Financial Statements
Perfect Home Holdings Limited

For the year ended 31 March 2014

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Registered number: 06016659

Company Information

Directors	J R Clark M W Cooper A M Smith M J Sweetland
Company secretary	A M Smith
Registered number	06016659
Registered office	Coleshill Manor Office Campus Coleshill West Midlands B46 1DL
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Colmore Plaza Colmore Circus Birmingham West Midlands B4 6AT
Bankers	Barclays Bank Plc 15 Colmore Row Birmingham B3 2EP

Contents

Directors' Report

For the year ended 31 March 2014

The directors present their report and the financial statements for the year ended 31 March 2014.

Results

The profit for the year, after taxation, amounted to £4,253,269 (2013 - £1,991,443).

Directors

The directors who served during the year were:

J R Clark
M W Cooper
A M Smith
M J Sweetland

Donations

The group made donations totalling £71,500 (2013: £60,000) during the year.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employee welfare

The group employs people from the communities it serves and aims to be the employer of choice within its market sector. The group aims to attract, select, recruit and retain top quality employees based only on their ability and aptitude through a number of people policies. These policies include offering upper-quartile rates of pay (compared with the market), excellent benefits and training and development opportunities for employees, reflecting the company's values and culture.

These benefits include:

- Pension scheme available to all staff
- Life insurance available for all staff
- Childcare vouchers
- Market-leading bonus and commission schemes where appropriate
- Family Friendly Policies which include an enhanced Maternity Policy and enhanced Paternity Policy
- Performance related pay based on annual reviews for all staff.

Recruitment
Through its ongoing recruitment for new and existing stores, the group recruits within local communities through local recruitment campaigns including via Job Centre Plus. The group is also seeking to develop opportunities to provide employment to young people who have been disadvantaged in some way through its involvement with The Prince's Trust and CREATE UK Limited.

Training and development
A structured induction training programme is in place which is regularly reviewed with regard to its relevance and quality. This programme ensures that all new employees receive timely and effective induction training, including both hard and soft skills.

Employees are encouraged to develop their skills through National Vocational Qualifications (NVQs). These offer employees an opportunity to be awarded with a qualification relevant to the role they perform.

The group recognises internal talent by offering future promotion through an internal development programme, called 'Next Generation'. To be eligible for this programme, employees must meet and fulfil certain criteria.
For the last six years, Perfect Home has run its own Management Development Programme. This programme concentrates on delivering training to enhance the knowledge of all Line Managers in such areas as HR, managing people, managing performance and coaching.

Employee consultation
The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

Health & safety
The group recognises its obligations under the Health and Safety at Work Act 1974 and other relevant legislation and has a full programme of risk assessment and risk management activities, overseen by its designated Compliance Manager, to ensure that these are met.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue.

Community involvement

The group sells household electronics, appliances and furniture to all sections of the community and seeks to provide financing arrangements which can be adapted to all potential customers, whatever their circumstances, to facilitate these purchases. The group aims not to exclude any section of the community from the opportunity of becoming a customer, and in line with this philosophy, has sought to engage with charitable organisations which seek to improve the lot of some the more disadvantaged members of the community and provide opportunities for them to lead more fulfilling lives. The group is therefore pleased to be associated with The Prince's Trust and CREATE UK Limited.

Directors' Report
For the year ended 31 March 2014

The group is a member of The Retail Leadership Group of The Prince's Trust, the country's leading Youth charity. This involves a financial commitment over a number of years, supplemented by the development of work experience placements and the provision of employment opportunities to assist the Trust in its work with disadvantaged young people.

CREATE UK Limited is a charitable company whose objectives include the recycling and reuse of end-of-life appliances and the training of long-term unemployed adults within the context of a meaningful, paid employment. CREATE has worked with over 1,150 trainees over the years, specialising with those with the most challenging needs. This includes working with offenders within workshops based in two prisons in the north-west of England, with the objective of providing them with the skills and training necessary to allow them to move into permanent employment. In addition, CREATE has worked with ex-offenders in conjunction with Achieve North West to deliver training and employment opportunities with excellent results, including 66% successful job outcomes. In common with many organisations in this sector, CREATE suffered from changes to the Government's Work Programme and had to close in 2012. However, Perfect Home has been involved in helping it recommence its operations, providing it with necessary financial support. This has now enabled it to develop a new model involving an arrangement with REPIC, the largest Producer Compliance Scheme in the UK. This has allowed a refurbishment operation to be developed which will generate training and employment opportunities for the future.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 19 June 2014 and signed on its behalf.

A M Smith
Director

Group Strategic Report
For the year ended 31 March 2014

Principal activities

The principal activity of the company during the year was that of a holding company.

Business review

The directors are pleased to report a profit before taxation of £4,455,790 (2013: loss of £1,847,176). This was achieved through a restructuring of the finances of the business in March 2013, which led to a significant reduction in the Group's interest costs. Underlying operating profit in the year was £6,106,266 (2013: £7,244,202). The reduction in operating profit was caused by a significant increase in store openings, with eighteen stores being opened in the preceeding eighteen months, an increase in the store estate of 39%, that led to an increase in new store profit drag. This coincided with a more challenging economic environment in the middle part of 2013, which led to an increase in losses. The directors are pleased to report that more recent business is now performing at or better than historical norms and a substantial improvement in performance is expected in the year 2014/15.

Financial risk management objectives and policies

The group's principal financial instruments comprise cash at bank, revolving credit facilities, finance lease and hire purchase arrangements and other loans. The main purpose of these financial instruments is to raise finance for the group's operations. The group has various other financial instruments such as amounts receivable from hire purchase contracts and trade creditors which arise directly from its operations. The group does not enter into derivative transactions.

It is, and has been throughout the year under review, the group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the group's financial instruments are liquidity risk, interest rate risk, credit risk and currency risk.

Liquidity risk
The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The group's objective is to maintain a balance between continuity of funding and flexibility through the use of its various financial instruments.

Interest rate risk
The group finances its operations through borrowings with certain interest charges being rolled up into debt. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Credit risk
The group makes sales to customers on finance and loan agreements on the basis of a clear and tested evaluation process. This process is refined from time to time to make use of all available data.

Key performance indicators

Customer contract numbers
Turnover is driven by the number of customers and customer HP agreements. The strategy outlined above reflects the drive to grow the customer base and the number of customer agreements. Customer agreement numbers have grown by 16.7% from 110,519 in 2012/13 to 128,945 in 2013/14. Turnover (including interest on hire purchase contracts) has risen by 14.7% in the year, demonstrating the success of this policy, and will rise further as the full year effect of this year's growth feeds through into revenue in future years.

Group Strategic Report (continued)
For the year ended 31 March 2014

New stores
The business opened 8 new stores in 2013/14 compared to 11 in 2012/13. These stores have all met or exceeded expectations, and the business intends to open more stores in the coming year. The expansion into Scotland and Wales has continued with five stores in Scotland and two in Wales. A further two stores have been opened so far in the new year.

Bad debts
The group seeks at all times to manage its arrears process with the intention of returning the customer to a successful payment profile. This effective focus on customer retention has enabled bad debt, measured by average arrears percentage, to be kept under tight control.

At 31 March 2014 the arrears percentage stood at 5.33% of four weekly dues, compared to 5.41% in the previous year. The arrears percentage is calculated by reference to the actual weekly payments outstanding in the last week of the year divided by the contractual dues.

This report was approved by the board on 19 June 2014 and signed on its behalf.

A M Smith
Director

Grant Thornton

Independent Auditor's Report to the Members of Perfect Home Holdings Limited

We have audited the financial statements of Perfect Home Holdings Limited for the year ended 31 March 2014, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

Independent Auditor's Report to the Members of Perfect Home Holdings Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

David White (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Birmingham

24 June 2014

Consolidated Profit and Loss Account

For the year ended 31 March 2014

	Note	2014 £	2013 £
Turnover - sale of goods, extended warranties and service agreements		**63,652,440**	55,520,813
Turnover - interest from hire purchase contracts		**19,082,965**	16,597,905
	1,2	**82,735,405**	72,118,718
Cost of sales		**(35,709,656)**	(29,659,807)
Net income from customers and gross profit		**47,025,749**	42,458,911
Other operating charges		**(40,921,483)**	(35,214,709)
Operating profit	3	**6,104,266**	7,244,202
Interest receivable and similar income	6	**2,312**	105,045
Interest payable and similar charges	7	**(1,650,788)**	(9,196,423)
Profit/(loss) on ordinary activities before taxation		**4,455,790**	(1,847,176)
Tax on profit/(loss) on ordinary activities	8	**(202,521)**	3,838,619
Profit for the financial year	21	**4,253,269**	1,991,443

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 12 to 30 form part of these financial statements.

Consolidated Balance Sheet
As at 31 March 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	9		**4,528,371**		4,433,516
Current assets					
Stocks	11	**4,707,161**		4,839,059	
Debtors: amounts falling due after more than one year	12	**55,241,448**		45,258,846	
Debtors: amounts falling due within one year	12	**35,410,696**		36,373,065	
Cash at bank		**3,922,694**		3,868,619	
		99,281,999		90,339,589	
Creditors: amounts falling due within one year	13	**(30,865,605)**		(25,115,870)	
Net current assets			**68,416,394**		65,223,719
Total assets less current liabilities			**72,944,765**		69,657,235
Creditors: amounts falling due after more than one year	14		**(17,828,481)**		(18,794,220)
Net assets			**55,116,284**		50,863,015
Capital and reserves					
Called up share capital	20		**1,797**		1,797
Other reserves	21		**85,741,739**		85,741,739
Profit and loss account	21		**(30,627,252)**		(34,880,521)
Shareholders' funds	22		**55,116,284**		50,863,015

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 June 2014.

J R Clark
Director

The notes on pages 12 to 30 form part of these financial statements.

Company Balance Sheet
As at 31 March 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Investments	10		**85,741,739**		85,741,739
Current assets					
Debtors	12	**1,240**		568	
Cash at bank		**296**		1,035	
			1,536		1,603
Net assets			**85,743,275**		85,743,342
Capital and reserves					
Called up share capital	20		**1,797**		1,797
Other reserves	21		**85,741,739**		85,741,739
Profit and loss account	21		**(261)**		(194)
Shareholders' funds	22		**85,743,275**		85,743,342

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 June 2014.

J R Clark
Director

The notes on pages 12 to 30 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2014

	Note	2014 £	2013 £
Net cash flow from operating activities	23	**1,719,841**	(5,216,339)
Returns on investments and servicing of finance	24	**(22,490)**	(37,699)
Taxation		**(82,006)**	(80,562)
Capital expenditure and financial investment	24	**(1,707,065)**	(1,549,198)
Cash outflow before financing		**(91,720)**	(6,883,798)
Financing	24	**145,795**	7,185,818
Increase in cash in the year		**54,075**	302,020

Reconciliation of Net Cash Flow to Movement in Net Debt

For the year ended 31 March 2014

	2014 £	2013 £
Increase in cash in the year	**54,075**	302,020
Cash inflow from increase in debt and lease financing	**(145,795)**	(7,711,715)
Cash outflow in respect of finance leases and hire purchase agreements	-	525,897
Change in net debt resulting from cash flows	**(91,720)**	(6,883,798)
New finance lease	-	(909,077)
Accrued interest waived	-	105,045
Debt converted to equity	**(3,159,934)**	85,843,606
Net financing issue cost	-	(72,747)
Accrued loan interest	-	(8,857,505)
Movement in net debt in the year	**(3,251,654)**	69,225,524
Net debt at 1 April 2013	**(15,743,096)**	(84,968,620)
Net debt at 31 March 2014	**(18,994,750)**	(15,743,096)

The notes on pages 12 to 30 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 March 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

The Perfect Home Holdings group has in place facilities from shareholders of £10 million. Since the year end this facility was renegotiated and is now due for repayment on 30 June 2015. In addition, the group has a facility with Burdale Financial Limited of £15 million repayable in July 2015. The directors have prepared group forecasts for the period ended 30 June 2015 which show that these facilities are sufficient to support the group's current business plan for the next 12 months.

1.3 Basis of consolidation

The financial statements consolidate the accounts of Perfect Home Holdings Limited and all of its subsidiary undertakings ('subsidiaries').

1.4 Related party transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with members of the group that are wholly owned.

Notes to the Financial Statements

For the year ended 31 March 2014

1. Accounting Policies (continued)

1.5 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Sale of goods
In accordance with SSAP 21 paragraph 45 the group is deemed to be a "dealer". Accordingly, turnover relating to the sale of product is recognised on delivery rather than the inception of the hire purchase contract.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership have been transferred to the buyer, which is taken to be on delivery. An assessment is made of the likelihood of customers returning goods and a provision is made against sales to reflect the likely diminution in turnover caused by such returns.

The profit relating to the sale of goods is restricted to the excess of the fair value of the asset over the cost of that asset to the group.

Extended warranties and service agreements
Goods sold to customers are usually under hire purchase contracts and often in conjunction with service agreements and extended warranties. Service agreements and extended warranties are sold under fixed sum loan agreements.

Income relating to extended warranties and service agreements is recognised to allocate earnings evenly over the period of the contract.

Interest receivable under hire purchase contracts
Hire purchase agreements enable the customer to acquire title though a purchase option after payment of all required payments. The directors believe that, at the point of the initial sale, it is the intention of both the group and the customer that the customer should acquire ownership of the goods sold. The commercial effect of the service agreements entered in to with customers is that, whilst they enable customers to return goods without penalty under certain conditions, these conditions are often not satisfied and the agreements are rarely utilised for this purpose. The customer therefore retains substantially all the risks and rewards of ownership. Accordingly, agreements entered into are treated as hire purchase contracts.

Interest under hire purchase contracts is allocated to accounting periods so as to give a constant periodic rate of return on the group's net cash investment in the lease in each period.

Notes to the Financial Statements
For the year ended 31 March 2014

1. Accounting Policies (continued)

1.6 Net investment in hire purchase contracts and fixed sum loan agreements

Amounts due to the group as a lessor are the net investment in hire purchase contracts and fixed sum loan agreements (defined as the gross investment in the lease less gross earnings allocated to future periods). The gross investment in the lease comprises the total of the minimum lease payments and any unguaranteed residual values. The group makes provisions such that the unguaranteed residual value represents the amount expected to be recovered.

The fixed sum loans are agreements with customers in respect of services such as Coverplus. The year end disclosure of the amounts receivable under loan agreements is calculated by reference to the original product and service cover values.

Bad and doubtful debts provisions are calculated to reduce the value of the debtor book, which includes the net investments in hire purchase contracts and fixed sum loan agreements, to that which it is estimated will be recoverable over the life of the agreements, taking into account current and likely future default rates.

1.7 Other reserves

Where share capital is issued by the company in satisfaction of debt held by a subsidiary, the transaction is treated as a capital contribution, and the investment in the associated subsidiary increased by the fair value of debt satisfied, with the other side of the entry made to 'other reserves'.

1.8 Investments

Investments in subsidiary undertakings are stated at cost less amounts written off.

1.9 Deep discount bonds

The discount from nominal value on issue of bonds is charged to the profit and loss account over the life of the investment to the earliest date that holders may redeem their bonds. The unwinding of the discount is shown within net interest.

1.10 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	20% straight line
Plant and equipment	-	20% straight line
Motor vehicles	-	33% straight line
Fixtures and fittings	-	20% straight line

Fixed assets are tested for impairment if events or changes in circumstances, assessed at each reporting date, indicate that the carrying amount may not be recoverable.

Notes to the Financial Statements
For the year ended 31 March 2014

1. Accounting Policies (continued)

1.11 Capital incentives

The treatment of capital contributions received from lessors in respect of leased properties is determined in accordance with UITF 28 'Operating lease incentives' and by the nature of the expenditure which is reimbursed by the contribution. Contributions towards fixtures, fittings and similar items which benefit the group but do not enhance the overall value of the property such that no benefit flows to the lessor are treated as lease incentives. The benefit to the group is spread over the period to first rent review on a straight line basis. Contributions that enhance the value of the property are treated as a reimbursement of fixed asset expenditure and are recognised in accordance with the fixed asset category of the asset in respect of which the contribution has been received.

1.12 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.13 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.14 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

1.15 Dilapidations

The directors review the stores on an annual basis and assess whether it is likely that any stores will be closed in the next twelve months on operational grounds. The group includes a provision based on the estimated liabilities arising under dilapidations clauses for any leased properties selected for closure. All other properties are considered to be in a better condition than that prevailing at the inception of the lease and in these cases the group will not include a provision.

1.16 Finance lease and hire purchase agreements

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Notes to the Financial Statements
For the year ended 31 March 2014

1. Accounting Policies (continued)

1.17 Pension costs

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

1.18 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.19 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

1.20 Cash

Included within cash is £1,773,619 (2013: £2,617,349) held in the group's captive entity in Malta (see Note 10) to cover theft and accidental damage ('TAD') claims under TAD insurance policies held by customers, and as such is not available to the group to fund day-to-day working capital requirements.

1.21 Loan arrangement fees

Loan arrangement fees are deferred in the balance sheet against the borrowings to which they relate and are released on a straight line basis to the profit and loss account over the period of borrowing.

Notes to the Financial Statements
For the year ended 31 March 2014

2. Turnover

An analysis of turnover by location is as follows:

	2014	2013
	£	£
UK	**75,755,324**	63,962,217
Malta	**6,980,081**	8,156,501
	82,735,405	72,118,718

All turnover arose within the United Kingdom.

3. Operating profit

The operating profit is stated after charging:

	2014	2013
	£	£
Depreciation of tangible fixed assets:		
- owned by the group	**1,494,743**	1,596,599
- held under finance leases	**117,584**	105,143
Reversal of impairment of fixed assets	**-**	(242,673)
Auditor's remuneration	**44,800**	43,500
Operating lease rentals:		
- plant and machinery	**1,129,592**	1,060,473
- other operating leases	**4,719,562**	4,131,662

Notes to the Financial Statements

For the year ended 31 March 2014

4. Particulars of employees

Staff costs were as follows:

	2014	2013
	£	£
Wages and salaries	**15,353,275**	12,718,523
Social security costs	**1,411,536**	1,318,189
Other pension costs	**126,661**	89,960
	16,891,472	14,126,672

The average monthly number of employees, including the directors, during the year was as follows:

	2014	2013
	No.	No.
Warehouse and distribution	**125**	96
Store staff	**508**	397
Admin staff	**45**	47
	678	540

5. Directors' remuneration

	2014	2013
	£	£
Remuneration	**966,824**	1,022,544
Company pension contributions to defined contribution pension schemes	**59,039**	56,251

During the year retirement benefits were accruing to 3 directors (2013 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £359,180 (2013 - £400,416)

The value of the company's contributions to a defined contribution pension scheme in respect of the highest paid director amounted to £21,995 (2013 - £20,956)

Notes to the Financial Statements

For the year ended 31 March 2014

6. Interest receivable

	2014	2013
	£	£
Waiving of accrued interest on deep discount bonds	-	102,983
Other interest receivable	2,312	2,062
	2,312	105,045

7. Interest payable and similar charges

	2014	2013
	£	£
Loan issue costs	65,988	72,747
Bank interest	-	18,403
On finance leases and hire purchase contracts	22,490	21,358
Loan interest	1,562,310	-
Unwinding of discount on bonds	-	9,083,915
	1,650,788	9,196,423

8. Tax on loss on ordinary activities

	2014	2013
	£	£
Analysis of tax charge in the year		
Current tax (see note below)		
Overseas tax (Malta)	202,521	161,381
Deferred tax (see note 16)		
Origination and reversal of timing differences	-	(4,000,000)
Tax on profit/(loss) on ordinary activities	202,521	(3,838,619)

Notes to the Financial Statements

For the year ended 31 March 2014

8. Tax on loss on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2013 - higher than) the standard rate of corporation tax in the UK of 23% (2013 - 24%). The differences are explained below:

	2014	2013
	£	£
Profit/(loss) on ordinary activities before tax	**4,455,790**	(1,847,176)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013 - 24%)	**1,024,832**	(443,322)
Effects of:		
Depreciation for the year in excess of capital allowances	-	197,691
Short term timing differences	-	3,218
Overseas profits taxed at a different rate	-	200,780
Tax losses carried forward	**(822,311)**	203,014
Current tax charge for the year (see note above)	**202,521**	161,381

Factors that may affect future tax charges

The group has taxation losses of approximately £30,440,572 (2013: £35,134,000) to carry forward against future profits. A deferred taxation asset of £4,000,000 has been provided in respect of these losses. Remaining losses have not been provided for as the directors believe that the amount that will be utilised in the foreseeable future cannot be estimated with any degree of certainty.

Notes to the Financial Statements

For the year ended 31 March 2014

9. Tangible fixed assets

Group	Leasehold Improvements £	Plant & machinery £	Fixtures & fittings £	Motor vehicles £	Total £
Cost					
At 1 April 2013	8,696,880	381,639	2,775,863	397,271	12,251,653
Additions	813,613	-	707,134	219,138	1,739,885
Disposals	-	-	-	(260,583)	(260,583)
At 31 March 2014	9,510,493	381,639	3,482,997	355,826	13,730,955
Depreciation					
At 1 April 2013	5,794,902	381,639	1,407,155	234,441	7,818,137
Charge for the year	998,517	-	496,109	117,584	1,612,210
On disposals	-	-	-	(227,763)	(227,763)
At 31 March 2014	6,793,419	381,639	1,903,264	124,262	9,202,584
Net book value					
At 31 March 2014	2,717,074	-	1,579,733	231,564	4,528,371
At 31 March 2013	2,901,978	-	1,368,708	162,830	4,433,516

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

Group	2014 £	2013 £
Assets held under finance leases	124,260	162,830

10. Investments

The company

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
Perfect Home Finance Limited	Ordinary shares	100%
Temple Retail Limited*	Ordinary shares	100%
Temple Finance Limited*	Ordinary shares	100%
Coleshill Financial Services Limited*	Ordinary shares	100%
Coleshill Holdings Limited*	Ordinary shares	100%
Coleshill Investments Limited*	Ordinary shares	100%

*indirectly held

Notes to the Financial Statements

For the year ended 31 March 2014

10. Investments (continued)

The aggregate of the share capital and reserves as at 31 March 2014 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves	Profit/(loss)
	£	£
Perfect Home Finance Limited	**53,655,908**	**5,554,534**
Temple Retail Limited*	**(8,891,175)**	**1,652,967**
Temple Finance Limited*	**(22,908,341)**	**2,147,038**
Coleshill Financial Services Limited*	**1,908,622**	**557,369**
Coleshill Holdings Limited*	-	-
Coleshill Investments Limited*	-	-

Coleshill Holdings Limited has a beneficial interest in a protected cell within Atlas Insurance PCC Limited, a company registered in Malta. The cell provides insurance services for the group. The consolidated figures for the Perfect Home protected cell in Atlas Insurance PCC Limited are based on management accounts for the year ended 31 March 2014.

Company	Investments in subsidiary companies £
Cost	
At 1 April 2013 and 31 March 2014	**85,741,739**
Net book value	
At 31 March 2014	**85,741,739**
At 31 March 2013	85,741,739

11. Stocks

	Group	
	2014	2013
	£	£
Goods for resale	**4,707,161**	4,839,059

The replacement cost of the above stocks are not significantly different from the values stated.

Notes to the Financial Statements
For the year ended 31 March 2014

12. Debtors

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Due after more than one year				
Loan agreements receivable	**21,831,747**	18,210,607	-	-
Net investment in HP contracts	**33,409,701**	27,048,239	-	-
	55,241,448	45,258,846	-	-

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Due within one year				
Amounts owed by group undertakings	**1,240**	-	**1,240**	568
Loan agreements receivable	**10,273,763**	10,354,158	-	-
Net investment in HP contracts	**16,061,607**	15,379,283	-	-
Other debtors	**5,074,086**	6,639,624	-	-
Deferred tax asset (see note 16)	**4,000,000**	4,000,000	-	-
	35,410,696	36,373,065	**1,240**	568

The group's cost of products acquired during the year for the purpose of letting under hire purchase contracts was £42,487,821 (2013: £34,643,382).

13. Creditors:
Amounts falling due within one year

	Group	
	2014	2013
	£	£
Bank loans (notes 14 and 15)	**12,645,765**	7,711,805
Net obligations under finance leases and hire purchase contracts	**446,843**	329,647
Trade creditors	**5,205,615**	4,340,118
Overseas corporation tax	**617,471**	496,956
Other taxation and social security	**415,772**	345,905
Accruals and deferred income	**11,534,139**	11,891,439
	30,865,605	25,115,870

The hire purchase creditor is secured on the assets concerned.

On 16 July 2012 the Group arranged a revolving credit facility of up to £12 million, increasing to £15m in August 2013, with Burdale Financial Limited, a subsidiary of Wells Fargo Bank, repayable in July 2015 but due to certain conditions arising in the prior year this was disclosed as due in less than one year. In 2014 this has been disclosed as due in more than one year. This bank loan is secured on loan agreements receivable and has an interest rate of 4%.

14. Creditors:
Amounts falling due after more than one year

	Group	
	2014	2013
	£	£
Other loans	**9,759,118**	11,533,144
Net obligations under finance leases and hire purchase contracts	**65,718**	37,119
Accruals and deferred income	**8,003,645**	7,223,957
	17,828,481	18,794,220

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	Group	
	2014	2013
	£	£
Between two and five years	**65,718**	37,119

On 28 March 2013, the group entered into a debt/equity swap agreement with its Members, whereby loan stock issued by Perfect Home Finance Limited and held by CS Partners III LLP and the executive directors (with a carrying value of £86 million) was satisfied by an issue of shares in Perfect Home Holdings Limited. No gain nor loss was recognised on the transaction, which has reduced the loan stock to that held by Aaron's Inc., whose position remains unchanged.

15. Borrowings

Borrowings are repayable as follows:

Amounts payable between one and five years

	2014	2013
	£	£
Finance leases and hire purchase	**37,119**	37,119
Bonds and loans - Capital	**10,000,000**	10,000,000
Bonds and loans - Interest	**2,645,895**	1,599,262
Bonds and loans - Arrangement fees	**-**	(65,988)
	12,683,014	11,570,393

All bonds and loans carry a 10% coupon and are repayable in December 2014. Issue costs are being amortised over the term of the debt of which £65,988 was charged to the profit and loss account. Finance leases and hire purchase are secured on the assets to which they relate.

Notes to the Financial Statements
For the year ended 31 March 2014

16. Deferred taxation

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
At beginning of year	**4,000,000**	-	-	-
Recognised during the year	-	4,000,000	-	-
At end of year	**4,000,000**	4,000,000	-	-

The deferred taxation balance is made up as follows:

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Tax losses recognised	**(4,000,000)**	(4,000,000)	-	-

17. Capital commitments

At 31 March 2014 the group and company had capital commitments as follows:

	Group		Company	
	2014	2013	**2014**	2013
	£	£	**£**	£
Contracted for but not provided in these financial statements	-	445,900	-	-

18. Operating lease commitments

At 31 March 2014 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2014	2013	**2014**	2013
Group	**£**	£	**£**	£
Expiry date:				
Within 1 year	**50,000**	66,667	-	-
Between 2 and 5 years	**3,348,442**	1,683,500	-	1,880
After more than 5 years	**2,033,359**	2,534,850	-	-

19. Related party transactions

The group had no outstanding loan balances with directors in the current or prior year.

Notes to the Financial Statements

For the year ended 31 March 2014

20. Share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
95,810,968 (2013 - 95,800) A ordinary shares of £0.0001 each (2012: £0.01 each)	**958**	958
66,670,000 (2013 - 66,700) B ordinary shares of £0.0001 each (2012: £0.01 each)	**667**	667
4,190,043 (2013 - 4,200) C ordinary shares of £0.0001 each (2012: £0.01 each)	**42**	42
12,995,000 (2013 - 13,000) D ordinary shares of £0.0001 each (2012: £0.01 each)	**130**	130
	1,797	1,797

Dividends

The B ordinary shares are not entitled to a dividend until certain conditions included in the memorandum of association are met.

Return of capital and realisation

In the event of a winding up of the company or a realisation, the surplus assets or proceeds of realisation are first applied to pay the holders of A, C and D ordinary shares amounts paid up on the shares plus any arrears of dividends. Secondly, the holders of A, C and D ordinary shares shall receive the first return target (as defined by the company's articles of association). In the event that the holders of A, C and D ordinary receive an amount less than the first return target, the holders of B ordinary shares receive 1p but have no rights to any further distributions. Once the holders of A, B and D ordinary shares receive an amount equal to the first return target, the assets will be distributed to all shareholders in line with the distribution matrix included in the memorandum of association.

Voting rights

The holders of A, C and D ordinary shares are entitled to attend and vote at general meetings of the company. The holders of the C ordinary shares receive 6 votes for every share held. The holders of B ordinary shares are entitled to attend general meetings but do not have any voting rights.

Other rights

Aaron's Inc. hold 12,995,000 D shares in the company and had an option to acquire the remaining share capital, which was not exercised and lapsed.

Share buyback in May 2014

After the year end the D shares held by Aaron's Inc. were repurchased by the company at par and subsequently cancelled.

Notes to the Financial Statements

For the year ended 31 March 2014

21. Reserves

Group	Other reserves £	Profit and loss account £
At 1 April 2013	85,741,739	(34,880,521)
Profit for the financial year	-	4,253,269
At 31 March 2014	85,741,739	(30,627,252)

Company	Other reserves £	Profit and loss account £
At 1 April 2013	85,741,739	(194)
Loss for the financial year	-	(67)
At 31 March 2014	85,741,739	(261)

22. Reconciliation of movement in shareholders' funds

Group	2014 £	2013 £
Opening shareholders' funds	50,863,015	48,871,572
Profit for the year	4,253,269	1,991,443
Closing shareholders' funds	55,116,284	50,863,015

Company	2014 £	2013 £
Opening shareholders' funds	85,743,342	85,743,373
Loss for the year	(67)	(31)
Closing shareholders' funds	85,743,275	85,743,342

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account.

The loss for the year dealt with in the accounts of the company was £67 (2013 - £31).

Notes to the Financial Statements

For the year ended 31 March 2014

23. Net cash flow from operating activities

	2014	2013
	£	£
Operating profit	**6,104,266**	7,244,202
Depreciation of tangible fixed assets	**1,612,210**	1,701,742
Decrease/(increase) in stocks	**131,898**	(1,659,850)
Increase in debtors	**(9,018,993)**	(14,927,278)
Increase in creditors	**2,890,460**	2,424,845
Net cash inflow/(outflow) from operating activities	**1,719,841**	(5,216,339)

24. Analysis of cash flows for headings netted in cash flow statement

	2014	2013
	£	£
Returns on investments and servicing of finance		
Interest received	**-**	2,062
Interest paid	**-**	(18,403)
Hire purchase interest	**(22,490)**	(21,358)
Net cash outflow from returns on investments and servicing of finance	**(22,490)**	(37,699)

	2014	2013
	£	£
Taxation		
Corporation tax	**(3,464,535)**	(80,562)
	3,382,529	-
Net cash outflow from taxation	**(82,006)**	(80,562)

	2014	2013
	£	£
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,739,885)**	(1,549,198)
Sale of tangible fixed assets	**32,820**	-
Net cash outflow from capital expenditure	**(1,707,065)**	(1,549,198)

Notes to the Financial Statements

For the year ended 31 March 2014

24. Analysis of cash flows for headings netted in cash flow statement (continued)

	2014	2013
	£	£
Financing		
Other new loans	-	7,711,805
Repayment of finance leases	**(624,286)**	(525,987)
New finance leases	**770,081**	-
Net cash inflow from financing	**145,795**	7,185,818

25. Analysis of changes in net debt

	1 April 2013	Cash flow	Other non-cash changes	31 March 2014
	£	£	£	£
Cash at bank and in hand	3,868,619	54,075	-	3,922,694
Debt:				
Finance leases	(366,766)	624,286	(770,081)	(512,561)
Debts due within one year	(7,711,805)	(770,081)	(4,163,879)	(12,645,765)
Debts falling due after more than one year	(11,533,144)	-	1,774,026	(9,759,118)
Net debt	(15,743,096)	(91,720)	(3,159,934)	(18,994,750)

Notes to the Financial Statements

For the year ended 31 March 2014

26. Contingent liabilities

The company has entered into an unlimited guarantee in respect of loans with other companies in the group. At 31 March 2014 the loans guaranteed were £12,645,895 (2013: £11,599,262) The company has guaranteed certain leases for properties occupied by a group company.

The group makes a mixture of exempt and taxable supplies and Temple Finance Limited, one of the group's trading subsidiaries, applies a partial exemption method to calculate the amount of recoverable VAT incurred on costs which relate to taxable supplies. The directors have proposed a Partial Exemption Special Method which has not been accepted by HMRC. Input tax claims have therefore continued to be made on the Standard Method, with a Standard Method over-ride to reflect use of certain overheads in respect of exempt supplies. This approach has been challenged by HMRC, which considers that VAT has been over-recovered and has raised assessments for amounts that it believes are due in respect of the VAT returns up to and including March 2013.

The directors, having taken advice, believe that these assessments in respect of periods up to and including March 2010 were raised out of time and are not due. They also strongly contest the basis on which all assessments have been made and have appealed them.

In addition, as at 30 April 2014 HMRC has raised assessments in the sum of £4,169,319, contending that cross charges between group companies were not made at open market value. These contradict independent transfer pricing reviews conducted for the group which suggest that the group's inter-company charges fall within an acceptable bench-marked range.

Furthermore, the directors, having taken advice, believe that assessments up to March 2011 were raised out of time. The directors also consider that the current recharges are correct and can be supported with appropriate evidence, and will continue vigorously to contest the position adopted by HMRC.

There are no other contingent liabilities at 31 March 2014 or 31 March 2013.

27. Controlling party

The ultimate controlling party is Cabot Square Capital Nominee Limited.