REGISTERED NUMBER: 04730752

SHOP DIRECT LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the 6 months ended 31 December 2017

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For the 6 months ended 31 December 2017

CONTENTS

INTERIM RESULTS STATEMENT

The directors present their interim results statement of Shop Direct Limited and its subsidiaries ("the Group") for the six month period ended 31 December 2017.

Review of the business

Group revenue

Group revenue, comprising retail and financial services, increased by 2.8% to £1,099.2m (Q2 FY17 YTD: £1,069.0m) driven by Very which continued to outpace the online retail market[1]. Very revenue grew 12.8% to £769.3m (Q2 FY17 YTD: £682.0m), 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 14.8% to £329.9m (Q2 FY17 YTD: £387.0m).

Retail revenue

Retail revenue grew 2.5%. We continued to benefit from our department store model, which provides resilience against adverse movements in individual product categories.

Clothing & Footwear revenue growth of 1.5% was driven by strong growth in Childrenswear and Sportswear. Electrical revenue grew 9.1% driven by Technology including consoles, mobiles and smart technology products. Seasonal revenue grew 3.4% driven by Gifting, Toys and Beauty including cosmetics and fragrances. Furniture & Homeware revenue declined by 10.0% 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 4.4%. 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 11.5% (Q2 FY17 YTD: 11.2%) driven mainly by brand mix as Very has a higher financial services attachment than Littlewoods.

Gross profit and costs

Gross margin rate decreased 2.3%pts to 38.4% (Q2 FY17 YTD: 40.7%) 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 improved the debtor book's risk profile, reducing bad debt as a percentage of the book by 0.2%pts to 3.3% (Q2 FY17 YTD: 3.5%).

Distribution expenses decreased to £116.6m (Q2 FY17 YTD: £120.8m) reflecting a combination of efficiencies and impact of product mix. Administrative expenses before exceptional items decreased to £190.8m (Q2 FY17 YTD: £203.7m) driven by more efficient marketing spend.

Q2 FY18 YTD is the 6 months ended 31 December 2017.
Q2 FY17 YTD is the 6 months ended 31 December 2016.

INTERIM RESULTS STATEMENT (continued)

Review of the business (continued)

EBITDA

Reported EBITDA grew 4.0% to £115.6m (Q2 FY17 YTD: £111.2m). As a percentage of Group revenue, the EBITDA margin increased 0.1%pts to 10.5% 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[2] decreased marginally to £103.8m (Q2 FY17 YTD: £106.4m).

Reconciliation of operating profit to adjusted EBITDA post securitisation interest:			
(£ millions)	**Q2 FY18 YTD**	**Q2 FY17 YTD**	**Variance %**
Operating profit before exceptional items	**97.4**	**96.1**	**1.4%**
Depreciation & Amortisation	18.2	15.1	
Reported EBITDA	**115.6**	**111.2**	**4.0%**
Adjusted for:			
Fair value adjustments to financial instruments	2.6	1.4	
Foreign exchange translation movements on trade creditors	0.3	2.4	
IAS19 and IFRIC14 pension adjustments	(0.1)	-	
Management EBITDA	**118.4**	**115.0**	**3.0 %**
Adjusted for:			
Management fee	2.5	2.5	
Costs associated with new brand launches	-	5.0	
Consultancy costs	-	1.7	
Securitisation interest	(17.1)	(17.8)	
Adjusted EBITDA post securitisation interest	**103.8**	**106.4**	**(2.4)%**

Finance costs

Net finance costs increased to £41.8m (Q2 FY17 YTD: £28.3m) 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.

Taxation

The tax charge in the income statement of £8.8m (Q2 FY17 YTD: £5.7m) includes a current tax charge of £3.6m and a charge of £5.2m in relation to a decrease in the deferred tax asset.

Capital investment

Capital expenditure for the period was £43.7m (Q2 FY17 YTD: £26.6m) 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.

INTERIM RESULTS STATEMENT (continued)

Review of the business (continued)

Statement of cash flows

The cash balance increased by £14.3m to £64.8m during the year-to-date (Q2 FY17: £(4.9)m) reflecting 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.

Balance sheet

Net assets increased to £240.0 m (FY17: £199.9m) driven by the Group's profit after tax.

Inventory increased to £124.8m (FY17: £114.3m) reflecting seasonality, consistent with Q2 FY17 (£123.8m). Working capital efficiency through stock management will remain a key focus. Trade and other receivables increased to £2,413.0m (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 £711.7m (FY17: £516.4m) reflecting seasonality and year-on-year sales growth.

Securitisation borrowings increased to £1,371.3m (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 31 January 2018, the Group Chief Executive Officer, Alexander Baldock left the Company. Derek Harding was appointed Interim Group Chief Executive Officer alongside his current role of Group Finance Director. On 1 March 2018, Matt Dixon, the Group Product Director, announced that he will leave the Company on 28 March 2018. Matt will be succeeded by the current Group Merchandising Director, Sam Perkins.

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 6 months ended 31 December 2017

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		6 months to 31 Dec 2017			6 months to 31 Dec 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	1,099.2	-	1,099.2	1,069.0	-	1,069.0	1,929.9	-	1,929.9
Operating profit	3	97.4	(1.8)	95.6	96.1	(26.6)	69.5	205.2	(121.0)	84.2
Investment income		-	-	-	0.2	-	0.2	0.1	-	0.1
Finance costs		(36.6)	(5.2)	(41.8)	(28.5)	-	(28.5)	(59.4)	-	(59.4)
Profit before tax		60.8	(7.0)	53.8	67.8	(26.6)	41.2	145.9	(121.0)	24.9
Tax	6	(8.8)	-	(8.8)	(5.7)	-	(5.7)	40.0	-	40.0
Profit for the period		52.0	(7.0)	45.0	62.1	(26.6)	35.5	185.9	(121.0)	64.9
Profit attributable to equity holders of the Group		52.0	(7.0)	45.0	62.1	(26.6)	35.5	185.9	(121.0)	64.9

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months to 31 Dec 2017 £'m	6 months to 31 Dec 2016 £'m	Year to 30 June 2017 £'m
Profit for the period/year	45.0	35.5	64.9
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement on retirement benefit obligations before tax	(3.0)	(24.8)	(34.3)
Income tax effect	(2.0)	1.9	9.0
Other comprehensive expense	(5.0)	(22.9)	(25.3)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation gains	0.1	0.7	1.1
Other comprehensive expense	(4.9)	(22.2)	(24.2)
Total comprehensive income attributable to:			
Owners of the company	40.1	13.3	40.7

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 Dec 2017 £'m	31 Dec 2016 £'m	30 June 2017 £'m
Assets				
Non-current assets				
Goodwill		252.5	252.5	252.5
Other intangible assets		178.8	133.4	154.9
Property, plant and equipment		12.5	9.4	10.9
Deferred tax asset		82.8	37.0	89.9
		526.6	432.3	508.2
Current assets				
Inventories		124.8	123.8	114.3
Trade and other receivables		2,413.0	2,587.8	2,072.9
Income tax asset		-	-	2.0
Cash and bank balances		103.2	34.5	116.9
Derivative financial instruments	*5*	-	6.9	-
		2,641.0	2,753.0	2,306.1
Total assets		3,167.6	3,185.3	2,814.3
Equity and liabilities				
Equity				
Share capital		(100.0)	(100.0)	(100.0)
Retained earnings		(140.0)	(472.5)	(99.9)
Total equity		(240.0)	(572.5)	(199.9)
Non-current liabilities				
Loans and borrowings	*8*	(550.0)	(416.3)	(500.0)
Securitisation facility	*8*	(1,371.3)	(1,254.6)	(1,228.8)
Retirement benefit obligations		(79.5)	(83.6)	(85.1)
Deferred income		(48.7)	(52.5)	(44.9)
Obligations under finance leases		(3.6)	(3.1)	(3.1)
Provisions	*7*	(5.0)	-	(19.7)
		(2,058.1)	(1,810.1)	(1,881.6)
Current liabilities				
Trade and other payables		(711.7)	(653.7)	(516.4)
Loans and borrowings	*8*	(38.4)	(39.4)	(66.4)
Income tax liability		(3.1)	(3.4)	-
Obligations under finance leases		(1.4)	(1.0)	(1.3)
Deferred income		(63.3)	(74.2)	(68.6)
Provisions	*7*	(47.0)	(31.0)	(78.1)
Derivative financial instruments	*5*	(4.6)	-	(2.0)
		(869.5)	(802.7)	(732.8)
Total liabilities		(2,927.6)	(2,612.8)	(2,614.4)
Total equity and liabilities		(3,167.6)	(3,185.3)	(2,814.3)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	6 months to 31 Dec 2017 £'m	6 months to 31 Dec 2016 £'m	Year to 30 June 2017 £'m
Net cash from operating activities	(135.1)	(139.8)	(107.6)
Investing activities			
Interest received	-	0.2	0.1
Acquisitions of property, plant and equipment	(2.9)	(2.0)	(4.9)
Acquisitions of intangible assets	(40.8)	(24.6)	(61.1)
Proceeds from sale of intangible assets	-	-	3.8
Net cash used in investing activities	(43.7)	(26.4)	(62.1)
Financing activities			
(Repayments of)/draw downs from bank borrowings	(500.0)	121.0	200.0
Proceeds from issue of senior secured notes	550.0	-	-
Proceeds from finance lease draw downs	0.6	0.7	1.0
Proceeds from draw downs of securitisation facility	142.5	65.3	44.9
Net cash flows from financing activities	193.1	187.0	245.9
Net increase in cash and cash equivalents	14.3	20.8	76.2
Opening cash and cash equivalents	50.5	(25.7)	(25.7)
Closing cash and cash equivalents	64.8	(4.9)	50.5

UNAUDITED RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	6 months to 31 Dec 2017 £'m	**6 months to 31 Dec 2016 £'m**	**Year to 30 June 2017 £'m**
Profit for the period/year	45.0	35.5	64.9
Adjustments for:			
Depreciation	1.3	1.2	2.3
Amortisation	16.9	13.9	28.9
Financial instrument net losses through profit and loss	2.6	1.4	10.3
Profit on disposal of intangible assets	-	-	(5.0)
Finance income	-	(0.2)	(0.1)
Finance costs	41.8	28.5	57.5
Income tax expense/(income)	8.8	5.7	(40.0)
(Decrease)/increase in provisions	(45.8)	9.6	76.4
Adjustments for pensions	(10.6)	(8.2)	(16.1)
Operating cash flows before movements in working capital	60.0	87.4	179.1
Increase in inventories	(10.5)	(22.8)	(13.3)
Increase in trade and other receivables	(333.0)	(326.9)	(210.8)
Increase in trade and other payables	193.9	152.2	1.8
Cash absorbed by operations	(89.6)	(110.1)	(43.2)
Income taxes paid	(3.7)	(1.2)	(6.9)
Interest paid	(41.8)	(28.5)	(57.5)
Net cash outflow from operating activities	(135.1)	(139.8)	(107.6)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'m	Retained earnings £'m	Total £'m
Changes in equity for the 6 months to 31 December 2017			
Balance as at 30 June 2017	100.0	99.9	199.9
Profit for the year	-	45.0	45.0
Other comprehensive income	-	(4.9)	(4.9)
Total comprehensive income	-	40.1	40.1
Balance at 31 December 2017	100.0	140.0	240.0
Changes in equity for the 6 months to 31 December 2016			
Balance as at 30 June 2016	100.0	459.2	559.2
Profit for the year	-	35.5	35.5
Other comprehensive income	-	(22.2)	(22.2)
Total comprehensive income	-	13.3	13.3
Balance at 31 December 2016	100.0	472.5	572.5
Changes in equity for the year to 30 June 2017			
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)
Balance at 30 June 2017	100.0	99.9	199.9

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 1 March 2018.

2. Summary of accounting policies

Basis of preparation

This condensed set of financial statements for the six months ended 31 December 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 financial statements are drawn up to the Saturday nearest to 30 June or 31 December, or to 30 June or 31 December 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.

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 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis

By business segment

	6 months to 31 Dec 2017 £'m	6 months to 31 Dec 2016 £'m	Year to 30 June 2017 £'m
Analysis of revenue:			
Very†	769.3	682.0	1,263.5
Littlewoods◊	329.9	387.0	666.4
	1,099.2	1,069.0	1,929.9
Gross profit	422.6	435.1	786.5
Distribution costs	(116.6)	(120.8)	(218.6)
Administrative costs pre-exceptional items	(190.8)	(203.7)	(332.8)
Other operating income	0.4	0.6	1.3
Segment EBITDA*:			
Very†	155.1	134.7	290.1
Littlewoods◊	80.5	93.5	158.9
Central costs	(120.0)	(117.0)	(212.6)
	115.6	111.2	236.4
Exceptional items (see note 4)	(1.8)	(26.6)	(121.0)
Depreciation	(1.3)	(1.2)	(2.3)
Amortisation	(16.9)	(13.9)	(28.9)
Operating profit	95.6	69.5	84.2
Finance income	-	0.2	0.1
Finance costs	(41.8)	(28.5)	(59.4)
Profit before taxation	53.8	41.2	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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis (continued)

By geographical location of destination

	6 months to 31 Dec 2017 £'m	6 months to 31 Dec 2016 £'m	Year to 30 June 2017 £'m
Revenue:			
United Kingdom	1,057.4	1,034.0	1,867.2
Rest of World	41.8	35.0	62.7
	1,099.2	1,069.0	1,929.9
Operating profit:			
United Kingdom	93.5	67.4	80.5
Rest of World	2.1	2.1	3.7
	95.6	69.5	84.2

The analysis above is in respect of continuing operations.

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

Non-GAAP measures

	6 months to 31 Dec 2017 £'m	6 months to 31 Dec 2016 £'m	Year to 30 June 2017 £'m
Reconciliation of pre-exceptional profit before tax ("PBT") to underlying PBT			
Pre-exceptional PBT	60.8	67.8	145.9
Adjusted for:			
Fair value adjustments to financial instruments	2.6	1.4	10.3
Foreign exchange translation movements on trade creditors	0.3	2.4	1.2
IAS19 and IFRIC14 pension adjustments	1.0	-	3.0
Underlying PBT	64.7	71.6	160.4

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Segmental analysis (continued)

Non-GAAP measures (continued)

	6 months to 31 Dec 2017 £'m	6 months to 31 Dec 2016 £'m	Year to 30 June 2017 £'m
Reconciliation of pre-exceptional earnings before interest, tax, depreciation and amortisation ("EBITDA") to underlying EBITDA			
Segment EBITDA	115.6	111.2	236.4
Adjusted for:			
Fair value adjustments to financial instruments	2.6	1.4	10.3
Foreign exchange translation movements on trade creditors	0.3	2.4	1.2
IAS19 and IFRIC14 pension adjustments	(0.1)	-	1.8
Underlying EBITDA	118.4	115.0	249.7

4. Exceptional items

	6 months to 31 Dec 2017 £'m	6 months to 31 Dec 2016 £'m	Year to 30 June 2017 £'m
Regulatory costs and associated administrative expenses	-	(26.8)	(112.3)
Restructuring credit/(costs)	(0.3)	0.2	(7.3)
Profit on disposal of intangible asset	-	-	5.0
Loss on disposal of subsidiary	-	-	(0.1)
Professional fees	(1.5)	-	(5.5)
Warranty provision	-	-	(0.8)
Charged to operating profit	(1.8)	(26.6)	(121.0)
Accelerated amortisation of loan issue costs (see note 8)	(5.2)	-	-
	(7.0)	(26.6)	(121.0)

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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:

	31 Dec 2017 £'m	**31 Dec 2016 £'m**	**30 June 2017 £'m**
Notional amount – sterling contract value	269.3	156.2	134.1
Fair value of (liability)/asset recognised	(4.6)	6.9	(2.0)

Changes in the fair value of derivative financial instruments amounted to a loss of £2.6m in the period (6 months to 31 December 2016: loss of £1.4m), 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. Taxation

The taxation charge for the 6 months to 31 December 2017 is based on the estimated tax rate for the full year to 30 June 2018 of 19.00% (6 months to 31 December 2016 : 19.75%).

	6 months to 31 Dec 2017 £'m	6 months to 31 Dec 2016 £'m	Year to 30 June 2017 £'m
Current taxation			
UK corporation tax	(3.6)	(3.8)	(2.0)
Prior year adjustment	-	-	(1.0)
Foreign tax	-	-	(0.9)
Total current income tax	(3.6)	(3.8)	(3.9)
Deferred tax			
Arising from origination and reversal of temporary differences	(5.2)	(1.9)	43.9
Tax (charge)/credit in the income statement	(8.8)	(5.7)	40.0

7. Provisions

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2017	0.8	9.0	88.0	97.8
Provisions used	-	(3.8)	(42.0)	(45.8)
At 31 December 2017	0.8	5.2	46.0	52.0

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Provisions (continued)

	Warranties £'m	Restructuring £'m	Regulatory £'m	Total £'m
At 1 July 2016	-	5.8	15.6	21.4
Increase in provisions	-	-	26.8	26.8
Released to the income statement	-	(0.2)	-	(0.2)
Provisions used	-	(2.2)	(17.8)	(20.0)
Reclassified from accruals	-	-	3.0	3.0
At 31 December 2016	-	3.4	27.6	31.0

	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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Borrowings

	31 Dec 2017 £'m	31 Dec 2016 £'m	30 June 2017 £'m
Secured non-current loans and borrowings at amortised cost			
Bank borrowings	-	416.3	500.0
Securitisation facility	1,371.3	1,254.6	1,228.8
Senior secured notes	550.0	-	-
	1,921.3	1,670.9	1,728.8
Current loans and borrowings at amortised cost			
Secured bank overdrafts	-	30.0	60.0
Unsecured bank overdrafts	38.4	9.4	6.4
	38.4	39.4	66.4

Analysis of borrowings by currency

	Sterling £'m	Euros £'m	Total £'m
31 December 2017			
Bank overdrafts	35.0	3.4	38.4
Securitisation facility	1,371.3	-	1,371.3
Senior secured notes	550.0	-	550.0
	1,956.3	3.4	1,959.7
31 December 2016			
Bank overdrafts	30.0	9.4	39.4
Bank borrowings	416.3	-	416.3
Securitisation facility	1,254.6	-	1,254.6
	1,700.9	9.4	1,710.3
30 June 2017			
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. Borrowings (continued)

	31 Dec 2017 £'m	31 Dec 2016 £'m	30 June 2017 £'m
The borrowings are repayable as follows:			
Within one year	38.4	39.4	66.4
In the second year	-	1,254.6	1,228.8
In the third to fifth year	1,921.3	416.3	500.0
Over five years	-	-	-
Amount due for settlement after 12 months	1,921.3	1,670.9	1,728.8

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

(a) The Group has a securitisation facility of £1,371.3m (31 December 2016: £1,254.6m) 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 unsecured revolving credit facility of £150.0m. Transaction costs associated with the new senior secured notes 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.

9. Cash and cash equivalents

	31 Dec 2017 £'m	31 Dec 2016 £'m	30 June 2017 £'m
Cash at bank	103.2	34.5	116.9
Bank overdrafts	(38.4)	(39.4)	(66.4)
Cash and cash equivalents in statement of cash flows	64.8	(4.9)	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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	31 Dec 2017 £'m	31 Dec 2016 £'m	30 June 2017 £'m
Yodel Delivery Network Limited	2.3	2.1	4.2
Arrow XL Limited	0.4	0.3	0.4
	2.7	2.4	4.6

Purchase of services

	31 Dec 2017 £'m	31 Dec 2016 £'m	30 June 2017 £'m
Yodel Delivery Network Limited	(30.8)	(48.3)	(81.7)
Drop & Collect Limited	(14.2)	-	-
Arrow XL Limited	(18.7)	(22.4)	(43.3)
Trenport Property Holdings Limited	(0.8)	(1.0)	(1.9)
Shop Direct Holdings Limited	(2.5)	(2.5)	(5.0)
	(67.0)	(74.2)	(131.9)

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

	31 Dec 2017 £'m	31 Dec 2016 £'m	30 June 2017 £'m
Shop Direct Holdings Limited	551.0	858.9	452.6
Yodel Delivery Network Limited	4.0	3.1	2.1
Drop & Collect Limited	4.5	-	-
Arrow XL Limited	2.3	4.9	0.9
	561.8	866.9	455.6

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

11. Contingent liabilities

As at 31 December 2017 the Group had 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.

12. Seasonality

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

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

	3 months to 31 Dec 2017			3 months to 31 Dec 2016			Year to 30 June 2017		
	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	669.2	-	669.2	647.0	-	647.0	1,929.9	-	1,929.9
Operating profit	68.8	(1.3)	67.5	72.0	(26.6)	45.4	205.2	(121.0)	84.2
Investment income	-	-	-	0.2	-	0.2	0.1	-	0.1
Finance costs	(21.1)	(5.2)	(26.3)	(14.5)	-	(14.5)	(59.4)	-	(59.4)
Profit before tax	47.7	(6.5)	41.2	57.7	(26.6)	31.1	145.9	(121.0)	24.9
Tax	(8.4)	-	(8.4)	(5.6)	-	(5.6)	40.0	-	40.0
Profit for the period	39.3	(6.5)	32.8	52.1	(26.6)	25.5	185.9	(121.0)	64.9
Profit attributable to equity holders of the Group	39.3	(6.5)	32.8	52.1	(26.6)	25.5	185.9	(121.0)	64.9