes. The consolidated financial statements are unaudited and have been derived from the internal management reporting of the Company. The results of operations for prior periods or interim periods are not necessarily indicative of the results to be expected for the full financial reporting periods or any future reporting periods.

Presentation of non-IFRS financial measures

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

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

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

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

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

Presentation of non-IFRS operating measures

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

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

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

Rounding adjustments

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

Consolidated Financial Statements

Group income statement

for the thirteen weeks ended 29 June 2015

	Notes	*13 weeks ended 29 June 2015 (unaudited) £000*	*13 weeks ended 28 June 2014 (unaudited) £000*
Revenue	2	90,152	83,861
Cost of sales		(40,646)	(36,918)
Gross profit		49,506	46,943
Operating expenses		(41,372)	(39,023)
Operating profit		8,134	7,920
Other finance income	3	5	36
Other finance expense	3	(5,600)	(5,516)
Profit before taxation		2,539	2,440
Tax charge	4	(589)	(569)
Profit for the period		1,950	1,871

The results shown above all relate to continuing activities.

Group statement of comprehensive income

for the thirteen weeks ended 29 June 2015

	13 weeks ended 29 June 2015 (unaudited) £000	*13 weeks ended 28 June 2014 (unaudited) £000*
Profit for the period	1,950	1,871
Other comprehensive income for the period net of tax	–	–
Total comprehensive income for the period net of tax	1,950	1,871

Group statement of financial position

as of 29 June 2015

	Notes	*29 June 2015 (unaudited) £000*	*28 June 2014 (unaudited) £000*
Non-current assets			
Property, plant and equipment	5	169,033	157,896
Intangible assets	6	86,225	83,952
Trade and other receivables	9	21,767	23,212
Deferred tax assets	7	7,454	10,067
		284,479	275,127
Current assets			
Inventories	8	20,281	19,671
Trade and other receivables	9	56,023	50,431
Cash and cash equivalents	10	26,297	17,918
		102,601	88,020
Total assets		387,080	363,147
Current liabilities			
Trade and other payables	11	73,746	69,061
Financial liabilities	12	–	36
Current tax payable		937	553
		74,683	69,650
Non-current liabilities			
Financial liabilities	12	247,817	244,026
		247,817	244,026
Total liabilities		322,500	313,676
Net assets		64,580	49,471
Equity attributable to equity holders of the parent			
Share capital	13	50	50
Share premium		552	552
Capital redemption reserve		57	57
Own shares reserve		(296)	(246)
Retained reserves		64,217	49,058
Total equity		64,580	49,471

Group statement in changes of equity

for the thirteen weeks ended 29 June 2015

	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 2014	50	552	(283)	47,187	57	47,563
Profit for the period	–	–	–	1,871	–	1,871
Issue of shares to employees (net)	–	–	37	–	–	37
As of 28 June 2014	50	552	(246)	49,058	57	49,471
As of 1 April 2015	50	552	(296)	62,267	57	62,630
Profit for the period	–	–	–	1,950	–	1,950
Issue of shares to employees (net)	–	–	–	–	–	–
As of 29 June 2015	50	552	(296)	64,217	57	64,580

Group statement of cash flows

for the thirteen weeks ended 29 June 2015

	Notes	*13 weeks ended 29 June 2015 (unaudited) £000*	*13 weeks ended 28 June 2014 (unaudited) £000*
Cash flows from operating activities			
Profit for the period		1,950	1,871
Adjustments for:			
Sales proceeds from sales of rental assets		753	658
Depreciation		27,903	25,675
Amortisation of intangible assets		1,350	1,283
Financial income		(5)	(36)
Financial expense		5,600	5,516
Profit on rental assets sold to customers		(131)	(162)
Rental assets written off as obsolete or not recoverable from defaulting customers		7,011	6,212
Purchase of rental assets		(34,807)	(28,135)
Taxation		589	569
Operating cash inflow before changes in working capital		10,213	13,451
Increase in trade and other receivables		(3,437)	(4,393)
Increase in inventories		(5,918)	(10,149)
Increase in trade and other payables		18,340	22,020
Cash generated from operations		19,198	20,929
Tax paid		(80)	–
Net cash flow from operating activities		19,118	20,929
Cash flows from investing activities			
Interest received		5	13
Purchase of property, plant and equipment		(1,858)	(453)
Payments to acquire intangible assets		(2,266)	(1,162)
Net cash from investing activities		(4,119)	(1,602)
Cash flows from financing activities			
Repayment of senior credit facility		–	(9,000)
Interest paid		(8,761)	(8,751)
Proceeds from sale of shares by EBT		–	34
Net cash flow from financing activities		(8,761)	(17,717)
Net increase in cash and cash equivalents		6,238	1,610
Cash and cash equivalents at the beginning of the period		20,059	16,308
Cash and cash equivalents at the end of the period	10	26,297	17,918

Notes to Group financial statements

as of and for the thirteen weeks ended 29 June 2015

1. Accounting policies and basis of preparation

This Quarterly report contains condensed consolidated financial information of BrightHouse Group plc for the thirteen weeks ended 29 June 2015. 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 2015. This financial information should be read in conjunction with the consolidated financial statements of BrightHouse Group plc for the year ended 31 March 2015.

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. 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. This has not changed since 27 April 2015 with product insurance being offered as a separate optional cover. 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.

3. Finance income and expense

Recognised in income statement

	13 weeks ended 29 June 2015 (unaudited) £000	*13 weeks ended 28 June 2014 (unaudited) £000*
Interest income	5	13
Fair value gains on forward foreign exchange contracts	–	23
Finance income	5	36

	13 weeks ended 29 June 2015 (unaudited) £000	*13 weeks ended 28 June 2014 (unaudited) £000*
Interest expense	5,529	5,451
Unwinding of discount re: trade receivables due after more than 1 year	71	65
Finance expense	5,600	5,516

Notes to Group financial statements

as of and for the thirteen weeks ended 29 June 2015

4. Taxation

Tax on profit on ordinary activities

Recognised in the income statement

	13 weeks ended 29 June 2015 (unaudited) £000	*13 weeks ended 28 June 2014 (unaudited) £000*
Current tax:		
Corporation tax charge UK	185	–
Corporation tax charge overseas	36	68
Total current income tax	221	68
Deferred tax:		
Deferred tax charge	368	501
Total taxation in income statement	589	569

Notes to Group financial statements

as of and for the thirteen weeks ended 29 June 2015

5. Property, plant and equipment

	Rental assets (unaudited) £000	*Fixtures, equipment and vehicles (unaudited) £000*	*Total (unaudited) £000*
Cost:			
As of 1 April 2014	192,384	50,734	243,118
Additions	28,135	453	28,588
Disposals	(31,724)	–	(31,724)
As of 28 June 2014	188,795	51,187	239,982
As of 1 April 2015	200,380	56,242	256,622
Additions	34,807	1,858	36,665
Disposals	(34,170)	–	(34,170)
As of 29 June 2015	201,017	58,100	259,117
Depreciation:			
As of 1 April 2014	47,702	33,726	81,428
Depreciation charge for the period	23,777	1,898	25,675
Disposals	(25,017)	–	(25,017)
As of 28 June 2014	46,462	35,624	82,086
As of 1 April 2015	47,664	41,055	88,719
Depreciation charge for the period	26,118	1,785	27,903
Disposals	(26,538)	–	(26,538)
As of 29 June 2015	47,244	42,840	90,084
Net book value:			
As of 29 June 2015	153,773	15,260	169,033
As of 1 April 2015	152,716	15,187	167,903
As of 28 June 2014	142,333	15,563	157,896
As of 1 April 2014	144,682	17,008	161,690

Notes to Group financial statements

as of and for the thirteen weeks ended 29 June 2015

6. Intangible assets

	Software (unaudited) £000	*Goodwill (unaudited) £000*	*Total (unaudited) £000*
Cost:			
As of 1 April 2014	42,480	74,978	117,458
Additions	1,162	–	1,162
As of 28 June 2014	43,642	74,978	118,620
As of 1 April 2015	48,826	74,978	123,804
Additions	2,266	–	2,266
As of 29 June 2015	51,092	74,978	126,070
Amortisation:			
As of 1 April 2014	33,385	–	33,385
Amortisation charge for the period	1,283	–	1,283
As of 28 June 2014	34,668	–	34,668
As of 1 April 2015	38,495	–	38,495
Amortisation charge for the period	1,350	–	1,350
As of 29 June 2015	39,845	–	39,845
Net book value:			
As of 29 June 2015	11,247	74,978	86,225
As of 1 April 2015	10,331	74,978	85,309
As of 28 June 2014	8,974	74,978	83,952
As of 1 April 2014	9,095	74,978	84,073

Impairment testing

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

Notes to Group financial statements

as of and for the thirteen weeks ended 29 June 2015

7. Deferred tax assets

	29 June 2015 (unaudited) £000	*28 June 2014 (unaudited) £000*
Assets:		
Tax losses recognised	1,157	2,667
Foreign forward exchange contracts	–	7
Unrealised profit on intercompany trading	–	351
Other property, plant and equipment	5,985	6,715
Capital contributions on lease incentives	312	327
Total tax assets	7,454	10,067

8. Inventories

	29 June 2015 (unaudited) £000	*28 June 2014 (unaudited) £000*
Goods held for resale at cost	20,281	19,671

During the period assets acquired for resale amounting to £34,807,000 (2014 – £28,135,000) 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.

9. Trade and other receivables

	29 June 2015 (unaudited) £000	*28 June 2014 (unaudited) £000*
Current:		
Trade receivables	3,702	4,116
Other trade receivables and prepayments	18,657	16,116
Other non-trade receivables	580	606
VAT incurred in advance of recovery from customers	31,217	29,593
Other taxes and social security	1,867	–
	56,023	50,431

	29 June 2015 (unaudited) £000	*28 June 2014 (unaudited) £000*
Non current:		
VAT incurred in advance of recovery from customers	19,963	21,124
Other trade receivables and prepayments	1,102	1,081
Other non-trade receivables	702	1,007
	21,767	23,212

Notes to Group financial statements

as of and for the thirteen weeks ended 29 June 2015

9. 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 £19,963,000 (2014 – £21,124,000) 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 £1,534,000 (2014 – £1,278,000) 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:

	29 June 2015 (unaudited) £000	*28 June 2014 (unaudited) £000*
1-7 days	93	79
8-14 days	100	85
15-45 days	369	285
45-90 days	11	9
	573	458

Movements in bad debt provision

	29 June 2015 (unaudited) £000	*28 June 2014 (unaudited) £000*
At beginning of period	1,387	1,192
Amounts written off as uncollectable	(4,344)	(3,349)
Increase in bad debt provision	4,491	3,435
At end of period	1,534	1,278

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

10. Cash and cash equivalents

	29 June 2015 (unaudited) £000	*28 June 2014 (unaudited) £000*
Cash and cash equivalents per balance sheet and cash flow statement	26,297	17,918

Cash and cash equivalents comprise cash at bank and in hand. Included within cash and cash equivalents is restricted cash of £4,681,000 (2014 – £6,011,000). This includes restricted cash of £3,966,000 (2014 - £5,298,000) 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 £715,000 (2014 – £713,000) 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 ended 29 June 2015

11. Trade and other payables

	29 June 2015 (unaudited) £000	28 June 2014 (unaudited) £000
Trade payables	35,281	33,553
Other taxes and social security	1,748	4,271
Other non-trade payables	497	566
Accrued expenses	34,000	28,501
Accrued interest	2,220	2,170
	73,746	69,061

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.

12. Financial liabilities

	29 June 2015 (unaudited) £000	28 June 2014 (unaudited) £000
Current liabilities:		
Foreign currency forward contracts	–	36
	–	36
Non-current liabilities:		
Senior credit facility	–	500
Unsecured 10% loan stock issued to related parties	32,348	29,676
Senior secured notes	215,469	213,850
	247,817	244,026

As of 29 June 2015, the senior credit facility includes a drawdown of £nil (2014 - £0.5 million). The carrying value of fees incurred on this debt facility are £702,000 (2014 - £1,007,000). The senior secured notes include an issue of £220 million (2014 - £220 million) less fees incurred on the debt facility of £4,531,000 (2014 - £6,150,000). These fees are amortised over the term of the facilities.

Terms and debt repayment schedule

The unsecured 10% loan stock is redeemable on 9 May 2040 and forms part of the investment made in the Group by funds advised by Vision Capital LLP. The unsecured 10% loan stock is subordinated and junior in right of payment to the senior credit facility and the senior secured notes. The amount above includes £5,744,000 (2014: £3,036,000) 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 credit facility and the senior secured notes.

Notes to Group financial statements

as of and for the thirteen weeks ended 29 June 2015

12. Financial liabilities (continued)

In 2013/14 the Group entered into a senior credit facility with Lloyds Bank Plc and GE Corporate Finance Bank SAS. This amounted to a total facility of £25 million and is secured against the assets of the Group. This facility is repayable on 9 September 2017. There is a first priority fixed security and floating charge over the assets of the Group in favour of Lloyds Bank Plc, acting as security agent.

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. These notes are pari passu with the senior credit facility issued on the same date, however, in the event of enforcement of the collateral and certain distressed disposals, holders of the notes will receive proceeds from the enforcement of the collateral only after the senior credit facility lenders have been repaid.

As of 29 June 2015 the Group had undrawn committed facilities available to it of £24.5 million (2014 – £24.0 million), in respect of which all conditions precedent had been met and all covenants complied with.

13. Share capital

		29 June 2015 (unaudited)		*28 June 2014 (unaudited)*
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
A Ordinary shares of £0.001 each	4,340,000	4	4,350,000	4
Ordinary shares of £0.001 each	152,500	–	142,500	–
B Ordinary shares of £0.01 each	200,000	2	200,000	2
C Ordinary shares of £0.01 each	75,000	1	75,000	1
D Ordinary shares of £0.01 each	62,500	1	62,500	1
E Ordinary shares of £0.01 each	62,500	1	62,500	1
F Ordinary shares of £500 each	1	1	1	1
G Ordinary shares of £0.001 each	107,499	–	107,499	–
H Ordinary shares of £500 each	1	1	1	1
A Preferred shares of £0.0000001 each	6,725,639	–	6,725,639	–
B Preferred shares of £0.0000001 each	86,583,475	–	86,583,475	–
Deferred shares of £0.0000001 each	6,993,992,053	–	6,993,992,053	–
C Preferred shares of £1.00 each	40,500	41	40,500	41

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

'A Ordinary Shares' are controlled by VCP VI B (see note 23 Related parties). 'B Ordinary Shares', 'C Ordinary Shares', 'D Ordinary Shares', 'E Ordinary Shares', 'F Ordinary Shares', 'G Ordinary Shares' and 'Ordinary Shares' are controlled by management ('Management Shares'). 'A Preferred Shares' are controlled by VCP VI B, 'B Preferred Shares' are controlled by VCP VI B and management and 'Deferred Shares' are controlled by the Employee Benefit Trust. Dividends are distributed first to A Preferred Shares until the maximum hurdle rate, described in the Articles of Association, has been met. Remaining dividend amounts are then distributed to B Preferred Shares until the maximum hurdle rate has been met. Deferred Shares receive no dividend distribution. All other classes of share are treated equally for any remaining distribution. For voting, each class of share holds in aggregate, the % of votes as follows: A Ordinary: 75%, B Ordinary: 5%, C Ordinary 5%, D Ordinary 5%, E Ordinary 5% and F Ordinary 5%. All other classes of share hold no voting rights. In the event of a sale of the business, realisation proceeds are allocated in the following order. To the extent that the hurdle rate exceeds any previous return of capital A Preferred Shares receive proceeds first. Next to the extent that the hurdle rate exceeds any previous return of capital B Preferred Shares receive proceeds. Deferred Shares receive a maximum of 1p on a sale of the business. Finally any remaining proceeds are distributed equally between the remaining share classes. However, in certain circumstances described in the Articles, participation of Management Shares in the proceeds may increase.

Notes to Group financial statements

as of and for the thirteen weeks ended 29 June 2015

13. Share capital (continued)

On 17 April 2013 two new classes of share were created. The H share is controlled by management and has 5% voting rights. Following the creation of this class of share, the E Shares 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 31 July 2014 10,000 A Ordinary Shares were redesignated as Ordinary Shares.

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

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read together with our consolidated financial statements as of and for the thirteen weeks ended 29 June 2015 and the accompanying notes included elsewhere in this Quarterly Report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below in "Forward-Looking Statements".

Forward-Looking Statements

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

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

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

Overview

We are the leading player in the rent-to-own market in the United Kingdom measured by revenue, total customers and number of stores. We offer an integrated retail, credit and service proposition targeted at low income and credit impaired consumers who have limited access to traditional financing alternatives. We conduct our operations from our 303 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.

We continue to evolve our proposition to ensure that it meets the needs of our customers. With effect from 27 April 2015, we are offering our product insurance as a separate optional cover. The retail price of the product now comprises a package of benefits incorporating delivery and installation, cover providing 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 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. 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 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 of 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 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 agreement at any time should their preferences or circumstances change.

On 2 September 2013, we launched our simplified "Single Price Agreement" pricing structure. Under this pricing structure, the representative APR offered in our hire purchase agreements was 64.7%. The actual rate offered to individual customers was 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 retail price of the product was a package of benefits. These included delivery and installation, 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. Agreements in effect prior to 27 April 2015 are unaffected by the offering of product insurance as a separate optional cover; the contracts and covers continue with no change to their terms and conditions.

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. These provided unlimited maintenance of the product during the life of the hire purchase agreement and cover for loss through accidental damage, fire and theft. Both covers can be cancelled by the customer with seven days' notice. Agreements in effect prior to 2 September 2013 are unaffected by the offering of product insurance as a separate optional cover and the introduction of the Single Price Agreement; the contracts and covers 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 thirteen weeks ended 29June 2015	**As of and for the thirteen weeks ended 28 June 2014**
Summary Statistical and Operating Data		
Customer Data		
Total customers(1)	276.2	270.3
Average number of contracts per customer(2)	2.87	2.78
Stores		
Number of stores	303	286
LTM like-for-like revenue growth (%)(3)	4.7	5.2
Contract Portfolio (in millions of £)(4)	571.5	569.5

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

Total customers

As of 29 June 2015, we had 276,200 customers, representing an increase of 2.2% compared to 270,300 customers as of 28 June 2014. The quality of the customer base has improved year-on-year leading to the reduced probability of customer default. The group segments its customers into risk groups and the lowest risk segment has increased from 46% as of 28 June 2014 to 51% as of 29 June 2015 as a proportion of the customer base.

The policy of increasing the credit quality of our new customers has led to a reduced rate of customer growth and an increase in average revenue per customer. Average revenue per customer per month has risen from £115.17 as of 28 June 2014 to £119.74 as of 29 June 2015, an increase of 4.0%.

Average number of contracts per customer

Average number of contracts per customer increased to 2.87 as of 29 June 2015 compared to 2.78 as of 28 June 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 5 new stores in the First Quarter 2015; we did not open any new stores in the First Quarter 2014. As of 29 June 2015, we had a total of 303 stores, and as of 28 June 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.

The E-commerce programme has progressed with the business continuing to develop 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. This improves the customer experience and reduces the time required in-store to complete an agreement. Online applications for the First Quarter 2015 increased by 14.3% compared to the First Quarter 2014.

LTM like-for-like revenue

LTM like-for-like revenue for the twelve months ended 29 June 2015 increased by 4.7% compared to an increase of 5.2% for the twelve months ended 28 June 2014.

Contract Portfolio

The value of our Contract Portfolio as of 29 June 2015 was £571.5 million compared to £569.5 million as of 28 June 2014. Higher levels of demand conversion allowed for increased lending and necessitated increased investment in hire purchase asset purchases. As at 29 June 2015 we achieve a cash collection rate of approximately 71% of our Contract Portfolio. Independent forecasts indicate that our cash collection rates are consistent with previous quarters.

Regulation and compliance

BrightHouse operates in a regulated market and has established processes and policies for ensuring its compliance with all applicable legislation and regulation. Regulation for consumer credit passed from the Office of Fair Trading to the Financial Conduct Authority (the "FCA") on 1 April 2014. Initially all firms that wished to continue offering credit were granted interim permission by the FCA.

Thereafter, all firms who offer credit are required to apply to become fully authorised. To manage this process, firms are invited to make their application within three month "landing slots" defined by the FCA. The authorisation process itself has no set time limit for completion. 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 First Quarter 2015 compared with the results of operations for the First Quarter 2014

The following table sets forth certain information with respect to our consolidated results of operations for the First Quarter 2014 and the First Quarter 2015, 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 First Quarter 2015	For the First Quarter 2014	Change Amount	Change %
	(unaudited)			
Revenue	90,152	83,861	6,291	7.5
Cost of sales	(40,646)	(36,918)	(3,728)	(10.1)
Gross Profit	**49,506**	**46,943**	**2,563**	**5.5**
Operating expenses	(41,372)	(39,023)	(2,349)	(6.0)
Operating profit	**8,134**	**7,920**	**214**	**2.7**
Finance income	5	36	(31)	(86.1)
Finance expense	(5,600)	(5,516)	(84)	(1.5)
Profit before taxation	**2,539**	**2,440**	**99**	**4.1**
Tax charge	(589)	(569)	(20)	(3.5)
Profit for the period	**1,950**	**1,871**	**79**	**4.2**

Revenue

Our revenue increased by £6.3 million, or 7.5%, to £90.2 million for the First Quarter 2015 from £83.9 million for the First Quarter 2014. This increase was primarily due to an increase in the average number of contracts per customer and the impact of new store openings since the First Quarter 2014.

Cost of sales

Our cost of sales increased by £3.7 million, or 10.1%, to £40.6 million (45.1% of revenue) for the First Quarter 2015 from £36.9 million (44.0% of revenue) for the First Quarter 2014. This increase was predominantly due to increased rental asset depreciation and greater spend on the maintenance of rental assets.

Cost of debt of £8.7 million (9.7% of revenue) for the First Quarter 2015 remained consistent with the First Quarter 2014 (£8.7 million but 10.4% of revenue). Rental asset depreciation increased by £2.3 million, or 9.8%, to £26.1 million for the First Quarter 2015 from £23.8 million for the First Quarter 2014. Spend on the maintenance of the asset fleet increased from £2.6 million for the First Quarter 2014 to £3.1 million for the First Quarter 2015 due to increased expenditure incurred in reducing the repair queue.

Gross profit and gross profit margin

Our gross profit increased by £2.6 million, or 5.5%, to £49.5 million for the First Quarter 2015 from £46.9 million for the First Quarter 2014. Our gross profit margin (expressed as a percentage of revenue) decreased to 54.9% for the First Quarter 2015 from 56.0% for the First Quarter 2014. The decrease in gross profit margin was primarily a result of the factors discussed above within the cost of sales analysis.

Operating expenses

Our operating expenses increased by £2.3 million, or 6.0%, to £41.4 million (45.9% of revenues) for the First Quarter 2015 from £39.0 million (46.5% of revenues) for the First Quarter 2014. The increase was mainly due to an increase in costs resulting from an enlarged store base and increased marketing spend.

Operating profit

Our operating profit increased by £0.2 million, or 2.7%, to £8.1 million for the First Quarter 2015 from £7.9 million for the First Quarter 2014. This increase was primarily due to the factors described above. Our operating profit margin (expressed as a percentage of revenue) decreased to 9.0% for the First Quarter 2015 from 9.4% for the First Quarter 2014 predominately due to the factors discussed above within the costs of sales and operating expenses analysis.

Finance expenses (net)

Our net finance expenses increased by £0.1 million, or 2.1%, to £5.6 million for the First Quarter 2015 from £5.5 million for the First Quarter 2014.

Tax charge

Our tax charge of £0.6 million for the First Quarter 2015 increased marginally from a tax charge of £0.6 million for the First Quarter 2014. The increase in the tax charge was driven by the increase in profit before taxation. Our effective tax rate for the First Quarter 2015 was 23.2% compared to 23.3% for the First Quarter 2014.

Profit for the period

Our profit for the period increased by £0.1 million, or 4.2%, to £2.0 million for the First Quarter 2015 from £1.9 million for the First Quarter 2014 as a result of the factors described above.

Cash Flows

(in thousands of £)	**For the First Quarter 2015**	**For the First Quarter 2014**
Cash and cash equivalents at beginning of period	20,059	16,308
Net cash flow from operating activities	19,118	20,929
Net cash from investing activities	(4,119)	(1,602)
Net cash flow from financing activities	(8,761)	(17,717)
Net increase in cash and cash equivalents	6,238	1,610
Cash and cash equivalents at end of period	**26,297**	**17,918**

Net cash flow from operating activities

First Quarter 2015 compared to First Quarter 2014

Net cash flow from operating activities decreased by £1.8 million to an inflow of £19.1 million for the First Quarter 2015 from an inflow of £20.9 million for the First Quarter 2014, primarily as a result of increased purchases of hire purchase assets, partially offset by improved working capital management.

Net cash flow from investing activities

First Quarter 2015 compared to First Quarter 2014

Net cash used in investing activities increased by £2.5 million to an outflow of £4.1 million for the First Quarter 2015 from an outflow of £1.6 million for the First Quarter 2014. This has been analysed in the Capital Expenditures section.

Net cash flow from financing activities

First Quarter 2015 compared to First Quarter 2014

Net cash used in financing activities decreased by £9.0 million to an outflow of £8.8 million for the First Quarter 2015 from an outflow of £17.7 million for the First Quarter 2014. This decrease was primarily attributable to a £9 million repayment of the senior credit facility in the First Quarter 2014. Interest payments on the senior secured notes of £8.6 million were made in both quarters.

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 29 June 2015 our total restricted cash was £4.7 million compared to £6.0 million as of 28 June 2014. The decrease was attributable to lower restricted cash in the entities who supply insurance related services.

Capital Expenditures

Our capital expenditures (excluding purchase of hire purchase assets) comprise new store fit-out expenditures, investments in our information technology systems and capital expenditure relating to refurbishment of existing stores and service centres. The following table sets out our capital expenditures for the First Quarter 2014 and the First Quarter 2015:

(in millions of £)	**For the First Quarter 2015**	**For the First Quarter 2014**
Capital expenditure on new stores[(1)]	0.6	0.1
Capital expenditure on information technology hardware	0.2	–
Capital expenditure on software development[(2)]	2.2	1.2
Others[(3)]	1.1	0.3
Total capital expenditure	**4.1**	**1.6**

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

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

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

Total capital expenditure incurred in the First Quarter 2015 increased by £2.5 million to £4.1 million compared to the First Quarter 2014. We opened 5 new stores in the First Quarter 2015 compared to no new stores in the First Quarter 2014.

Capital expenditure on software development increased from £1.2 million in the First Quarter 2014 to £2.2 million in the First Quarter 2015 predominantly due to the implementation of the new ERP system and the capitalisation of certain project costs relating to the offering of product insurance as a separate optional cover.

Other capital expenditure increased from £0.3 million in the First Quarter 2014 to £1.1 million in the First Quarter 2015 due to security improvements made across the service estate 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 29 June 2015, the value of our Contract Portfolio, which is unrecognized and maintained off-balance sheet until instalment payments are due, was £571.5 million. This was supported by hire purchase assets, recognized on our balance sheet, underpinning our Contract Portfolio, having a net book value of £153.8 million as of 29 June 2015.

Key Contacts and Calendar

Key Contacts

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Finance Calendar

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