

REGISTERED NUMBER: 04730752

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

for the 3 months ended 30 September 2017

**SHOP DIRECT LIMITED**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the 3 months ended 30 September 2017

---

**CONTENTS**

INTERIM RESULTS STATEMENT	1
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT	4
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET	6
UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT	7
UNAUDITED RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES	8
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	10

# SHOP DIRECT LIMITED

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the 3 months ended 30 September 2017

---

### 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 2017.

#### Review of the business

##### Group revenue

Group revenue, comprising retail and financial services increased by 1.9% to £430.0m (Q1 FY17: £422.0m) driven by Very which continued to outpace the online retail market<sup>1</sup>. Very revenue grew 10.2% to £294.1m (Q1 FY17: £266.8m), 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 12.4% to £135.9m (Q1 FY17: £155.2m).

##### Retail revenue

Retail revenue grew 1.7% despite the strategic decision to reduce marketing spend in the quarter relative to prior year in order to up-weight investment during peak trading in Quarter 2, and we continued to benefit from our department store model, which provides resilience against adverse movements in individual product categories.

Clothing & Footwear revenue growth of 2.7% was driven by double digit growth in Childrenswear and Sportswear. Electrical revenue grew 3.9% driven by Technology including consoles, mobiles and smart technology products. Seasonal revenue grew 2.3% driven by Gifting, Toys and Beauty including cosmetics and fragrances. Furniture & Homeware revenue declined by 11.6% 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 is rolled out in 2018.

##### Financial Services revenue

Financial Services revenue increased by 2.4% driven by interest income due to growth in Very, partially offset by lower admin fees reflecting improved early arrears performance. Interest income as a percentage of the debtor book increased by 0.1%pts to 5.6% (Q1 FY17: 5.5%) driven mainly by mix as Very has a higher financial services attachment than Littlewoods.

##### Gross profit and costs

Gross margin rate increased 0.6%pts to 42.1% (Q1 FY17: 41.5%) driven by foreign exchange. Excluding this benefit, gross margin rate was broadly in line with prior year with retail price pressure offset by lower bad debt.

Our continued focus on portfolio management and customer-centric collection strategies improved the debtor book’s risk profile, reducing bad debt as a percentage of the book by 0.1%pts to 2.1% (Q1 FY17: 2.2%).

Distribution expenses decreased to £52.4m (Q1 FY17: £53.1m) reflecting an improved items per parcel ratio generating lower parcel volumes. Administrative expenses before exceptional items increased marginally to £91.4m (Q1 FY17: £90.9m), but decreased 0.3%pts as a percentage of group revenue to 21.2% reflecting lower marketing costs.

SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

**INTERIM RESULTS STATEMENT (continued)**

**Review of the business (continued)**

**EBITDA**

Reported EBITDA grew 19.7% to £37.6m (Q1 FY17: £31.4m). As a percentage of Group revenue, the EBITDA margin increased 1.3%pts to 8.7% compared to the prior year.

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 £31.1m (Q1 FY17: £32.1m).

<b>Reconciliation of operating profit to adjusted EBITDA post securitisation interest:</b>			
<i>(£ millions)</i>	<b>Q1 FY18</b>	<b>Q1 FY17</b>	<b>Variance %</b>
<b>Operating profit before exceptional items</b>	<b>28.6</b>	<b>24.1</b>	<b>18.7%</b>
Depreciation & Amortisation	9.0	7.3	
<b>Reported EBITDA</b>	<b>37.6</b>	<b>31.4</b>	<b>19.7%</b>
<b>Adjusted for:</b>			
Fair value adjustments to financial instruments	3.8	2.4	
Foreign exchange impact of trade creditors translation	(2.2)	1.3	
IAS19 and IFRIC 14 pension adjustments	-	-	
<b>Management EBITDA</b>	<b>39.2</b>	<b>35.1</b>	<b>11.7 %</b>
<b>Adjusted for:</b>			
Management fee	1.3	1.3	
Costs associated with new brand launches	-	5.0	
Consultancy costs	-	0.7	
Securitisation interest	(9.4)	(10.0)	
<b>Adjusted EBITDA post securitisation interest</b>	<b>31.1</b>	<b>32.1</b>	<b>(3.1)%</b>

**Finance costs**

Net finance costs increased to £15.5m (Q1 FY17: £14.0m) driven by interest on the senior debt facility (which was repaid after the balance sheet date (see note 11)).

**Taxation**

The tax charge in the income statement of £0.4m (Q1 FY17: £0.1m) in the quarter includes a current tax charge of £0.3m and a charge of £0.1m in relation to a decrease in the deferred tax asset.

**Capital investment**

Capital expenditure for the period was £24.2m (Q1 FY17: £11.9m) across business-as-usual and strategic investment. The driver of the increase in the quarter 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.

**SHOP DIRECT LIMITED**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the 3 months ended 30 September 2017

---

**INTERIM RESULTS STATEMENT (continued)**

**Review of the business (continued)**

**Statement of cash flows**

The cash balance decreased by £66.8m to £(16.3)m during the quarter (Q1 FY17: £(39.5)m) reflecting increased capital expenditure and cash paid to parent.

**Balance sheet**

Net assets increased to £211.6m (FY17: £199.9m) driven by the Group's profit after tax.

Inventory increased to £144.5m (FY17: £114.3m) reflecting seasonal uplift in the lead up to peak trading in Quarter 2. Working capital efficiency through stock management will remain a key focus. Trade and other receivables increased to £2,093.4m (FY17: £2,072.9m) driven by an increase in the intercompany receivable with Shop Direct Holdings Limited partially offset by the seasonal reduction in trade debtors with customers managing their accounts prior to peak trading. Trade and other payables increased to £553.8m (FY17: £516.4m) reflecting seasonality and year-on-year sales growth.

Securitisation borrowings reduced to £1,203.3m (FY17: £1,228.8m), broadly in line with trade debtors. The securitisation facility expires on 1 December 2019 with a maximum value of £1,315.0m.

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.

SHOP DIRECT LIMITED  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the 3 months ended 30 September 2017

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

		3 months to 30 Sept 2017			3 months to 30 Sept 2016			Year to 30 June 2017		
	Notes	Pre- exceptional items £'m	Exceptional items £'m	Total £'m	Pre- exceptional items £'m	Exceptional items £'m	Total £'m	Pre- exceptional items £'m	Exceptional items £'m	Total £'m
Revenue	3	430.0	-	430.0	422.0	-	422.0	1,929.9	-	1,929.9
<b>Operating profit</b>	3	28.6	(0.5)	28.1	24.1	-	24.1	205.2	(121.0)	84.2
Investment income		-	-	-	-	-	-	0.1	-	0.1
Finance costs		(15.5)	-	(15.5)	(14.0)	-	(14.0)	(59.4)	-	(59.4)
<b>Profit before tax</b>		13.1	(0.5)	12.6	10.1	-	10.1	145.9	(121.0)	24.9
Tax	6	(0.4)	-	(0.4)	(0.1)	-	(0.1)	40.0	-	40.0
<b>Profit for the period</b>		12.7	(0.5)	12.2	10.0	-	10.0	185.9	(121.0)	64.9
<b>Profit attributable to equity holders of the Group</b>		12.7	(0.5)	12.2	10.0	-	10.0	185.9	(121.0)	64.9

SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>3 months to 30 Sept 2017 £'m</b>	<b>3 months to 30 Sept 2016 £'m</b>	<b>Year to 30 June 2017 £'m</b>
Profit for the period/year	12.2	10.0	64.9
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement on retirement benefit obligations before tax	-	-	(34.3)
Income tax effect	(0.6)	-	9.0
	<hr/>	<hr/>	<hr/>
Other comprehensive expense	(0.6)	-	(25.3)
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation gains	0.1	0.8	1.1
	<hr/>	<hr/>	<hr/>
Other comprehensive (expense)/income	(0.5)	0.8	(24.2)
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income attributable to:</b>			
Owners of the company	11.7	10.8	40.7
	<hr/>	<hr/>	<hr/>

SHOP DIRECT LIMITED  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the 3 months ended 30 September 2017

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

	Notes	30 Sept 2017 £'m	30 Sept 2016 £'m	30 June 2017 £'m
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		252.5	252.5	252.5
Other intangible assets		168.8	127.6	154.9
Property, plant and equipment		12.2	8.3	10.9
Deferred tax asset		89.2	37.0	89.9
		522.7	425.4	508.2
<b>Current assets</b>				
Inventories		144.5	135.6	114.3
Trade and other receivables		2,093.4	2,240.1	2,072.9
Income tax asset		-	-	2.0
Cash and bank balances		51.5	25.5	116.9
Derivative financial instruments	5	-	6.0	-
		2,289.4	2,407.2	2,306.1
<b>Total assets</b>		2,812.1	2,832.6	2,814.3
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		(100.0)	(100.0)	(100.0)
Retained earnings		(111.6)	(470.0)	(99.9)
<b>Total equity</b>		(211.6)	(570.0)	(199.9)
<b>Non-current liabilities</b>				
Loans and borrowings	8	(500.0)	(300.0)	(500.0)
Securitisation facility	8	(1,203.3)	(1,157.3)	(1,228.8)
Retirement benefit obligations		(80.1)	(61.7)	(85.1)
Deferred income		(41.6)	(47.7)	(44.9)
Obligations under finance leases		(3.5)	(2.5)	(3.1)
Provisions	7	(16.0)	-	(19.7)
		(1,844.5)	(1,569.2)	(1,881.6)
<b>Current liabilities</b>				
Trade and other payables		(553.8)	(539.4)	(516.4)
Loans and borrowings	8	(67.8)	(65.0)	(66.4)
Income tax liability		(0.2)	(0.4)	-
Obligations under finance leases		(1.5)	(0.9)	(1.3)
Deferred income		(66.3)	(75.8)	(68.6)
Provisions	7	(60.6)	(11.9)	(78.1)
Derivative financial instruments	5	(5.8)	-	(2.0)
		(756.0)	(693.4)	(732.8)
<b>Total liabilities</b>		(2,600.5)	(2,262.6)	(2,614.4)
<b>Total equity and liabilities</b>		(2,812.1)	(2,832.6)	(2,814.3)



SHOP DIRECT LIMITED  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the 3 months ended 30 September 2017

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>3 months to 30 Sept 2017 £'m</b>	<b>3 months to 30 Sept 2016 £'m</b>	<b>Year to 30 June 2017 £'m</b>
<b>Net cash from operating activities</b>	(17.6)	24.7	(107.6)
<b>Investing activities</b>			
Interest received	-	-	0.1
Acquisitions of property, plant and equipment	(2.0)	(0.4)	(4.9)
Acquisitions of intangible assets	(22.2)	(11.5)	(61.1)
Proceeds from sale of intangible assets	-	-	3.8
<b>Net cash used in investing activities</b>	(24.2)	(11.9)	(62.1)
<b>Financing activities</b>			
Proceeds from bank borrowing draw downs	-	-	200.0
Proceeds from finance lease draw downs	0.6	-	1.0
(Repayments of)/drawdowns from securitisation facility	(25.6)	(26.6)	44.9
<b>Net cash flows from financing activities</b>	(25.0)	(26.6)	245.9
<b>Net (decrease)/increase in cash and cash equivalents</b>	(66.8)	(13.8)	76.2
<b>Opening cash and cash equivalents</b>	50.5	(25.7)	(25.7)
<b>Closing cash and cash equivalents</b>	(16.3)	(39.5)	50.5

SHOP DIRECT LIMITED  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the 3 months ended 30 September 2017

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

	<b>3 months to 30 Sept 2017 £'m</b>	<b>3 months to 30 Sept 2016 £'m</b>	<b>Year to 30 June 2017 £'m</b>
Profit for the period/year	12.2	10.0	64.9
Adjustments for:			
Depreciation	0.7	0.7	2.3
Amortisation	8.3	6.6	28.9
Financial instrument net losses through profit and loss	3.8	2.4	10.3
Profit on disposal of intangible assets	-	-	(5.0)
Finance income	-	-	(0.1)
Finance costs	15.5	14.0	57.5
Income tax expense/(income)	0.4	0.1	(40.0)
(Decrease)/increase in provisions	(21.2)	(9.5)	76.4
Adjustments for pensions	(5.0)	(5.4)	(16.1)
	<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital	14.7	18.9	179.1
Increase in inventories	(30.2)	(34.6)	(13.3)
(Increase)/decrease in trade and other receivables	(20.3)	20.8	(210.8)
Increase in trade and other payables	32.0	34.4	1.8
	<hr/>	<hr/>	<hr/>
Cash (absorbed)/generated by operations	(3.8)	39.5	(43.2)
Income taxes paid	1.7	(0.7)	(6.9)
Interest paid	(15.5)	(14.1)	(57.5)
	<hr/>	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	<u>(17.6)</u>	<u>24.7</u>	<u>(107.6)</u>

SHOP DIRECT LIMITED  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the 3 months ended 30 September 2017

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

	Share capital £'m	Retained earnings £'m	Total £'m
<b>Changes in equity for the 3 months to 30 September 2017</b>			
Balance as at 30 June 2017	100.0	99.9	199.9
Profit for the year	-	12.2	12.2
Other comprehensive income	-	(0.5)	(0.5)
Total comprehensive income	-	11.7	11.7
<b>Balance at 30 September 2017</b>	<b>100.0</b>	<b>111.6</b>	<b>211.6</b>
<b>Changes in equity for the 3 months to 30 September 2016</b>			
Balance as at 30 June 2016	100.0	459.2	559.2
Profit for the year	-	10.0	10.0
Other comprehensive income	-	0.8	0.8
Total comprehensive income	-	10.8	10.8
<b>Balance at 30 September 2016</b>	<b>100.0</b>	<b>470.0</b>	<b>570.0</b>
<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)
Total comprehensive income	-	40.7	40.7
Dividends	-	(400.0)	(400.0)
<b>Balance at 30 June 2017</b>	<b>100.0</b>	<b>99.9</b>	<b>199.9</b>

**SHOP DIRECT LIMITED**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
For the 3 months ended 30 September 2017

---

**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 7 December 2017.

**2. Summary of accounting policies**

**Basis of preparation**

This condensed set of financial statements for the three months ended 30 September 2017 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 30 September 2016 and 30 September 2017 represents the deficit as at 30 June 2016 and 30 June 2017 respectively and has not been adjusted for contributions or actuarial gains or losses in the three months ended 30 September 2016 or 30 September 2017.

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.

**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.

SHOP DIRECT LIMITED  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
For the 3 months ended 30 September 2017

---

**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 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (amendments)	Equity method in separate financial statements
Annual improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, 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 15 may have an impact on revenue recognition and related disclosures
- IFRS 16 will impact on the treatment and recognition of leases

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.

SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (continued)

3. Segmental analysis

By business segment

	3 months to 30 Sept 2017 £'m	3 months to 30 Sept 2016 £'m	Year to 30 June 2017 £'m
<b>Analysis of revenue:</b>			
Very†	294.1	266.8	1,263.5
Littlewoods◇	135.9	155.2	666.4
	430.0	422.0	1,929.9
Gross profit	181.2	175.1	786.5
Distribution costs	(52.4)	(53.1)	(218.6)
Administrative costs pre-exceptional items	(91.4)	(90.9)	(332.8)
Other operating income	0.2	0.3	1.3
<b>Segment EBITDA*:</b>			
Very†	65.3	56.5	290.1
Littlewoods◇	32.1	33.7	158.9
Central costs	(59.8)	(58.8)	(212.6)
	37.6	31.4	236.4
Exceptional items (see note 4)	(0.5)	-	(121.0)
Depreciation	(0.7)	(0.7)	(2.3)
Amortisation	(8.3)	(6.6)	(28.9)
	28.1	24.1	84.2
Finance income	-	-	0.1
Finance costs	(15.5)	(14.0)	(59.4)
	12.6	10.1	24.9
	12.6	10.1	24.9

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.

SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (continued)

3. Segmental analysis (continued)

By geographical location of destination

	3 months to 30 Sept 2017 £'m	3 months to 30 Sept 2016 £'m	Year to 30 June 2017 £'m
<b>Revenue:</b>			
United Kingdom	415.1	409.0	1,867.2
Rest of World	14.9	13.0	62.7
	<hr/>	<hr/>	<hr/>
	430.0	422.0	1,929.9
	<hr/>	<hr/>	<hr/>
<b>Operating profit:</b>			
United Kingdom	27.7	23.5	80.5
Rest of World	0.4	0.6	3.7
	<hr/>	<hr/>	<hr/>
	28.1	24.1	84.2
	<hr/>	<hr/>	<hr/>

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 2017 £'m	3 months to 30 Sept 2016 £'m	Year to 30 June 2017 £'m
<b>Reconciliation of pre-exceptional profit before tax ("PBT") to underlying PBT</b>			
Pre-exceptional PBT	13.1	10.1	145.9
Adjusted for:			
Fair value adjustments to financial instruments	3.8	2.4	10.3
Foreign exchange translation movements on trade creditors	(2.2)	1.3	1.2
IAS19 and IFRIC14 pension adjustments	-	-	3.0
	<hr/>	<hr/>	<hr/>
<b>Underlying PBT</b>	14.7	13.8	160.4
	<hr/>	<hr/>	<hr/>

SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (continued)

3. Segmental analysis (continued)

Non-GAAP measures (continued)

	3 months to 30 Sept 2017 £'m	3 months to 30 Sept 2016 £'m	Year to 30 June 2017 £'m
<b>Reconciliation of pre-exceptional earnings before interest, tax, depreciation and amortisation ("EBITDA") to underlying EBITDA</b>			
Segment EBITDA	37.6	31.4	236.4
Adjusted for:			
Fair value adjustments to financial instruments	3.8	2.4	10.3
Foreign exchange translation movements on trade creditors	(2.2)	1.3	1.2
IAS19 and IFRIC14 pension adjustments	-	-	1.8
<b>Underlying EBITDA</b>	<b>39.2</b>	<b>35.1</b>	<b>249.7</b>

4. Exceptional items

	3 months to 30 Sept 2017 £'m	3 months to 30 Sept 2016 £'m	Year to 30 June 2017 £'m
Regulatory costs and associated administrative expenses	-	-	(112.3)
Restructuring costs	-	-	(7.3)
Profit on disposal of intangible asset	-	-	5.0
Loss on disposal of subsidiary	-	-	(0.1)
Professional fees	(0.5)	-	(5.5)
Warranty provision	-	-	(0.8)
	<b>(0.5)</b>	<b>-</b>	<b>(121.0)</b>

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 to cover the expected increase in the volume of customer redress claims in relation to historical shopping insurance sales up and until the claims deadline for the bringing of claims in August 2019.

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.



SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

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

**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>30 Sept 2017 £'m</b>	<b>30 Sept 2016 £'m</b>	<b>30 June 2017 £'m</b>
Notional amount – sterling contract value	248.6	291.4	134.1
Fair value of (liability)/asset recognised	(5.8)	6.0	(2.0)

Changes in the fair value of derivative financial instruments amounted to a loss of £3.8m in the period (3 months to 30 September 2016: loss of £2.4m), 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. Taxation**

The taxation charge for the 3 months to 30 September 2017 is based on the estimated tax rate for the full year to 30 June 2018 of 19.00% (3 months to 30 September 2016 : 19.75%).

	<b>3 months to 30 Sept 2017 £'m</b>	<b>3 months to 30 Sept 2016 £'m</b>	<b>Year to 30 June 2017 £'m</b>
<b>Current taxation</b>			
UK corporation tax	(0.2)	-	(2.0)
Prior year adjustment	-	-	(1.0)
Foreign tax	(0.1)	(0.1)	(0.9)
Total current income tax	(0.3)	(0.1)	(3.9)
<b>Deferred tax</b>			
Arising from origination and reversal of temporary differences	(0.1)	-	43.9
<b>Tax (charge)/credit in the income statement</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>40.0</b>

SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (continued)

7. Provisions

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2017	0.8	9.0	88.0	97.8
Provisions used	-	(1.7)	(19.5)	(21.2)
At 30 September 2017	0.8	7.3	68.5	76.6
	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2016	-	5.8	15.6	21.4
Provisions used	-	(1.4)	(8.1)	(9.5)
At 30 September 2016	-	4.4	7.5	11.9
	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'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

It is estimated that the majority of the provisions will be utilised over the remainder of this financial year and the next financial year.

SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (continued)

8. Borrowings

	30 Sept 2017 £'m	30 Sept 2016 £'m	30 June 2017 £'m
<b>Secured non-current loans and borrowings at amortised cost</b>			
Bank borrowings	500.0	300.0	500.0
Securitisation facility	1,203.3	1,157.3	1,228.8
	<u>1,703.3</u>	<u>1,457.3</u>	<u>1,728.8</u>
<b>Current loans and borrowings at amortised cost</b>			
Secured bank overdrafts	60.0	60.0	60.0
Unsecured bank overdrafts	7.8	5.0	6.4
	<u>67.8</u>	<u>65.0</u>	<u>66.4</u>

The underlying currency of the unsecured bank overdrafts of £7.8m (30 September 2016: £5.0m) is Euros. The underlying currency of the other borrowings and overdrafts set out above is Sterling.

	30 Sept 2017 £'m	30 Sept 2016 £'m	30 June 2017 £'m
The borrowings are repayable as follows:			
Within one year	67.8	65.0	66.4
In the second year	1,203.3	-	1,228.8
In the third to fifth year	500.0	1,457.3	500.0
Over five years	-	-	-
	<u>1,703.3</u>	<u>1,457.3</u>	<u>1,728.8</u>

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

- The Group has a securitisation facility of £1,203.3m (30 September 2016: £1,157.3m) secured by a charge over certain eligible trade debtors of the Group. The securitisation facility, with a maximum value of £1,315.0m expires on 1 December 2019.
- The Group has a three year senior debt facility of £575.0m. The facility is secured by a debenture over the assets of the subsidiary to which it relates and has an option to extend for an additional year at the end of the current three year term. The facility bears interest at a rate of up to 3.75% over LIBOR.

SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

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

**9. Cash and cash equivalents**

	<b>30 Sept 2017 £'m</b>	<b>30 Sept 2016 £'m</b>	<b>30 June 2017 £'m</b>
Cash at bank	51.5	25.5	116.9
Bank overdrafts	(67.8)	(65.0)	(66.4)
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents in statement of cash flows	(16.3)	(39.5)	50.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

**10. 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>30 Sept 2017 £'m</b>	<b>30 Sept 2016 £'m</b>	<b>30 June 2017 £'m</b>
Yodel Delivery Network Limited	0.9	0.8	4.2
Arrow XL Limited	0.1	0.1	0.4
	<hr/>	<hr/>	<hr/>
	1.0	0.9	4.6
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Purchase of services**

	<b>30 Sept 2017 £'m</b>	<b>30 Sept 2016 £'m</b>	<b>30 June 2017 £'m</b>
Yodel Delivery Network Limited	(10.2)	(18.5)	(81.7)
Drop & Collect Limited	(1.7)	-	-
Arrow XL Limited	(8.5)	(10.7)	(43.3)
Trenport Property Holdings Limited	(0.4)	(0.6)	(1.9)
Shop Direct Holdings Limited	(1.2)	(1.2)	(5.0)
	<hr/>	<hr/>	<hr/>
	(22.0)	(31.0)	(131.9)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SHOP DIRECT LIMITED  
 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
 For the 3 months ended 30 September 2017

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

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

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

**Amounts due from fellow Group undertakings**

	<b>30 Sept 2017 £'m</b>	<b>30 Sept 2016 £'m</b>	<b>30 June 2017 £'m</b>
Shop Direct Holdings Limited	491.0	731.9	452.6
Yodel Delivery Network Limited	5.0	0.6	2.1
Arrow XL Limited	1.3	0.6	0.9
	<u>497.3</u>	<u>733.1</u>	<u>455.6</u>

**Amounts due to fellow Group undertakings**

	<b>30 Sept 2017 £'m</b>	<b>30 Sept 2016 £'m</b>	<b>30 June 2017 £'m</b>
Drop & Collect Limited	3.7	-	-

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.

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

On 3rd November 2017, the Group completed a refinancing. The existing debt was repaid and new senior secured notes of £550.0m at 7.75% due 2022 were put in place together with a new unsecured revolving credit facility of £150.0m. Transaction costs associated with the bond of £8.9m have been 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.

On 6 October 2017, the Group's Chief Executive Officer, Alexander Baldock announced that he is leaving the Company in summer 2018. We are actively engaged in a succession process and anticipate a smooth transition.

**12. Seasonality**

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