

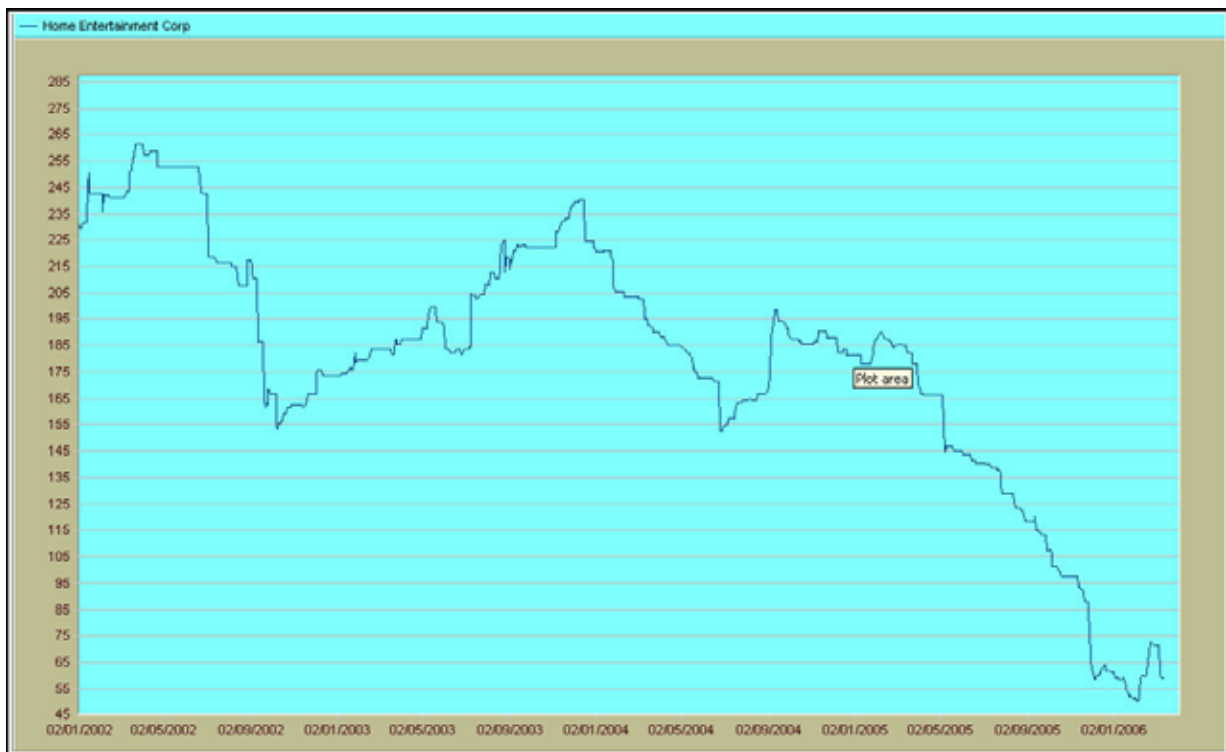
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18 March 2006

Dear xxxxxxxx,

Thank you for responding to our letter concerning Home Entertainment Corporation Plc. Our concerns about this company are given below.



The chart above shows the share price of Home Entertainment from early 2002 to the middle of March 2006. The share price has been as low as 51 pence in recent weeks and the market capitalisation as low as £10 million, even though revenue last year was £140 million. The company looks likely to make a loss for the full year, and has already cut out the interim dividend.

Traditionally the company was strong in the rental of video tapes and subsequently DVDs through both its own retail outlets and a network of convenience stores and other sites. Clearly as DVDs supplant VHS tapes, and DVDs become cheaper, rental sales are declining. As a result the company is relying more on sales of DVDs and computer games.

In addition, sales of such products have been moving to the internet and although the company has a web site to sell DVDs, games and other items (www.choicesdirect.com), a new version of the site which was scheduled for release in September 2005 was delayed and missed the key Christmas selling period.

On-line DVD rental is now provided in partnership with Lovefilm, but the company has also opened a TV channel called ChoicesUK TV (on Sky) to develop a new sales channel for its products.

The company is undergoing substantial restructuring including "rebranding" of its stores under the "Choices" name which is incurring exceptional costs, but there was also a write-down of stock costing £2 million announced in November 2005. In addition the management are blaming price deflation in DVDs and the levels of piracy of such products in the UK. However, the company appointed two experienced retail and supply chain managers who previously worked for Virgin Megastores in February 2006, and the previous Operations Director, Steve Barker, left.

The current Chairman, Iain Muspratt, has relinquished his former executive role, but many shareholders are concerned that he still has a dominant influence over the company bearing in mind that he is a substantial shareholder, and he can hardly therefore be considered "independent" as recommended by the Combined Code on Corporate Governance for listed companies. Note that Iain Muspratt and the other founders of the company probably have a controlling interest (a brief history of the company can be seen on the company's web site at: www.hecplc.com/abouthec.htm). However there are some institutional shareholders such as Artemis and SVG Capital who have already publicly raised some concerns about the future for the business, and have had discussions with the company directors. Also recently activist Swedish investor Peter Gyllenhammar purchased 1.1 millions shares (about 6% of those in issue).

The United Kingdom Shareholders Association (UKSA) represents the interests of private shareholders and we would like the directors of this company to answer some questions about what can be done to recover some value for shareholders from the current situation. We have written to the Chairman suggesting a meeting accordingly.

The key questions we see, to which the answers are not currently clear, are:

1. Will the steps taken by the directors restore the company to profitability in the near future?
2. Is there a direct enough focus on the merchandise and sales channels that are most profitable and most likely to be in growing market segments?
3. Is there more risk of exceptional stock "write-downs" in a market which clearly changes rapidly and where sales are dependent on the latest "hit" titles?
4. Are margins satisfactory in all merchandise lines which is often the key to success in retailing companies?
5. Is there sufficient emphasis on internet retailing which much surely be a major focus for such low cost items as DVDs going forward?
6. Are the retailing stores viable, with a sufficiently attractive merchandise mix and "ambience" to improve their profitability going forward (the writer has some doubts about the existing design of the stores having visited some).

Note that one piece of information that would assist investors would be a proper segmental breakdown of the different trading divisions (as listed on page 3 of the last annual report) showing the revenue, profits and assets of each division. It is currently unclear which parts of the business are profitable, and which parts might not be.

In summary, Home Entertainment Corporation seems to have a number of challenges going forward, and looking at the company's share price, stock market investors seem to be unsure whether the business has a long term future in its current form. But the company also clearly has some strengths and some profitable elements to the business which might be capitalised on, or disposed of for a good price.

If you have any questions or comments on the enclosed, please contact me via phone, email or letter. Although becoming a member of UKSA is not necessary to join in this campaign, you should bear in mind that there are considerable costs involved which are being borne by UKSA. I therefore suggest that you consider membership or perhaps make a small donation to cover the costs that will be involved.

Yours sincerely

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