REGISTERED NUMBER: 04730752

SHOP DIRECT LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the 3 months ended 30 September 2019

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CONTENTS

INTERIM RESULTS STATEMENT

The directors present their interim results statement of Shop Direct Limited and its subsidiaries ("the Group") for the three month period ended 30 September 2019.

Review of the business

The profit for the period of £3.5m (Q1 FY19: loss of £30.3m) includes pre-exceptional net finance costs of £26.3m (Q1 FY19: £24.3m) and exceptional costs of £5.3m (Q1 FY19: £41.9m). Reported EBITDA before exceptional costs increased 10.6% to £48.9m (Q1 FY19: £44.2m).

Group revenue

Group revenue, comprising retail and financial services, decreased by 1.0% to £435.0m (Q1 FY19: £439.4m). Very revenue grew 3.5% to £332.0m (Q1 FY19: £320.7m), benefitting from its combination of famous brands, mobile-first customer experience and options to spread the cost of purchases using credit. Very growth has continued to be ahead of the online retail market[1]. Littlewoods revenue was down 13.2% to £103.0m (Q1 FY19: £118.7m) including a 1.5%pts impact from the closure of the Littlewoods Clearance business.

Retail revenue

Retail revenue was broadly flat at (0.1)%, in a challenging market. During the quarter our multi-category range has provided resilience against adverse movements in individual product categories. In FY20 we have commenced reporting on a revised set of product categories.

Fashion & Sports revenue increased by 3.5%, driven by continued strong performance in both Men's and Women's Sportswear and also Childrenswear and 'Back To School' performance ahead of prior year, reflecting strong availability. Electrical revenue declined by 3.2%, as the market continued to be challenging, especially in Gaming and Computing, where there has been a lack of innovation and new product launches in the period. Within Electricals strong performance was seen in Audio and Small Domestic Appliances. Home declined by 0.6%, and remains an area of continued focus for further trajectory improvement under the revised category structure. Other Categories (which represents only 8% of the retail revenue mix, includes Toys, Gifts, Beauty and Leisure) declined by 1.3%.

Financial Services revenue

Financial Services revenue decreased by 2.5%. Interest income growth, driven by Very, was offset by lower warranty volumes and administration fee charges. We have seen a reduction in the volume of administration fees charged in the quarter as a result of changes we have made to our administration fees policy which are designed to help customers who are not in financial difficulty, but who fall periodically into arrears.

Interest income as a percentage of the average debtor book has increased in the quarter by 0.1%pts to 5.9% (Q1 FY19: 5.8%) mainly driven by brand mix as Very has a higher financial services attachment than Littlewoods.

Notes:
1. BRC online retail market (non-food).
2. Q1 FY20 is the 3 months ended 30 September 2019.
   Q1 FY19 is the 3 months ended 30 September 2018.

INTERIM RESULTS STATEMENT (continued)

Review of the business (continued)

Gross profit and costs

Gross margin rate increased by 0.2%pts to 40.0% (Q1 FY19: 39.8%) as the favourable impact of product mix changes and an improvement in underlying rate more than offset the continued switch to Very from Littlewoods.

Bad debt as a percentage of the debtor book was flat to prior year at 2.0% (Q1 FY19: 2.0%). There has been a continued strong focus on responsible lending and assessment of customer sustainability at both acquisition and during the lifetime of lending, as well as increasing proportion of lower risk Very customers.

Distribution expenses decreased to £50.9m (Q1 FY19: £51.3m). Administrative expenses before exceptional items, amortisation and depreciation decreased to £74.9m (Q1 FY19: £79.7m) primarily driven by savings made as part of ongoing cost reduction programmes and through adoption of IFRS 16, due to the reclassification of rent expense to interest and depreciation.

EBITDA

Reported EBITDA before exceptional costs increased 10.6% to £48.9m (Q1 FY19: £44.2m). As a percentage of Group revenue, the EBITDA margin increased 1.1%pts to 11.2% compared to the prior year. The higher EBITDA reflects improved margin rate, continued strong cost performance and £1.9m impact on EBITDA from adopting IFRS 16.

Finance costs

Pre-exceptional net finance costs of £26.3m (Q1 FY19: £24.3m) driven by higher ‘B’ and ‘C’ note drawings year on year, as well as impact of transition to IFRS 16 and the corresponding reclassification of rent expense to interest and depreciation.

Exceptional items

Exceptional items charged to operating profit of £5.3m (Q1 FY19: £41.9m) include costs associated with the move to the new fulfilment and returns centre at East Midlands Gateway, as well as restructuring costs.

INTERIM RESULTS STATEMENT (continued)

Review of the business (continued)

Taxation

The tax charge in the income statement of £0.8m (Q1 FY19: credit of £3.0m) includes a current tax charge of £0.6m and a charge of £0.2m in relation to a decrease in the deferred tax asset.

Statement of cash flows

The cash and cash equivalents balance decreased by £39.6m to £(127.4)m during the quarter (Q1 FY19: decreased by £86.2m to £(48.5)m), driven by exceptional cash outflows relating to customer redress payments for historical shopping insurance sales.

Cash flows in respect of capital additions for the period of £18.3m (Q1 FY19: £14.0m) across business-as-usual and strategic investments. The year-on-year increase is driven by timing of investment in strategic projects.

Balance sheet

Reduction in deficit to £85.2m (30 June 2019: deficit £88.5m) driven by the profit for the period.

Inventory increased to £131.3m (30 June 2019: £94.2m) reflecting seasonal uplift in the lead up to peak trading in Quarter 2. Working capital efficiency through inventory management remains a key focus. Trade and other receivables reduced to £2,077.5m reflecting seasonal reduction in gross trade debtors (30 June 2019: £2,103.6m). Trade and other payables increased to £553.8m (30 June 2019: £502.6m) driven by seasonal and timing differences.

Securitisation borrowings decreased to £1,327.2m (30 June 2019: £1,372.6m), broadly in line with gross trade debtors. The securitisation facility expires in December 2021 for 'AS' Notes (£1,143.3m), 'AJ' Notes (£181.7m) and 'B' and 'C' Notes (£210.0m) with a total maximum value of £1,535.0m. The securitisation borrowings also include £23.9m in relation to a securitisation facility introduced in December 2018, on the customer receivables of Shop Direct Ireland.

Funding update

The FY19 Annual Report and Group Financial Statements were prepared on a going concern basis. Within these, it was recognised that there was a material uncertainty due to the Group requiring £150.0m of additional funding following an unexpected late surge in PPI claim volumes ahead of the 29 August 2019 FCA deadline.

The £150.0m funding has now been sourced by the parent company, Shop Direct Holdings Limited and is available to be contributed to the Group.

£75.0m was invested into Shop Direct Limited on 19 November 2019 by way of equity injection.

The remaining £75.0m is fully committed to Shop Direct Holdings Limited and is available to the Group for subsequent drawing in accordance with liquidity requirements.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		3 months to 30 Sept 2019			3 months to 30 Sept 2018			Year to 30 June 2019		
	Notes	**Pre-exceptional items £'m**	**Exceptional items(5) £'m**	**Total £'m**	**Pre-exceptional items £'m**	**Exceptional items(5) £'m**	**Total £'m**	**Pre-exceptional items £'m**	**Exceptional items(5) £'m**	**Total £'m**
Revenue	4	435.0	-	435.0	439.4	-	439.4	1,993.4	-	1,993.4
Operating profit	4	35.9	(4.4)	31.5	32.9	(41.9)	(9.0)	226.2	(310.2)	(84.0)
Finance income		-	-	-	-	-	-	0.6	-	0.6
Finance costs		(26.3)	(0.9)	(27.2)	(24.3)	-	(24.3)	(102.1)	-	(102.1)
Profit/(loss) before tax		9.6	(5.3)	4.3	8.6	(41.9)	(33.3)	124.7	(310.2)	(185.5)
Tax (charge)/ credit	8	(0.8)	-	(0.8)	3.0	-	3.0	(6.3)	21.8	15.5
Profit/(loss) for the period/year		8.8	(5.3)	3.5	11.6	(41.9)	(30.3)	118.4	(288.4)	(170.0)
Profit/(loss) attributable to equity holders of the Group		8.8	(5.3)	3.5	11.6	(41.9)	(30.3)	118.4	(288.4)	(170.0)

(5) – See note 5 - Exceptional items

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	3 months to 30 Sept 2019 £'m	3 months to 30 Sept 2018 £'m	Year to 30 June 2019 £'m
Profit/(Loss) for the period/year	3.5	(30.3)	(170.0)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement on retirement benefit obligations before tax	-	-	2.0
Impact of pension scheme buy-out	-	-	22.2
Tax on pension scheme buy-out			(7.8)
Income tax effect	(0.1)	(0.7)	(3.4)
Other comprehensive (expense)/income	(0.1)	(0.7)	13.0
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation (loss)/gain	(0.1)	0.1	(0.6)
Other comprehensive (expense)/ income	(0.2)	(0.6)	12.4
Total comprehensive income/(expense) attributable to:			
Owners of the company	3.3	(30.9)	(157.6)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 Sept 2019 £'m	30 Sept 2018 £'m	30 June 2019 £'m
Assets				
Non-current assets				
Goodwill		202.5	252.5	202.5
Other intangible assets		220.5	204.4	215.1
Property, plant and equipment		9.5	12.5	10.2
Right-of-use assets	3	77.5	-	-
Deferred tax asset		148.7	131.5	149.1
		658.7	600.9	576.9
Current assets				
Inventories		131.3	135.3	94.2
Trade and other receivables	7	2,077.5	2,058.0	2,103.6
Income tax asset		0.3	0.4	1.8
Cash and bank balances		30.2	79.3	14.8
Derivative financial instruments	6	3.4	3.5	4.8
		2,242.7	2,276.5	2,219.2
Total assets		2,901.4	2,877.4	2,796.1
Equity and liabilities				
Equity				
Share capital		(100.0)	(100.0)	(100.0)
Accumulated deficit		185.2	61.8	188.5
Total deficit/(equity)		85.2	(38.2)	88.5
Non-current liabilities				
Loans and borrowings	10	(550.0)	(550.0)	(550.0)
Securitisation facilities	10	(1,327.2)	(1,290.0)	(1,372.6)
Retirement benefit obligations		(56.9)	(67.7)	(58.0)
Deferred income		(33.6)	(36.8)	(36.2)
Obligations under finance leases		(73.9)	(2.6)	(1.6)
Provisions	9	(17.2)	(22.5)	(16.8)
		(2,058.8)	(1,969.6)	(2,035.2)
Current liabilities				
Trade and other payables		(553.8)	(565.4)	(502.6)
Loans and borrowings	10	(157.6)	(127.8)	(102.6)
Obligations under finance leases		(8.8)	(1.6)	(1.5)
Deferred income		(60.9)	(65.3)	(61.9)
Provisions	9	(146.7)	(109.5)	(180.8)
		(927.8)	(869.6)	(849.4)
Total liabilities		(2,986.6)	(2,839.2)	(2,884.6)
Total equity and liabilities		(2,901.4)	(2,877.4)	(2,796.1)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'m	Retained earnings £'m	Total £'m
Changes in equity for the 3 months to 30 September 2019			
Balance as at 1 July 2019	100.0	(188.5)	(88.5)
Profit for the period	-	3.5	3.5
Other comprehensive income	-	(0.2)	(0.2)
Total comprehensive income	-	3.3	3.3
Balance at 30 September 2019	100.0	(185.2)	(85.2)
Changes in equity for the 3 months to 30 September 2018			
Balance as at 1 July 2018 as previously reported	100.0	85.3	185.3
Changes on transition to IFRS 9	-	(116.2)	(116.2)
Balance as at 1 July 2018 as restated	100.0	(30.9)	69.1
Profit for the period	-	(30.3)	(30.3)
Other comprehensive expense	-	(0.6)	(0.6)
Total comprehensive income	-	(30.9)	(30.9)
Balance at 30 September 2018	100.0	(61.8)	38.2
Changes in equity for the year to 30 June 2019			
Balance as at 1 July 2018 as previously reported	100.0	85.3	185.3
Changes on transition to IFRS 9	-	(116.2)	(116.2)
Balance as at 1 July 2018 as restated	100.0	(30.9)	69.1
Loss for the year	-	(170.0)	(170.0)
Other comprehensive income	-	12.4	12.4
Total comprehensive expense	-	(157.6)	(157.6)
Balance at 30 June 2019	100.0	(188.5)	(88.5)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Note	3 months to 30 Sept 2019 £'m	3 months to 30 Sept 2018 £'m	Year to 30 June 2019 £'m
Net cash flows from operating activities		25.4	(44.4)	(128.1)
Investing activities				
Interest received		-	-	0.6
Acquisitions of property, plant and equipment		-	(0.8)	(1.9)
Acquisitions of intangible assets		(18.3)	(13.2)	(49.8)
Net cash used in investing activities		(18.3)	(14.0)	(51.1)
Financing activities				
Repayments of finance leases		(1.3)	(0.4)	(1.5)
(Repayments of)/drawdowns from securitisation		(45.4)	(27.4)	55.2
Net cash flows from financing activities		(46.7)	(27.8)	53.7
Net decrease in cash and cash equivalents		(39.6)	(86.2)	(125.5)
Opening cash and cash equivalents		(87.8)	37.7	37.7
Closing cash and cash equivalents	11	(127.4)	(48.5)	(87.8)

UNAUDITED RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH FROM OPERATING ACTIVITIES

	3 months to 30 Sept 2019 £'m	3 months to 30 Sept 2018 £'m	Year to 30 June 2019 £'m
Profit/(Loss) for the period/year	3.5	(30.3)	(170.0)
Adjustments for:			
Depreciation	2.5	1.0	2.0
Amortisation	11.0	10.3	42.8
Impairment of assets	0.5	-	5.9
Impairment of goodwill	-	-	50.0
Financial instrument net losses/(gains) through profit and loss	1.4	(1.0)	(2.3)
Finance income	-	-	(0.6)
Finance costs	27.2	24.3	100.4
Income tax expense/(credit)	0.8	(3.0)	(15.5)
(Decrease)/increase in provisions	(33.7)	4.2	69.8
Adjustments for pensions	-	(5.0)	9.6
Operating cash flows before movements in working capital	13.2	0.5	92.1
(Increase)/decrease in inventories	(37.1)	(33.4)	7.7
(Decrease)/increase in trade and other receivables	25.6	7.5	(39.9)
(Decrease)/increase in trade and other payables	38.2	(5.8)	(72.6)
Cash (absorbed)/generated by operations	39.9	(31.2)	(12.7)
Income taxes paid	(0.1)	(0.1)	(17.1)
Interest paid	(14.4)	(13.1)	(98.3)
Net cash flows from operating activities	25.4	(44.4)	(128.1)

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 28 November 2019.

2. Summary of accounting policies

Basis of preparation

This condensed set of financial statements for the three months ended 30 Sept 2019 should be read in conjunction with the annual financial statements for the year ended 30 June 2019, 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 2019 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 2020 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 will be applied in the preparation of the Group’s consolidated financial statements for the year ended 30 June 2020.

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

Going concern

At year end the Directors recognised that there was a material uncertainty which may cast significant doubt as to the Group’s ability to continue as a going concern. The material uncertainty was due to a material increase in the volume of customer redress claims in the weeks leading up to the FCA set deadline of 29 August 2019 resulting in an additional £150.0m provision being recognised as at 30 June 2019. The Directors resolved to seek additional funding of £150.0m to meet the final customer redress claims liability and ensure that the Group has sufficient liquidity to continue its business activities as a going concern.

The £150.0m funding has now been sourced by the parent company, Shop Direct Holdings Limited and is available to be contributed to the Group.

On 19 November 2019 the Group received a £75.0m equity injection from its parent Shop Direct Holdings Limited. The remaining £75.0m is fully committed to Shop Direct Holdings Limited and is available to the Group for subsequent drawing in accordance with liquidity requirements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Going concern (continued)

Whilst Shop Direct Holdings Limited has secured the full amount of committed funding required by the Group, the Directors are continuing to work with financial advisers to evaluate alternative financing options for the £75.0m that will initially remain undrawn. The Group has no near-term liquidity requirements and is keen to ensure that it has fully explored its financing alternatives to ensure that the best terms are achieved.

In addition to the funding available to our parent shareholder, we have also received an offer on agreed terms that would enable up to £100 million of new notes to be issued under our existing receivables securitisation programme. This new “C-2” Notes issuance would be fully underwritten and initially undrawn, providing an alternative financing option for the Group whilst it concludes its overall funding plan.

As such the Directors no longer consider that there is a material uncertainty regarding the Group’s ability to continue as a going concern given the updated funding. After making appropriate enquiries the Directors have a reasonable expectation that the Group have adequate resources to continue in operation for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in the preparation of the financial statements.

New and revised standards

IFRS 16 Leases

During the current financial year, the Group has adopted IFRS 16 which supersedes IAS 17 (Leases) and was effective for accounting periods beginning on or after 1 January 2019. Under IFRS 16, a lessee recognises a ‘right-of-use’ asset for all leases, which represents its right to use the underlying leased asset for the period of the lease. At the commencement date of a lease, a lessee is required to recognise both a right-of-use asset and a lease liability.

Note 3 details the IFRS 16 leases transition and accounting policy choices applied.

3. IFRS 16 transition

IFRS 16 was adopted by the Group on 1 July 2019 and the modified retrospective approach was applied to transition. Under the modified retrospective approach, a lessee does not restate comparative figures; instead the Group applies the new standard from the beginning of the current period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. IFRS 16 transition (continued)

Initial measurement

At the commencement date, the right-of-use asset is measured at cost, which is equal to the amount of the initial measurement of the lease liability.

The lease liability is measured initially at the present value of unpaid lease payments. The present value of unpaid lease payments is the total lease payments unpaid, discounted at either the interest rate implicit in the lease or if that is not available, the Group's incremental borrowing rate.

The Directors consider the Group's incremental borrowing rate to be a critical accounting estimate and have used the rate of interest that best reflects what the Group would have to pay to borrow over a similar term, with a similar security and in a similar economic environment to its leases.

A 1% increase in the incremental borrowing rate used would decrease the opening value of right-of-use assets and equal lease liability by £5.2m. A 1% decrease in the incremental borrowing rate would increase the opening value right-of-use assets and equal lease liability by £5.8m.

The following accounting policy choices have been applied:

- The requirements of IFRS 16 have not been applied to leases of less than 12 months and those leases with an annual cost of less than £5,000 (such costs are recognised on a straight line or other systematic basis);
- IAS 17 lease assessments have been grandfathered (lease definition conclusions applied under IAS 17 have been carried forward on transition to IFRS 16);
- Non-lease components are not separated from lease components within the lease liability;
- No costs have been included in the right-of-use asset value for dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
- VAT is not included in the lease liability.

Subsequent measurement

The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability arising from a reassessment of lease term, revision to lease break assumptions or revision to in-substance fixed lease repayments. The depreciation and impairment accounting policies applied to the right-of-use assets are consistent with those applied to the respective tangible asset categories with depreciation charged on a straight-line basis over the lease term.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and adjusted to reflect any reassessment of lease term, revision to lease break assumptions or revision to in-substance fixed lease repayments. The interest expense is recognised within Finance costs within the Income statement.

The following tables present the assets and liabilities recognised on the balance sheet in relation to assets leased by the Group. Comparative information has not been provided for the reasons set out above.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. IFRS 16 transition (continued)

Right-of-use assets

	Cost £'m	Accumulated Depreciation £'m	Total £'m
At 1 July 2019	79.7	-	79.7
Depreciation	-	(2.2)	(2.2)
At 30 September 2019	79.7	(2.2)	77.5

Lease Liabilities recognised on transition

	Total £'m
At 1 July 2019	79.5
Interest	1.5
Payments	(1.0)
At 30 September 2019	80.0

The opening lease liability reflects an amount equal to the lease liability on transition of £79.7m, adjusted for prepaid lease payments of £0.2m.

The right-of-use liability was due as follows at 30 September 2019;

	£'m
Due within 1 year	6.8
Due 2 - 5 years	10.6
Due after 5 years	62.6
Total	80.0

Reporting under IFRS 16 rather than IAS 17 has resulted in a positive EBITDA impact during the 3 months to 30 September 2019 of £1.9m.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Segmental analysis

By business segment

	3 months to 30 Sept 2019 £'m	3 months to 30 Sept 2018 £'m	Year to 30 June 2019 £'m
Analysis of revenue:			
Very†	332.0	320.7	1,488.1
Littlewoods◊	103.0	118.7	505.3
	435.0	439.4	1,993.4
Gross profit	174.0	174.7	788.8
Distribution costs excluding depreciation	(50.9)	(51.3)	(224.9)
Administrative costs excluding depreciation and amortisation	(74.9)	(79.7)	(295.6)
Other operating income	0.7	0.5	2.7
Pre-exceptional EBITDA*:			
Very†	80.3	80.5	344.3
Littlewoods◊	24.9	26.9	139.9
Central costs	(56.3)	(63.2)	(213.2)
	48.9	44.2	271.0
Exceptional items	(3.9)	(41.9)	(310.2)
Depreciation charged to Exceptional	(0.5)	-	-
Depreciation	(2.0)	(1.0)	(2.0)
Amortisation	(11.0)	(10.3)	(42.8)
Operating profit/(loss)	31.5	(9.0)	(84.0)
Finance income	-	-	0.6
Finance costs	(26.3)	(24.3)	(102.1)
Exceptional finance costs	(0.9)	-	-
Profit/(loss) before taxation	4.3	(33.3)	(185.5)

The analysis above is in respect of continuing operations.

* Pre-exceptional EBITDA is defined as operating profit from continuing operations before amortisation of intangible assets, depreciation and exceptional items.
† Very revenue includes Very.co.uk and VeryExclusive.co.uk.
◊ Littlewoods revenue includes Littlewoods.com and LittlewoodsIreland.ie.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Segmental analysis (continued)

By geographical location of destination

	3 months to 30 Sept 2019 £'m	3 months to 30 Sept 2018 £'m	Year to 30 June 2019 £'m
Revenue:			
United Kingdom	418.6	423.8	1,916.8
Rest of World	16.4	15.6	76.6
	435.0	439.4	1,993.4
Operating profit:			
United Kingdom	31.1	(10.0)	(89.8)
Rest of World	0.4	1.0	5.8
	31.5	(9.0)	(84.0)

The analysis above is in respect of continuing operations.

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

Non-GAAP measures

	3 months to 30 Sept 2019 £'m	3 months to 30 Sept 2018 £'m	Year to 30 June 2019 £'m
Reconciliation of pre-exceptional earnings before interest, tax, depreciation and amortisation ("EBITDA") to underlying EBITDA			
Pre-exceptional EBITDA	48.9	44.2	271.0
Adjusted for:			
Fair value adjustments to financial instruments	1.4	(1.0)	(2.3)
Foreign exchange translation movements on trade creditors	0.9	1.7	2.6
IAS19 and IFRIC14 pension adjustments	-	-	1.1
Underlying EBITDA	51.2	44.9	272.4

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Exceptional items before tax

	3 months to 30 Sept 2019 £'m	3 months to 30 Sept 2018 £'m	Year to 30 June 2019 £'m
Regulatory costs and associated administrative expenses	-	41.0	241.0
Restructuring costs	1.6	0.9	13.0
New fulfilment centre	2.5	-	1.5
Impairment of intangible assets	-	-	3.7
Impairment of goodwill	-	-	50.0
Professional fees	0.3	-	1.0
Charged to operating profit	4.4	41.9	310.2
Exceptional finance costs	0.9	-	-
	5.3	41.9	310.2

The restructuring costs reflect expenditure on the rationalisation of processes and functions within the Group. On 10 October 2018 the Group announced plans to close its standalone clearance operation, Littlewoods Clearance, which comprises seven UK outlets, websites, a fulfilment centre and head office team.

On 11 April 2018 the Group announced a proposal to upgrade its fulfilment capabilities by creating an automated 850,000 square foot distribution and returns centre in the East Midlands. The Group plans to begin exiting its existing fulfilment sites in Greater Manchester from mid-2020. As the Group is dual running multiple sites, all running costs for the East Midlands site including depreciation and finance costs related to the site's finance leases are included in exceptional costs. When the East Midlands site becomes the Group's principal distribution centre, running costs associated with East Midlands will be charged to normal operating profit, with any remaining running costs for the existing sites to be charged to exceptional costs.

The professional fees relate to corporate projects.

During the financial year ended 30 June 2019, the Group recognised regulatory charges of £241.0m to cover the estimated cost of customer redress claims in respect of historic shopping insurance sales to the claim's deadline set by the FCA for 29 August 2019. The provision is expected to be fully utilised over the next 12 months.

Impairment of intangible assets relates to the impairment of brands.

Impairment of goodwill relates to the impairment of the goodwill that arose on acquisition of Douglas Insurance Limited in 2008.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Derivative financial instruments

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

	30 Sept 2019 £'m	30 Sept 2018 £'m	30 June 2019 £'m
Notional amount – Sterling contract value	104.8	144.0	106.0
Fair value of asset/(liability) recognised	3.4	3.5	4.8

Changes in the fair value of derivative financial instruments amounted to a loss of £1.4m in the period (3 months to 30 September 2018: gain of £1.0m), 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 – directly observable market inputs other than Level 1 inputs. There were no transfers between Level 1 – quoted prices for similar instruments and Level 2 during the year.

7. Trade and other receivables

	30 Sept 2019 £'m	30 Sept 2018 £'m	30 June 2019 £'m
Trade receivables	1,330.8	1,345.0	1,374.4
Amounts owed by group undertakings (note 12)	518.3	503.8	514.5
Prepayments	176.5	166.3	161.6
Other receivables	51.9	42.9	53.1
	2,077.5	2,058.0	2,103.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Taxation

The taxation charge for the 3 months to 30 Sept 2019 is based on the estimated tax rate for the full year to 30 June 2020 of 19.0% (9 months to 30 Sept 2018: 19.0%).

	3 months to 30 Sept 2019 £'m	3 months to 30 Sept 2018 £'m	Year to 30 June 2019 £'m
Current taxation			
UK corporation tax	(0.4)	(0.3)	(0.5)
Prior year adjustment	-	-	(6.7)
Foreign tax	(0.2)	(0.2)	(1.1)
Total current income tax	(0.6)	(0.5)	(8.3)
Deferred tax			
Arising from origination and reversal of temporary differences	(0.2)	3.5	23.8
Tax (charge)/credit in the income statement	(0.8)	3.0	15.5

9. Provisions

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2019	0.8	22.2	174.6	197.6
Increase in provisions	-	1.0	-	1.0
Provisions utilised	-	(2.6)	(32.1)	(34.7)
At 30 Sept 2019	0.8	20.6	142.5	163.9
Non-current	-	17.2	-	17.2
Current	0.8	3.4	142.5	146.7
	0.8	20.6	142.5	163.9

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Provisions (continued)

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2018	0.8	26.6	100.4	127.8
Increase in provisions	-	-	41.0	41.0
Provisions utilised	-	(1.4)	(35.4)	(36.8)
At 30 Sept 2018	0.8	25.2	106.0	132.0
Non-current	-	22.5	-	22.5
Current	0.8	2.7	106.0	109.5
	0.8	25.2	106.0	132.0

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2018	0.8	26.6	100.4	127.8
Increase in provisions	-	6.8	241.0	247.8
Provisions utilised	-	(11.2)	(166.8)	(178.0)
At 30 June 2019	0.8	22.2	174.6	197.6
Non-current	-	16.8	-	16.8
Current	0.8	5.4	174.6	180.8
	0.8	22.2	174.6	197.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Borrowings

	30 Sept 2019 £'m	30 Sept 2018 £'m	30 June 2019 £'m
Secured non-current loans and borrowings at amortised cost			
Securitisation facility	1,327.2	1,290.0	1,372.6
Senior secured notes	550.0	550.0	550.0
	1,877.2	1,840.0	1,922.6
Current loans and borrowings at amortised cost			
Secured revolving credit facility	150.0	120.0	95.0
Unsecured bank overdrafts	7.6	7.8	7.6
	157.6	127.8	102.6

The underlying currency of the unsecured bank overdrafts of £7.6m (30 Sept 2018: £7.8m) is Euros. Within the securitisation facility £23.9m (30 Sept 2018: £nil) is denominated in Euros. The underlying currency of all the other borrowings and overdrafts set out above is Sterling.

	30 Sept 2019 £'m	30 Sept 2018 £'m	30 June 2019 £'m
The borrowings are repayable as follows:			
Within one year	157.6	127.8	102.6
In the second year	-	-	-
In the third to fifth year	1,877.2	1,840.0	1,922.6
Over five years	-	-	-
Amount due for settlement after one year	1,877.2	1,840.0	1,922.6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Borrowings (continued)

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

(a) The Group has a UK securitisation facility against which it has drawn £1,303.3m (30 Sept 2018: £1,290.0m), secured by a charge over certain eligible trade debtors of the Group. The facility is composed of 'A-S' Notes (£1,071.1m), 'A-J' Notes (£141.5m) and 'B' and 'C' Notes (£210.0m), a total maximum commitment of £1,535.0m which expires in December 2021.
(b) The Group has an Irish securitisation facility against which it has drawn £23.9m (30 Sept 2018: nil), secured by a charge over certain eligible trade debtors of the Group. The facility has a total maximum commitment of €35.0m which expires in December 2021.
(c) The Group has senior secured notes of £550.0m, at 7.75%, due November 2022 with a secured revolving credit facility of £150.0m of which £150.0m was drawn down at 30 September 2019 (2018: £120.0m).

11. Cash and cash equivalents

	30 Sept 2019 £'m	30 Sept 2018 £'m	30 June 2019 £'m
Cash at bank	30.2	79.3	14.8
Secured revolving credit facility	(150.0)	(120.0)	(95.0)
Bank overdrafts	(7.6)	(7.8)	(7.6)
Cash and cash equivalents in statement of cash flows	(127.4)	(48.5)	(87.8)

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. The revolving credit facility, which expires in May 2022, rolls over on a monthly basis and hence is classified within cash and cash equivalents, and is classified as repayable within one year (see note 10).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and have not been disclosed. 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

	30 Sept 2019 £'m	30 Sept 2018 £'m	30 June 2019 £'m
Yodel Delivery Network Limited	0.7	0.9	5.2
Arrow XL Limited	-	-	0.6
	0.7	0.9	5.8

Purchase of services

	30 Sept 2019 £'m	30 Sept 2018 £'m	30 June 2019 £'m
Yodel Delivery Network Limited	(11.3)	(12.9)	(61.5)
Drop & Collect Limited	(5.4)	(5.2)	(24.6)
Arrow XL Limited	(10.2)	(10.3)	(42.9)
Trenport Property Holdings Limited	(0.3)	(0.4)	(1.6)
Telegraph Media Group Limited	(0.4)	-	(1.7)
Shop Direct Holdings Limited	(1.2)	(1.2)	(5.0)
	(28.8)	(30.0)	(137.3)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Related party transactions (continued)

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

Amounts due from fellow Group undertakings

	30 Sept 2019 £'m	30 Sept 2018 £'m	30 June 2019 £'m
Shop Direct Holdings Limited	480.5	476.5	480.5
Yodel Delivery Network Limited	4.6	2.5	0.2
Drop & Collect Limited	0.1	0.2	0.3
Arrow XL Limited	0.9	0.1	0.3
Primevere Limited	21.0	10.0	22.0
Primevere Equipment Limited	11.2	14.5	11.2
	518.3	503.8	514.5

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.

13. Events after the balance sheet date

On 19 November 2019, the Group issued 75m fully paid up ordinary shares at par value of £1 each.

14. Seasonality

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