

REGISTERED NUMBER: 04730752

**SHOP DIRECT LIMITED**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS**

for the 9 months ended 31 March 2018

**SHOP DIRECT LIMITED**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the 9 months ended 31 March 2018

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# SHOP DIRECT LIMITED

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the 9 months ended 31 March 2018

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### INTERIM RESULTS STATEMENT

The directors present their interim results statement of Shop Direct Limited and its subsidiaries ("the Group") for the nine month period ended 31 March 2018.

#### Review of the business

The loss for the period of £10.7m (Q3 FY17 YTD: £57.4m profit) includes regulatory costs of £100.0m (Q3 FY17 YTD: £39.2m).

#### Group revenue

Group revenue, comprising retail and financial services, increased by 1.6% to £1,510.4m (Q3 FY17 YTD: £1,486.8m) driven by Very which continued to outpace the online retail market<sup>1</sup>. Very revenue grew 10.6% to £1,065.4m (Q3 FY17 YTD: £963.0m), benefitting from its combination of famous brands, mobile-first customer experience and options to spread the cost of purchases using credit. The managed decline in Littlewoods continued with revenue down 15.0% to £445.0m (Q3 FY17 YTD: £523.8m).

#### Retail revenue

Retail revenue grew 1.2%. We continued to benefit from our department store model, which provides resilience against adverse movements in individual product categories.

Clothing & Footwear revenue growth of 0.6% was driven by Childrenswear and Sportswear. Electrical revenue grew 7.7% driven by Technology including consoles, mobiles and smart technology products. Seasonal revenue grew 2.0% driven by Gifting and Beauty including cosmetics and fragrances. Furniture & Homeware revenue declined by 9.4% reflecting pressure on products with a higher price point as Very does not currently have a comparable interest free credit product to compete with leading furniture retailers. A comparable interest free credit product will be available on Very when our New Customer Experience system is rolled out in 2018.

#### Financial Services revenue

Financial Services revenue increased by 3.2%. This was primarily driven by interest income due to growth in Very, partially offset by lower administration fees reflecting improved early arrears performance. Interest income as a percentage of the debtor book increased by 0.3%pts to 17.0% (Q3 FY17 YTD: 16.7%) driven mainly by brand mix as Very has a higher financial services attachment than Littlewoods.

#### Gross profit and costs

Gross margin rate decreased 2.2%pts to 38.8% (Q3 FY17 YTD: 41.0%) driven by the continued switch to Very from Littlewoods and the increased contribution from the lower retail margin Electrical division.

Our continued focus on portfolio management and customer-centric collection strategies maintained the debtor book's risk profile with bad debt as a percentage of the book in line with prior year at 5.6% (Q3 FY17 YTD: 5.5%).

Distribution expenses decreased to £162.1m (Q3 FY17 YTD: £168.1m) reflecting a combination of efficiencies and impact of product mix. Administrative expenses before exceptional items decreased to £257.1m (Q3 FY17 YTD: £271.0m) driven by more efficient marketing spend.

Q3 FY18 YTD is the 9 months ended 31 March 2018.

Q3 FY17 YTD is the 9 months ended 31 March 2017.

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**INTERIM RESULTS STATEMENT (continued)**

**Review of the business (continued)**

**EBITDA**

Reported EBITDA reduced 1.8% to £167.8m (Q3 FY17 YTD: £170.9m). As a percentage of Group revenue, the EBITDA margin decreased 0.4%pts to 11.1% compared to the prior year. The lower EBITDA was driven by the reduction in gross margin rate which more than offset revenue growth and cost reduction.

After adjustments to add back costs in the prior year as shown in the below table, adjusted EBITDA post securitisation interest<sup>2</sup> decreased to £153.5m (Q3 FY17 YTD: £164.1m).

| <b>Reconciliation of operating profit to adjusted EBITDA post securitisation interest:</b> |                        |                        |                   |
|--------------------------------------------------------------------------------------------|------------------------|------------------------|-------------------|
| <i>(£ millions)</i>                                                                        | <b>Q3 FY18<br/>YTD</b> | <b>Q3 FY17<br/>YTD</b> | <b>Variance %</b> |
| <b>Operating profit before exceptional items</b>                                           | <b>140.3</b>           | <b>148.1</b>           | <b>(5.3)%</b>     |
| Depreciation & Amortisation                                                                | 27.5                   | 22.8                   |                   |
| <b>Reported EBITDA</b>                                                                     | <b>167.8</b>           | <b>170.9</b>           | <b>(1.8)%</b>     |
| <b>Adjusted for:</b>                                                                       |                        |                        |                   |
| Fair value adjustments to financial instruments                                            | 7.8                    | 5.1                    |                   |
| Foreign exchange translation movements on trade creditors                                  | (1.0)                  | 3.0                    |                   |
| IAS19 and IFRIC14 pension adjustments                                                      | (0.1)                  | -                      |                   |
| <b>Management EBITDA</b>                                                                   | <b>174.5</b>           | <b>179.0</b>           | <b>(2.5)%</b>     |
| <b>Adjusted for:</b>                                                                       |                        |                        |                   |
| Management fee                                                                             | 3.8                    | 3.8                    |                   |
| Costs associated with new brand launches                                                   | -                      | 5.0                    |                   |
| Consultancy costs                                                                          | 1.8                    | 2.6                    |                   |
| Securitisation interest                                                                    | (26.6)                 | (26.3)                 |                   |
| <b>Adjusted EBITDA post securitisation interest</b>                                        | <b>153.5</b>           | <b>164.1</b>           | <b>(6.5)%</b>     |

**Finance costs**

Net finance costs increased to £65.0m (Q3 FY17 YTD: £42.9m) driven by interest on the senior debt facility and subsequently on the senior secured notes from November 2017 plus accelerated amortisation of loan issue costs on the senior debt facility.

**Exceptional items**

Exceptional items charged to operating profit of £104.5m (Q3 FY17 YTD: £47.1m) include an additional provision of £100.0m in order to cover customer redress claims in relation to historic shopping insurance sales up and until the deadline for the bringing of claims in August 2019.

**Taxation**

The tax credit in the income statement of £18.5m (Q3 FY17 YTD: charge of £0.7m) includes a current tax charge of £1.5m and a credit of £20.0m in relation to an increase in the deferred tax asset.

# SHOP DIRECT LIMITED

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### INTERIM RESULTS STATEMENT (continued)

#### Review of the business (continued)

##### Statement of cash flows

The cash and cash equivalents balance decreased by £147.0m to £(96.5)m during the year-to-date (Q3 FY17 YTD: cash and cash equivalents increase of £2.0m to £(23.7)m) driven by an increase in trade and other receivables partially offset by the issue of senior secured notes and draw down of the securitisation facility including the introduction within the securitisation facility of a further fixed note, fixed term, unrated tranche of £65.0m.

##### Capital investment

Capital expenditure for the period was £68.7m (Q3 FY17 YTD: £42.3m) across business-as-usual and strategic investment. The driver of the increase was the continuation of build and system integration testing for our New Customer Experience programme which remains on track to roll-out in 2018. Other investments include website development to further improve the customer journey, data transformation including populating data hubs and a pricing decision tool to optimise sales and margin.

##### Balance sheet

Net assets decreased to £183.4m (FY17: £199.9m) driven by the Group's loss for the period.

Inventory increased to £124.2m (FY17: £114.3m) reflecting seasonality. Working capital efficiency through inventory management will remain a key focus. Trade and other receivables increased to £2,354.5m (FY17: £2,072.9m) driven by an increase in the intercompany receivable with Shop Direct Holdings Limited and an increase in trade debtors reflecting seasonality and year-on-year sales growth. Trade and other payables increased to £546.0m (FY17: £516.4m) reflecting seasonality and year-on-year sales growth.

Securitisation borrowings increased to £1,361.9m (FY17: £1,228.8m), in line with trade debtors together with the issue of a 'C' Note, unrated tranche of £65.0m. The securitisation facility expires in December 2020 for 'A' Notes (£1,325.0m) and December 2021 for 'B' and 'C' Notes (£165.0m) with a total maximum value of £1,490.0m.

##### Management update

On 7 March 2018 it was announced that Henry Birch would be joining the Company as the new Chief Executive Officer. Henry joined Shop Direct on 14 May 2018.

##### Notes:

1. BRC online retail market (non-food).
2. Adjusted EBITDA post securitisation interest calculated as reported EBITDA excluding the impact of fair value adjustments to financial instruments, the foreign exchange impact on the translation of trade creditors, IAS 19/IFRIC 14 pension adjustments, management fees, consultancy costs and costs associated with new brand launches, and including the interest expense on the existing securitisation facility.

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**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

|                                                                  |       | 9 months to 31 March 2018           |                             |              | 9 months to 31 March 2017           |                             |              | Year to 30 June 2017                |                             |              |
|------------------------------------------------------------------|-------|-------------------------------------|-----------------------------|--------------|-------------------------------------|-----------------------------|--------------|-------------------------------------|-----------------------------|--------------|
|                                                                  | Notes | Pre-<br>exceptional<br>items<br>£'m | Exceptional<br>items<br>£'m | Total<br>£'m | Pre-<br>exceptional<br>items<br>£'m | Exceptional<br>items<br>£'m | Total<br>£'m | Pre-<br>exceptional<br>items<br>£'m | Exceptional<br>items<br>£'m | Total<br>£'m |
| Revenue                                                          | 3     | 1,510.4                             | -                           | 1,510.4      | 1,486.8                             | -                           | 1,486.8      | 1,929.9                             | -                           | 1,929.9      |
| <b>Operating profit</b>                                          | 3     | 140.3                               | (104.5)                     | 35.8         | 148.1                               | (47.1)                      | 101.0        | 205.2                               | (121.0)                     | 84.2         |
| Investment income                                                |       | -                                   | -                           | -            | 0.2                                 | -                           | 0.2          | 0.1                                 | -                           | 0.1          |
| Finance costs                                                    |       | (59.8)                              | (5.2)                       | (65.0)       | (43.1)                              | -                           | (43.1)       | (59.4)                              | -                           | (59.4)       |
| <b>Profit/(loss) before tax</b>                                  |       | 80.5                                | (109.7)                     | (29.2)       | 105.2                               | (47.1)                      | 58.1         | 145.9                               | (121.0)                     | 24.9         |
| Tax                                                              | 7     | 18.5                                | -                           | 18.5         | (0.7)                               | -                           | (0.7)        | 40.0                                | -                           | 40.0         |
| <b>Profit/(loss) for the period</b>                              |       | 99.0                                | (109.7)                     | (10.7)       | 104.5                               | (47.1)                      | 57.4         | 185.9                               | (121.0)                     | 64.9         |
| <b>Profit/(loss) attributable to equity holders of the Group</b> |       | 99.0                                | (109.7)                     | (10.7)       | 104.5                               | (47.1)                      | 57.4         | 185.9                               | (121.0)                     | 64.9         |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|                                                                            | 9 months to<br>31 March<br>2018<br>£'m | 9 months to<br>31 March<br>2017<br>£'m | Year to<br>30 June<br>2017<br>£'m |
|----------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| (Loss)/profit for the period/year                                          | (10.7)                                 | 57.4                                   | 64.9                              |
| <b>Items that will not be reclassified subsequently to profit or loss:</b> |                                        |                                        |                                   |
| Remeasurement on retirement benefit obligations before tax                 | (2.9)                                  | (24.6)                                 | (34.3)                            |
| Income tax effect                                                          | (2.7)                                  | -                                      | 9.0                               |
| Other comprehensive expense                                                | (5.6)                                  | (24.6)                                 | (25.3)                            |
| <b>Items that may be reclassified subsequently to profit or loss:</b>      |                                        |                                        |                                   |
| Foreign currency translation gains                                         | (0.2)                                  | 0.5                                    | 1.1                               |
| Other comprehensive expense                                                | (5.8)                                  | (24.1)                                 | (24.2)                            |
| <b>Total comprehensive income attributable to:</b>                         |                                        |                                        |                                   |
| Owners of the company                                                      | (16.5)                                 | 33.3                                   | 40.7                              |

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**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

|                                     |   | 31 March<br>2018<br>£'m | 31 March<br>2017<br>£'m | 30 June<br>2017<br>£'m |
|-------------------------------------|---|-------------------------|-------------------------|------------------------|
| <b>Assets</b>                       |   |                         |                         |                        |
| <b>Non-current assets</b>           |   |                         |                         |                        |
| Goodwill                            |   | 252.5                   | 252.5                   | 252.5                  |
| Other intangible assets             |   | 195.0                   | 141.5                   | 154.9                  |
| Property, plant and equipment       |   | 12.0                    | 9.1                     | 10.9                   |
| Deferred tax asset                  |   | 107.2                   | 37.0                    | 89.9                   |
|                                     |   | 566.7                   | 440.1                   | 508.2                  |
| <b>Current assets</b>               |   |                         |                         |                        |
| Inventories                         |   | 124.2                   | 138.6                   | 114.3                  |
| Trade and other receivables         | 6 | 2,354.5                 | 2,089.4                 | 2,072.9                |
| Income tax asset                    |   | 0.5                     | 2.2                     | 2.0                    |
| Cash and bank balances              |   | 12.3                    | 42.5                    | 116.9                  |
| Derivative financial instruments    | 5 | -                       | 3.3                     | -                      |
|                                     |   | 2,491.5                 | 2,276.0                 | 2,306.1                |
| <b>Total assets</b>                 |   | 3,058.2                 | 2,716.1                 | 2,814.3                |
| <b>Equity and liabilities</b>       |   |                         |                         |                        |
| <b>Equity</b>                       |   |                         |                         |                        |
| Share capital                       |   | (100.0)                 | (100.0)                 | (100.0)                |
| Retained earnings                   |   | (83.4)                  | (92.5)                  | (99.9)                 |
| <b>Total equity</b>                 |   | (183.4)                 | (192.5)                 | (199.9)                |
| <b>Non-current liabilities</b>      |   |                         |                         |                        |
| Loans and borrowings                | 9 | (550.0)                 | (442.5)                 | (500.0)                |
| Securitisation facility             | 9 | (1,361.9)               | (1,254.4)               | (1,228.8)              |
| Retirement benefit obligations      |   | (74.4)                  | (76.2)                  | (85.1)                 |
| Deferred income                     |   | (39.9)                  | (47.6)                  | (44.9)                 |
| Obligations under finance leases    |   | (3.3)                   | (2.7)                   | (3.1)                  |
| Provisions                          | 8 | (11.0)                  | -                       | (19.7)                 |
|                                     |   | (2,040.5)               | (1,823.4)               | (1,881.6)              |
| <b>Current liabilities</b>          |   |                         |                         |                        |
| Trade and other payables            |   | (546.0)                 | (525.7)                 | (516.4)                |
| Loans and borrowings                | 9 | (108.8)                 | (66.2)                  | (66.4)                 |
| Obligations under finance leases    |   | (1.4)                   | (1.5)                   | (1.3)                  |
| Deferred income                     |   | (65.7)                  | (70.1)                  | (68.6)                 |
| Provisions                          | 8 | (102.6)                 | (36.7)                  | (78.1)                 |
| Derivative financial instruments    | 5 | (9.8)                   | -                       | (2.0)                  |
|                                     |   | (834.3)                 | (700.2)                 | (732.8)                |
| <b>Total liabilities</b>            |   | (2,874.8)               | (2,523.6)               | (2,614.4)              |
| <b>Total equity and liabilities</b> |   | (3,058.2)               | (2,716.1)               | (2,814.3)              |



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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

|                                                     | <b>9 months to<br/>31 March<br/>2018<br/>£'m</b> | <b>9 months to<br/>31 March<br/>2017<br/>£'m</b> | <b>Year to<br/>30 June<br/>2017<br/>£'m</b> |
|-----------------------------------------------------|--------------------------------------------------|--------------------------------------------------|---------------------------------------------|
| <b>Net cash from operating activities</b>           | (261.7)                                          | (169.7)                                          | (107.6)                                     |
| <b>Investing activities</b>                         |                                                  |                                                  |                                             |
| Interest received                                   | -                                                | 0.2                                              | 0.1                                         |
| Acquisitions of property, plant and equipment       | (3.1)                                            | (2.4)                                            | (4.9)                                       |
| Acquisitions of intangible assets                   | (65.6)                                           | (39.9)                                           | (61.1)                                      |
| Proceeds from sale of intangible assets             | -                                                | -                                                | 3.8                                         |
| <b>Net cash used in investing activities</b>        | (68.7)                                           | (42.1)                                           | (62.1)                                      |
| <b>Financing activities</b>                         |                                                  |                                                  |                                             |
| (Repayments of)/draw downs from bank borrowings     | (500.0)                                          | 142.5                                            | 200.0                                       |
| Proceeds from issue of senior secured notes         | 550.0                                            | -                                                | -                                           |
| Proceeds from finance lease draw downs              | 0.3                                              | 0.8                                              | 1.0                                         |
| Proceeds from draw downs of securitisation facility | 133.1                                            | 70.5                                             | 44.9                                        |
| <b>Net cash flows from financing activities</b>     | 183.4                                            | 213.8                                            | 245.9                                       |
| <b>Net (decrease)/increase in cash and cash</b>     | (147.0)                                          | 2.0                                              | 76.2                                        |
| <b>Opening cash and cash equivalents</b>            | 50.5                                             | (25.7)                                           | (25.7)                                      |
| <b>Closing cash and cash equivalents</b>            | (96.5)                                           | (23.7)                                           | 50.5                                        |

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**UNAUDITED RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES**

|                                                          | 9 months to<br>31 March<br>2018<br>£'m | 9 months to<br>31 March<br>2017<br>£'m | Year to<br>30 June<br>2017<br>£'m |
|----------------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| (Loss)/profit for the period/year                        | (10.7)                                 | 57.4                                   | 64.9                              |
| Adjustments for:                                         |                                        |                                        |                                   |
| Depreciation                                             | 2.0                                    | 1.8                                    | 2.3                               |
| Amortisation                                             | 25.5                                   | 21.1                                   | 28.9                              |
| Financial instrument net losses through profit and loss  | 7.8                                    | 5.1                                    | 10.3                              |
| Profit on disposal of intangible assets                  | -                                      | -                                      | (5.0)                             |
| Finance income                                           | -                                      | (0.2)                                  | (0.1)                             |
| Finance costs                                            | 65.0                                   | 43.1                                   | 57.5                              |
| Income tax (income)/expense                              | (18.5)                                 | 0.7                                    | (40.0)                            |
| Increase in provisions                                   | 15.8                                   | 15.3                                   | 76.4                              |
| Adjustments for pensions                                 | (16.3)                                 | (15.5)                                 | (16.1)                            |
|                                                          | <hr/>                                  | <hr/>                                  | <hr/>                             |
| Operating cash flows before movements in working capital | 70.6                                   | 128.8                                  | 179.1                             |
| Increase in inventories                                  | (9.9)                                  | (37.6)                                 | (13.3)                            |
| Increase in trade and other receivables                  | (278.9)                                | (228.5)                                | (210.8)                           |
| Increase in trade and other payables                     | 21.5                                   | 14.6                                   | 1.8                               |
|                                                          | <hr/>                                  | <hr/>                                  | <hr/>                             |
| Cash absorbed by operations                              | (196.7)                                | (122.7)                                | (43.2)                            |
| Income taxes paid                                        | -                                      | (3.9)                                  | (6.9)                             |
| Interest paid                                            | (65.0)                                 | (43.1)                                 | (57.5)                            |
|                                                          | <hr/>                                  | <hr/>                                  | <hr/>                             |
| Net cash outflow from operating activities               | (261.7)                                | (169.7)                                | (107.6)                           |
|                                                          | <hr/>                                  | <hr/>                                  | <hr/>                             |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

|                                                            | Share<br>capital<br>£'m | Retained<br>earnings<br>£'m | Total<br>£'m |
|------------------------------------------------------------|-------------------------|-----------------------------|--------------|
| <b>Changes in equity for the 9 months to 31 March 2018</b> |                         |                             |              |
| Balance as at 30 June 2017                                 | 100.0                   | 99.9                        | 199.9        |
| Loss for the period                                        | -                       | (10.7)                      | (10.7)       |
| Other comprehensive income                                 | -                       | (5.8)                       | (5.8)        |
|                                                            | <hr/>                   |                             |              |
| Total comprehensive income                                 | -                       | (16.5)                      | (16.5)       |
|                                                            | <hr/>                   |                             |              |
| <b>Balance at 31 March 2018</b>                            | <b>100.0</b>            | <b>83.4</b>                 | <b>183.4</b> |
|                                                            | <hr/>                   |                             |              |
| <b>Changes in equity for the 9 months to 31 March 2017</b> |                         |                             |              |
| Balance as at 30 June 2016                                 | 100.0                   | 459.2                       | 559.2        |
| Profit for the period                                      | -                       | 57.4                        | 57.4         |
| Other comprehensive income                                 | -                       | (24.1)                      | (24.1)       |
|                                                            | <hr/>                   |                             |              |
| Total comprehensive income                                 | -                       | 33.3                        | 33.3         |
| Dividends                                                  | -                       | (400.0)                     | (400.0)      |
|                                                            | <hr/>                   |                             |              |
| <b>Balance at 31 March 2017</b>                            | <b>100.0</b>            | <b>92.5</b>                 | <b>192.5</b> |
|                                                            | <hr/>                   |                             |              |
| <b>Changes in equity for the year to 30 June 2017</b>      |                         |                             |              |
| Balance as at 30 June 2016                                 | 100.0                   | 459.2                       | 559.2        |
| Profit for the year                                        | -                       | 64.9                        | 64.9         |
| Other comprehensive income                                 | -                       | (24.2)                      | (24.2)       |
|                                                            | <hr/>                   |                             |              |
| Total comprehensive income                                 | -                       | 40.7                        | 40.7         |
| Dividends                                                  | -                       | (400.0)                     | (400.0)      |
|                                                            | <hr/>                   |                             |              |
| <b>Balance at 30 June 2017</b>                             | <b>100.0</b>            | <b>99.9</b>                 | <b>199.9</b> |
|                                                            | <hr/>                   |                             |              |

**SHOP DIRECT LIMITED**  
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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. General information**

Shop Direct Limited is a private company limited by share capital incorporated and domiciled in England and Wales under the Companies Act. The address of its registered office is First Floor, Skyways House, Speke Road, Speke, Liverpool L70 1AB.

These condensed consolidated interim financial statements were approved for issue on 23 May 2018.

**2. Summary of accounting policies**

**Basis of preparation**

This condensed set of financial statements for the nine months ended 31 March 2018 should be read in conjunction with the annual financial statements for the year ended 30 June 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial information for the year ended 30 June 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of those accounts, prepared under International Financial Reporting Standards (IFRSs) as adopted by the EU, will be delivered to the Registrar of Companies. The audit report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group for the year ended 30 June 2018 will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's consolidated financial statements for the year ended 30 June 2017, and will be applied in the preparation of the company's consolidated financial statements for the year ended 30 June 2018. The retirement benefit obligation recognised in the consolidated balance sheet as at 31 March 2017 and 31 March 2018 represents the deficit as at 31 December 2016 and 31 December 2017 respectively and has not been adjusted for contributions or actuarial gains or losses in the three months ended 31 March 2017 or 31 March 2018.

The financial statements are drawn up to the Saturday nearest to 30 June or 31 March, or to 30 June or 31 March where this falls on a Saturday.

**New and revised standards**

None of the standards, interpretations and amendments effective for the first time from 1 July 2017 have had a material effect on the financial statements.

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)**

**2. Summary of accounting policies (continued)**

**New standards, interpretations and amendments not yet effective**

At the date of authorisation of these financial statements, the following Standards and Interpretations which have been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

|                                                  |                                                                                                                                                                                                      |
|--------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| IFRS 9                                           | Financial Instruments                                                                                                                                                                                |
| IFRS 15                                          | Revenue from contracts with customers                                                                                                                                                                |
| IFRS 16                                          | Leasing                                                                                                                                                                                              |
| IFRS 17                                          | Insurance Contracts                                                                                                                                                                                  |
| IAS 1 (amendments)                               | Disclosure Initiative                                                                                                                                                                                |
| IAS 16 and IAS 38<br>(amendments)                | Clarification of Acceptable Methods of Depreciation and Amortisation                                                                                                                                 |
| IAS 27 (amendments)                              | Equity method in separate financial statements                                                                                                                                                       |
| Annual improvements to<br>IFRSs: 2012-2014 Cycle | Amendments to: IFRS 5 Non-current Assets Held for Sale and<br>Discontinued Operations, IFRS 7 Financial Instruments: Disclosures,<br>IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting |

The directors expect that the adoption of the following financial standards will have a material impact on the financial statements of the Group in future periods:

- IFRS 9 will impact both the measurement and disclosure of financial instruments
- IFRS 16 will impact on the treatment and recognition of leases

IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practical to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed. None of the other standards, interpretation or amendments noted above are material.

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3. Segmental analysis

By business segment

|                                            | 9 months to<br>31 March<br>2018<br>£'m | 9 months to<br>31 March<br>2017<br>£'m | Year to<br>30 June<br>2017<br>£'m |
|--------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| <b>Analysis of revenue:</b>                |                                        |                                        |                                   |
| Very†                                      | 1,065.4                                | 963.0                                  | 1,263.5                           |
| Littlewoods◇                               | 445.0                                  | 523.8                                  | 666.4                             |
|                                            | <hr/>                                  | <hr/>                                  | <hr/>                             |
|                                            | 1,510.4                                | 1,486.8                                | 1,929.9                           |
|                                            | <hr/>                                  | <hr/>                                  | <hr/>                             |
| Gross profit                               | 585.8                                  | 609.1                                  | 786.5                             |
| Distribution costs                         | (162.1)                                | (168.1)                                | (218.6)                           |
| Administrative costs pre-exceptional items | (257.1)                                | (271.0)                                | (332.8)                           |
| Other operating income                     | 1.2                                    | 0.9                                    | 1.3                               |
| <b>Segment EBITDA*:</b>                    |                                        |                                        |                                   |
| Very†                                      | 232.0                                  | 211.6                                  | 290.1                             |
| Littlewoods◇                               | 107.4                                  | 127.5                                  | 158.9                             |
| Central costs                              | (171.6)                                | (168.2)                                | (212.6)                           |
|                                            | <hr/>                                  | <hr/>                                  | <hr/>                             |
|                                            | 167.8                                  | 170.9                                  | 236.4                             |
| Exceptional items (see note 4)             | (104.5)                                | (47.1)                                 | (121.0)                           |
| Depreciation                               | (2.0)                                  | (1.8)                                  | (2.3)                             |
| Amortisation                               | (25.5)                                 | (21.0)                                 | (28.9)                            |
|                                            | <hr/>                                  | <hr/>                                  | <hr/>                             |
| Operating profit                           | 35.8                                   | 101.0                                  | 84.2                              |
| Finance income                             | -                                      | 0.2                                    | 0.1                               |
| Finance costs                              | (65.0)                                 | (43.1)                                 | (59.4)                            |
|                                            | <hr/>                                  | <hr/>                                  | <hr/>                             |
| (Loss)/profit before taxation              | (29.2)                                 | 58.1                                   | 24.9                              |
|                                            | <hr/>                                  | <hr/>                                  | <hr/>                             |

The analysis above is in respect of continuing operations.

\* Segment EBITDA is defined as operating profit from continuing operations before amortisation of intangible assets, depreciation and exceptional items.

† Very sales includes Very.co.uk and VeryExclusive.co.uk.

◇ Littlewoods sales includes Littlewoods.com and LittlewoodsIreland.ie.

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 (continued)

3. Segmental analysis (continued)

By geographical location of destination

|                          | 9 months to<br>31 March<br>2018<br>£'m | 9 months to<br>31 March<br>2017<br>£'m | Year to<br>30 June<br>2017<br>£'m |
|--------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| <b>Revenue:</b>          |                                        |                                        |                                   |
| United Kingdom           | 1,453.6                                | 1,437.9                                | 1,867.2                           |
| Rest of World            | 56.8                                   | 48.9                                   | 62.7                              |
|                          | <u>1,510.4</u>                         | <u>1,486.8</u>                         | <u>1,929.9</u>                    |
| <b>Operating profit:</b> |                                        |                                        |                                   |
| United Kingdom           | 33.1                                   | 98.6                                   | 80.5                              |
| Rest of World            | 2.7                                    | 2.4                                    | 3.7                               |
|                          | <u>35.8</u>                            | <u>101.0</u>                           | <u>84.2</u>                       |

The analysis above is in respect of continuing operations.

Turnover by origin is not materially different from turnover by destination.

Non-GAAP measures

|                                                                                      | 9 months to<br>31 March<br>2018<br>£'m | 9 months to<br>31 March<br>2017<br>£'m | Year to<br>30 June<br>2017<br>£'m |
|--------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| <b>Reconciliation of pre-exceptional profit before tax ("PBT") to underlying PBT</b> |                                        |                                        |                                   |
| Pre-exceptional PBT                                                                  | 80.5                                   | 105.2                                  | 145.9                             |
| Adjusted for:                                                                        |                                        |                                        |                                   |
| Fair value adjustments to financial instruments                                      | 7.8                                    | 5.1                                    | 10.3                              |
| Foreign exchange translation movements on trade creditors                            | (1.0)                                  | 3.0                                    | 1.2                               |
| IAS19 and IFRIC14 pension adjustments                                                | 1.0                                    | -                                      | 3.0                               |
|                                                                                      | <u>88.3</u>                            | <u>113.3</u>                           | <u>160.4</u>                      |
| <b>Underlying PBT</b>                                                                | <u><u>88.3</u></u>                     | <u><u>113.3</u></u>                    | <u><u>160.4</u></u>               |

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(continued)

3. Segmental analysis (continued)

Non-GAAP measures (continued)

|                                                                                                                                       | 9 months to<br>31 March<br>2018<br>£'m | 9 months to<br>31 March<br>2017<br>£'m | Year to<br>30 June<br>2017<br>£'m |
|---------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| <b>Reconciliation of pre-exceptional earnings before interest, tax, depreciation and amortisation (“EBITDA”) to underlying EBITDA</b> |                                        |                                        |                                   |
| Segment EBITDA                                                                                                                        | 167.8                                  | 170.9                                  | 236.4                             |
| Adjusted for:                                                                                                                         |                                        |                                        |                                   |
| Fair value adjustments to financial instruments                                                                                       | 7.8                                    | 5.1                                    | 10.3                              |
| Foreign exchange translation movements on trade creditors                                                                             | (1.0)                                  | 3.0                                    | 1.2                               |
| IAS19 and IFRIC14 pension adjustments                                                                                                 | (0.1)                                  | -                                      | 1.8                               |
|                                                                                                                                       | <hr/>                                  | <hr/>                                  | <hr/>                             |
| <b>Underlying EBITDA</b>                                                                                                              | <b>174.5</b>                           | <b>179.0</b>                           | <b>249.7</b>                      |
|                                                                                                                                       | <hr/>                                  | <hr/>                                  | <hr/>                             |

4. Exceptional items

|                                                           | 9 months to<br>31 March<br>2018<br>£'m | 9 months to<br>31 March<br>2017<br>£'m | Year to<br>30 June<br>2017<br>£'m |
|-----------------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| Regulatory costs and associated administrative expenses   | (100.0)                                | (39.2)                                 | (112.3)                           |
| Restructuring costs                                       | (2.9)                                  | (3.7)                                  | (7.3)                             |
| Profit on disposal of intangible asset                    | -                                      | -                                      | 5.0                               |
| Loss on disposal of subsidiary                            | -                                      | (0.1)                                  | (0.1)                             |
| Professional fees                                         | (1.6)                                  | (4.1)                                  | (5.5)                             |
| Warranty provision                                        | -                                      | -                                      | (0.8)                             |
|                                                           | <hr/>                                  | <hr/>                                  | <hr/>                             |
| Charged to operating profit                               | (104.5)                                | (47.1)                                 | (121.0)                           |
| Accelerated amortisation of loan issue costs (see note 9) | (5.2)                                  | -                                      | -                                 |
|                                                           | <hr/>                                  | <hr/>                                  | <hr/>                             |
|                                                           | <b>(109.7)</b>                         | <b>(47.1)</b>                          | <b>(121.0)</b>                    |
|                                                           | <hr/>                                  | <hr/>                                  | <hr/>                             |

In March 2017 the Financial Conduct Authority announced a final PPI claims deadline of August 2019 with a two year awareness campaign leading up to the deadline. During the financial year ended 30 June 2017, the Group recognised cumulative regulatory charges of £112.3m. A further £100.0m has been recognised in the nine months ended 31 March 2018.



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 (continued)

**4. Exceptional items (continued)**

The restructuring costs reflect the expenditure on the rationalisation of processes and functions within the Shop Direct Group.

The professional fees relate to corporate projects.

The profit on disposal of intangible asset relates to the sale of the Swan brand.

**5. Derivative financial instruments**

At the balance sheet date details of outstanding forward exchange contracts that the Group has committed to are as follows:

|                                            | <b>31 March<br/>2018<br/>£'m</b> | <b>31 March<br/>2017<br/>£'m</b> | <b>30 June<br/>2017<br/>£'m</b> |
|--------------------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Notional amount – sterling contract value  | 312.6                            | 263.2                            | 134.1                           |
| Fair value of (liability)/asset recognised | (9.8)                            | 3.3                              | (2.0)                           |

Changes in the fair value of derivative financial instruments amounted to a loss of £7.8m in the period (9 months to 31 March 2017: loss of £5.1m), which is included in administrative expenses.

The fair value of foreign currency derivatives contracts is their market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

The financial instruments that are measured subsequent to initial recognition at fair value are all grouped into Level 2. There were no transfers between Level 1 and Level 2 during the period.

**6. Trade and other receivables**

|                                    | <b>31 March<br/>2018<br/>£'m</b> | <b>31 March<br/>2017<br/>£'m</b> | <b>30 June<br/>2017<br/>£'m</b> |
|------------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Trade receivables                  | 1,556.5                          | 1,491.8                          | 1,463.2                         |
| Amounts owed by group undertakings | 584.6                            | 440.6                            | 455.6                           |
| Prepayments                        | 145.2                            | 118.6                            | 129.4                           |
| Other receivables                  | 68.2                             | 38.4                             | 24.7                            |
|                                    | <u>2,354.5</u>                   | <u>2,089.4</u>                   | <u>2,072.9</u>                  |

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 (continued)

**7. Taxation**

The taxation charge for the 9 months to 31 March 2018 is based on the estimated tax rate for the full year to 30 June 2018 of 19.00% (9 months to 31 March 2017: 20.00%).

|                                                                | <b>9 months to<br/>31 March<br/>2018<br/>£'m</b> | <b>9 months to<br/>31 March<br/>2017<br/>£'m</b> | <b>Year to<br/>30 June<br/>2017<br/>£'m</b> |
|----------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|---------------------------------------------|
| <b>Current taxation</b>                                        |                                                  |                                                  |                                             |
| UK corporation tax                                             | (0.9)                                            | -                                                | (2.0)                                       |
| Prior year adjustment                                          | -                                                | -                                                | (1.0)                                       |
| Foreign tax                                                    | (0.6)                                            | (0.7)                                            | (0.9)                                       |
|                                                                | <hr/>                                            | <hr/>                                            | <hr/>                                       |
| Total current income tax                                       | (1.5)                                            | (0.7)                                            | (3.9)                                       |
| <b>Deferred tax</b>                                            |                                                  |                                                  |                                             |
| Arising from origination and reversal of temporary differences | 20.0                                             | -                                                | 43.9                                        |
|                                                                | <hr/>                                            | <hr/>                                            | <hr/>                                       |
| <b>Tax credit/(charge) in the income statement</b>             | 18.5                                             | (0.7)                                            | 40.0                                        |
|                                                                | <hr/>                                            | <hr/>                                            | <hr/>                                       |

**8. Provisions**

|                        | <b>Warranties<br/>£'m</b> | <b>Restructuring<br/>£'m</b> | <b>Regulatory<br/>£'m</b> | <b>Total<br/>£'m</b> |
|------------------------|---------------------------|------------------------------|---------------------------|----------------------|
| At 1 July 2017         | 0.8                       | 9.0                          | 88.0                      | 97.8                 |
| Increase in provisions | -                         | -                            | 100.0                     | 100.0                |
| Provisions used        | -                         | (4.9)                        | (79.3)                    | (84.2)               |
|                        | <hr/>                     | <hr/>                        | <hr/>                     | <hr/>                |
| At 31 March 2018       | 0.8                       | 4.1                          | 108.7                     | 113.6                |
|                        | <hr/>                     | <hr/>                        | <hr/>                     | <hr/>                |

SHOP DIRECT LIMITED  
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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 (continued)

**8. Provisions (continued)**

|                            | Warranties<br>£'m | Restructuring<br>£'m | Regulatory<br>£'m | Total<br>£'m |
|----------------------------|-------------------|----------------------|-------------------|--------------|
| At 1 July 2016             | -                 | 5.8                  | 15.6              | 21.4         |
| Increase in provisions     | -                 | 3.8                  | 34.0              | 37.8         |
| Provisions used            | -                 | (3.3)                | (22.2)            | (25.5)       |
| Reclassified from accruals | -                 | -                    | 3.0               | 3.0          |
| At 31 March 2017           | -                 | 6.3                  | 30.4              | 36.7         |

|                            | Warranties<br>£'m | Restructuring<br>£'m | Regulatory<br>£'m | Total<br>£'m |
|----------------------------|-------------------|----------------------|-------------------|--------------|
| At 1 July 2016             | -                 | 5.8                  | 15.6              | 21.4         |
| Increase in provisions     | 0.8               | 7.3                  | 104.4             | 112.5        |
| Provisions used            | -                 | (4.1)                | (35.0)            | (39.1)       |
| Reclassified from accruals | -                 | -                    | 3.0               | 3.0          |
| At 30 June 2017            | 0.8               | 9.0                  | 88.0              | 97.8         |

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 (continued)

9. Borrowings

|                                                                   | 31 March<br>2018<br>£'m | 31 March<br>2017<br>£'m | 30 June<br>2017<br>£'m |
|-------------------------------------------------------------------|-------------------------|-------------------------|------------------------|
| <b>Secured non-current loans and borrowings at amortised cost</b> |                         |                         |                        |
| Bank borrowings                                                   | -                       | 442.5                   | 500.0                  |
| Securitisation facility                                           | 1,361.9                 | 1,254.4                 | 1,228.8                |
| Senior secured notes                                              | 550.0                   | -                       | -                      |
|                                                                   | 1,911.9                 | 1,696.9                 | 1,728.8                |
| <b>Current loans and borrowings at amortised cost</b>             |                         |                         |                        |
| Secured bank overdrafts                                           | 100.0                   | 60.0                    | 60.0                   |
| Unsecured bank overdrafts                                         | 8.8                     | 6.2                     | 6.4                    |
|                                                                   | 108.8                   | 66.2                    | 66.4                   |
| Analysis of borrowings by currency                                |                         |                         |                        |
|                                                                   | Sterling<br>£'m         | Euros<br>£'m            | Total<br>£'m           |
| <b>31 March 2018</b>                                              |                         |                         |                        |
| Bank overdrafts                                                   | 100.0                   | 8.8                     | 108.8                  |
| Securitisation facility                                           | 1,361.9                 | -                       | 1,361.9                |
| Senior secured notes                                              | 550.0                   | -                       | 550.0                  |
|                                                                   | 2,011.9                 | 8.8                     | 2,020.7                |
| <b>31 March 2017</b>                                              |                         |                         |                        |
| Bank overdrafts                                                   | 60.0                    | 6.2                     | 66.2                   |
| Bank borrowings                                                   | 442.5                   | -                       | 442.5                  |
| Securitisation facility                                           | 1,254.4                 | -                       | 1,254.4                |
|                                                                   | 1,756.9                 | 6.2                     | 1,763.1                |
| <b>30 June 2017</b>                                               |                         |                         |                        |
| Bank overdrafts                                                   | 60.0                    | 6.4                     | 66.4                   |
| Bank borrowings                                                   | 500.0                   | -                       | 500.0                  |
| Securitisation facility                                           | 1,228.8                 | -                       | 1,228.8                |
|                                                                   | 1,788.8                 | 6.4                     | 1,795.2                |

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
 (continued)

**9. Borrowings (continued)**

|                                           | <b>31 March<br/>2018<br/>£'m</b> | <b>31 March<br/>2017<br/>£'m</b> | <b>30 June<br/>2017<br/>£'m</b> |
|-------------------------------------------|----------------------------------|----------------------------------|---------------------------------|
| The borrowings are repayable as follows:  |                                  |                                  |                                 |
| Within one year                           | 108.8                            | 66.2                             | 66.4                            |
| In the second year                        | -                                | 1,254.4                          | 1,228.8                         |
| In the third to fifth year                | 1,911.9                          | 442.5                            | 500.0                           |
| Over five years                           | -                                | -                                | -                               |
| Amount due for settlement after 12 months | 1,911.9                          | 1,696.9                          | 1,728.8                         |

The principal features of the Group's borrowings are as follows:

- (a) The Group has a securitisation facility of £1,361.9m (31 March 2017: £1,254.4m) secured by a charge over certain eligible trade debtors of the Group. The securitisation facility expires in December 2020 for 'A' Notes (£1,325.0m) and December 2021 for 'B' and 'C' Notes (£165.0m) with a total maximum value of £1,490.0m.
- (b) As at 30 June 2017 the Group had a three year senior debt facility of £575.0m. The facility was secured by a debenture over the assets of the subsidiary to which it related and had an option to extend for an additional year at the end of its three year term. The facility bore interest at a rate of up to 3.75% over LIBOR.
- (c) On 3rd November 2017, the Group completed a refinancing. The £575.0m senior debt facility was repaid and new senior secured notes of £550.0m, at 7.75%, due 2022 were put in place together with a new secured revolving credit facility of £150.0m. Transaction costs associated with the new senior secured notes of £8.9m were prepaid on the balance sheet. The existing debt repaid was £560.0m and £5.2m accelerated amortisation of outstanding issue costs associated with this debt were recognised in the income statement as exceptional interest costs.

**10. Cash and cash equivalents**

|                                                      | <b>31 March<br/>2018<br/>£'m</b> | <b>31 March<br/>2017<br/>£'m</b> | <b>30 June<br/>2017<br/>£'m</b> |
|------------------------------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Cash at bank                                         | 12.3                             | 42.5                             | 116.9                           |
| Bank overdrafts                                      | (108.8)                          | (66.2)                           | (66.4)                          |
| Cash and cash equivalents in statement of cash flows | (96.5)                           | (23.7)                           | 50.5                            |

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of 12 months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to fair value.

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**11. Related party transactions**

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in the note. Transactions between the Group and its fellow group companies are disclosed below.

During the year, Group companies entered into the following transactions with fellow group companies and related parties who are not members of the Shop Direct Limited Group:

**Recharged costs**

|                                | <b>31 March<br/>2018<br/>£'m</b> | <b>31 March<br/>2017<br/>£'m</b> | <b>30 June<br/>2017<br/>£'m</b> |
|--------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Yodel Delivery Network Limited | 3.7                              | 3.0                              | 4.2                             |
| Arrow XL Limited               | 0.6                              | 0.4                              | 0.4                             |
|                                | <hr/> 4.3                        | <hr/> 3.4                        | <hr/> 4.6                       |
|                                | <hr/> <hr/>                      | <hr/> <hr/>                      | <hr/> <hr/>                     |

**Purchase of services**

|                                    | <b>31 March<br/>2018<br/>£'m</b> | <b>31 March<br/>2017<br/>£'m</b> | <b>30 June<br/>2017<br/>£'m</b> |
|------------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Yodel Delivery Network Limited     | (44.0)                           | (64.7)                           | (81.7)                          |
| Drop & Collect Limited             | (19.6)                           | -                                | -                               |
| Arrow XL Limited                   | (28.6)                           | (34.1)                           | (43.3)                          |
| Trenport Property Holdings Limited | (1.2)                            | (1.4)                            | (1.9)                           |
| Shop Direct Holdings Limited       | (3.8)                            | (3.8)                            | (5.0)                           |
| Primevere Limited                  | (5.0)                            | -                                | -                               |
|                                    | <hr/> (102.2)                    | <hr/> (104.0)                    | <hr/> (131.9)                   |
|                                    | <hr/> <hr/>                      | <hr/> <hr/>                      | <hr/> <hr/>                     |

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**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (continued)**

**11. Related party transactions (continued)**

The Group had the following balances outstanding with its fellow group companies:

**Amounts due from fellow Group undertakings**

|                                | <b>31 March<br/>2018<br/>£'m</b> | <b>31 March<br/>2017<br/>£'m</b> | <b>30 June<br/>2017<br/>£'m</b> |
|--------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Shop Direct Holdings Limited   | 576.0                            | 440.6                            | 452.6                           |
| Yodel Delivery Network Limited | 2.3                              | -                                | 2.1                             |
| Drop & Collect Limited         | 0.2                              | -                                | -                               |
| Arrow XL Limited               | 1.1                              | 0.1                              | 0.9                             |
| Primevere Limited              | 5.0                              | -                                | -                               |
|                                | <hr/> 584.6                      | <hr/> 440.7                      | <hr/> 455.6                     |

**Amounts due to fellow Group undertakings**

|                                | <b>31 March<br/>2018<br/>£'m</b> | <b>31 March<br/>2017<br/>£'m</b> | <b>30 June<br/>2017<br/>£'m</b> |
|--------------------------------|----------------------------------|----------------------------------|---------------------------------|
| Yodel Delivery Network Limited | -                                | (0.1)                            | -                               |
|                                | <hr/> -                          | <hr/> (0.1)                      | <hr/> -                         |

The amounts outstanding are unsecured and repayable on demand. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

**12. Contingent liabilities**

As at 31 March 2018 the Group has a contingent liability in respect of VAT assessments raised by HMRC. The assessments have been appealed and are now subject to negotiations with HMRC under the Alternative Dispute Resolution process. A successful outcome, which will result in the assessment being withdrawn or significantly reduced, is expected by the Group's external providers of specialist VAT advice. At this stage it is not possible to reasonably estimate any potential impact of the assessments.

**13. Events after the balance sheet date**

On 11 April 2018 the Group announced proposals to upgrade its fulfilment capabilities by creating an automated, 500,000 square foot distribution and returns centre in the East Midlands.

Development of the site at East Midlands Gateway is due to start in May 2018, and the Group plans to begin exiting its existing fulfilment sites in Greater Manchester from mid-2020. The new site is expected to be fully operational for peak trading period in 2021.

**14. Seasonality**

The retail sales for the Group are subject to seasonal fluctuations. Demand is highest during the months of October to December.

SHOP DIRECT LIMITED  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the 9 months ended 31 March 2018

**APPENDIX - UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE  
THREE MONTHS ENDED 31 MARCH**

|                                                                          | 3 months to 31 March 2018           |                             |              | 3 months to 31 March 2017           |                             |              | Year to 30 June 2017                |                             |              |
|--------------------------------------------------------------------------|-------------------------------------|-----------------------------|--------------|-------------------------------------|-----------------------------|--------------|-------------------------------------|-----------------------------|--------------|
|                                                                          | Pre-<br>exceptional<br>items<br>£'m | Exceptional<br>items<br>£'m | Total<br>£'m | Pre-<br>exceptional<br>items<br>£'m | Exceptional<br>items<br>£'m | Total<br>£'m | Pre-<br>exceptional<br>items<br>£'m | Exceptional<br>items<br>£'m | Total<br>£'m |
| Revenue                                                                  | 411.2                               | -                           | 411.2        | 417.8                               | -                           | 417.8        | 1,929.9                             | -                           | 1,929.9      |
| <b>Operating<br/>profit/(loss)</b>                                       | 42.9                                | (102.7)                     | (59.8)       | 52.0                                | (20.5)                      | 31.5         | 205.2                               | (121.0)                     | 84.2         |
| Investment income                                                        | -                                   | -                           | -            | -                                   | -                           | -            | 0.1                                 | -                           | 0.1          |
| Finance costs                                                            | (23.2)                              | -                           | (23.2)       | (14.6)                              | -                           | (14.6)       | (59.4)                              | -                           | (59.4)       |
| <b>Profit/(loss) before<br/>tax</b>                                      | 19.7                                | (102.7)                     | (83.0)       | 37.4                                | (20.5)                      | 16.9         | 145.9                               | (121.0)                     | 24.9         |
| Tax                                                                      | 27.3                                | -                           | 27.3         | 5.0                                 | -                           | 5.0          | 40.0                                | -                           | 40.0         |
| <b>Profit/(loss) for the<br/>period</b>                                  | 47.0                                | (102.7)                     | (55.7)       | 42.4                                | (20.5)                      | 21.9         | 185.9                               | (121.0)                     | 64.9         |
| <b>Profit/(loss)<br/>attributable to equity<br/>holders of the Group</b> | 47.0                                | (102.7)                     | (55.7)       | 42.4                                | (20.5)                      | 21.9         | 185.9                               | (121.0)                     | 64.9         |