

**Ideal Shopping Direct Limited**

**Annual report and financial  
statements**

**Registered number 01534758**

**3 January 2016**

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## Strategic report

### Results

#### Year on year underlying statistics

	FY 2015 £000	FY 2014 £000	Change £000	Change %
Sales revenue	160,620	149,138	11,482	7.7%
Gross profit	71,932	62,874	9,058	14.4%
%	44.8	42.2		260 bps
Underlying EBITDA	12,860	11,998	862	7.2%
On-line sales %	60.2%	58.2%		200 bps

A detailed breakdown of this table is included in note 26.

Group trading performance was exceptionally strong once again in 2015, with sales growth of 7.7% year on year increasing sales to £160.6 million (28 December 2014: £149.1million). The gross profit of £71.9 million (28 December 2014: £62.9 million) was £9.0 million and 14.4% higher, year on year. The overhead base increased by £8.3 million to £61.5 million, driven mainly by the group's expansion into the US. Underlying earnings before interest, taxation, depreciation and amortisation ("EBITDA") increased to £12.9 million for the period to 3 January 2016 (see note 26), (28 December 2014: £12.0 million) some 7.2% ahead year on year. This group EBITDA performance comprised a record year's EBITDA in the UK amounting to £18.8 million, compared to £12.0 million last year and a first year's start up loss of £5.9 million in the USA.

The ownership of the group changed on 10 November 2015 when Blackstone Private Equity completed the acquisition of Ideal Shopping Limited, the ultimate holding company of Ideal Shopping Direct Limited. This is an excellent positioning for the group with this leading global private equity house. The group's business model and the major opportunity for it to develop the US business in the next few years being two key elements driving Blackstone's decision to buy.

At the start of the year the group launched a dedicated 24 x 7 TV and Web Craft offering into circa 41 million US homes, to tap into the \$30 billion US Craft market. This market provides excellent growth prospects for sales and EBITDA over the next few years. The US business model is based on the successful UK craft model.

During the year the group's contracted operating fixed cost base was reduced by c£3.0 million per annum following the successful restructuring of two important contracts.

The group continues to actively seek out strategic acquisitions and its 2014 acquisition, Craft Channel Productions Limited (CCPL), which specialises in niche papercrafting products, has proven successful and continues to be well positioned in the design, development and sourcing of innovative products for the crafting community.

In 2015 the group incurred non-underlying costs of £19.4 million. £14.9 million was incurred in relation to the renegotiation of two key operating contracts referred to above, £3.9 million restructuring costs (including £2.9 million fees in connection with the sale to Blackstone, £0.4 million relating to the transfer of Deramores logistics operations to Peterborough, £0.4 million relating to write off of old assets together with £0.2 million other items), £0.4 million relates to amortisation of intangible assets in relation to acquisitions, and a further £0.2 million was spent in 2015 establishing the US operation.

## Strategic report *(continued)*

### Craft Retail

The Craft Retail division had an excellent year with sales of £83.3 million. Sales growth was 17.7% of which 6.9% was year on year growth generated in the UK, with the remainder coming from the USA. This division continues to benefit from loyal shoppers that are attracted by the offer of innovative and exclusive products. Gross profit of £41.7 million; being 50.4% was £7.2 million and 126 bps ahead of last year. The growth in the UK easily covering the investment made in start-up losses in the US market.

The group's UK Craft business continues to have a very strong UK market presence and has enjoyed double-digit sales growth over the last 6 years. As mentioned sales were ahead of last year by 6.9%. TV and Web sales were very strong year on year, being 8.0% ahead, driven primarily by excellent product ranging. The division's sales of £64.7 million generated a gross profit of £31.3million; being 48.3% some £2.0 million ahead of last year and resulted in an EBITDA of £13.0 million, in line with last year. In Deramores Retail Limited, our Pureplay Yarn and Sewing business sales of £7.6 million were 7.3% ahead of last year and benefited from improved margins despite a competitive market place. CCPL is an important developer of products for the divisions TV and Web business and generated intercompany sales of £7.0 million compared to £0.6 million last year. It also generated £3.6 million of 3rd party sales to consumers, wholesale accounts and distributors, an improvement of £1.2 million year on year, with margins increasing £1.9 million to £4.1 million.

The US has significant potential, with sales during its first year of operation amounting to £7.7 million and gross profit of £2.9 million, being 38%. The EBITDA start-up losses were £5.9 million. The business is currently working with a leading firm of global consultants to finalise its operational plans for this market.

### Ideal World

Sales in the Ideal World division were £77.3 million being lower than last year by £0.5 million. Cash margins were £30.2 million, being 39.1%, increasing year on year by £2.4 million or 330bps. The TV business benefited by the c. £3.0 million reduction in its contracted operating costs as referred to in the group section above. This resulted in an EBITDA of £5.7 million, £6.4 million ahead of last year.

The divisions' commercial team scaled-up during the year and delivered improved product sourcing, better intake margins and more effective TV show scheduling. This in turn drove increased customer numbers and a higher frequency of shopping.

### Prospects and current trading

The prospects for 2016 are very good and a number of key factors are expected to drive growth in EBITDA:

The UK Craft division continues to be very well placed to capitalise on its unique position in the market with its proven ability to develop new products and source exclusive distribution for craft products.

The Ideal World general division has the potential to further leverage its customer base through the sourcing and promotion of more innovative TV centric products.

The further development of the US market represents a significant opportunity in 2016 and beyond. The delivery of which has created some excellent career opportunities in our approach to the US Craft sector trading in a multichannel environment.

Our sourcing business continues to manage the supply chain for products into our Craft and Ideal World divisions, developing relationships with overseas suppliers of TV centric product.

CCPL is expected to continue to perform well in 2016 and has a management team with a depth of knowledge and success in the development of niche products for crafters. Significant new branded contracts are expected to follow later in the year.

Finally the group is both scalable and flexible and is well placed operationally with established services from its distribution, call centre and broadcasting providers and it has a well invested IT platform.

## Strategic report *(continued)*

### Cash flow and balance sheet

The group finished 2015 with cash balances of £2.3 million (28 December 2014: £10.3 million), £8.0 million lower than last year following the outflow of £5.7 million cash from operations, being EBITDA of £12.9 million less non underlying net costs of £18.6 million, a £3.6 million payment to acquire the minority interest in CCPL, £1.5 million being spent on capital projects, a £1.4 million payment to a fellow group company for group tax relief and £0.5 million finance lease debt repayments. Inflows included a £4.0 million reduction in working capital and the receipt of £0.8 million from the sale of development land in Peterborough.

The group also has a Revolving Credit Facility of £10.0 million of which £1.3 million was being used for ancillary facilities at 3 January 2016 leaving headroom of £8.7 million.

Stock is closely monitored and the balance, net of provisions, at the end of the year was £10.1 million giving the group an average stock turn of circa 8.9 times. Trade and Other Receivables of £41.1 million were £1.0 million higher than last year. The group provides its customers with the option of an easy-payments scheme which is not interest bearing and carries an extremely low default rate of c. 1.7%. Trade and Other payables at £43.3 million were £7.5 million higher year on year, predominately due to the increase in holding company loans as part of the Blackstone deal. We continue to have positive relationships with our suppliers and seek to develop strategic supplier relationships where possible. The group is actively engaged in a supplier 'incubator programme' to aid young innovative businesses. Certain suppliers have seen a significant increase in their profitability as a consequence of trading with the group.

Contract restructuring payments of £11.3 million were paid in 2015 and a final payment of £1.7 million is due in June 2016. Adding the restructuring payments made in 2015 back to cash would restate the year end cash position on a like for like basis to £13.6 million versus £10.3 million last year.

The group's trading performance in 2015 was extremely good, and the directors are very positive about the group's prospects, particularly under the new ownership structure.

## Strategic report (continued)

### Risks and uncertainties

Risk	Measures In Place To Manage Risk
<p><b>Market</b></p> <p>We operate in a highly competitive retail market. With fluctuating consumer spending there is a need to offer value for money and be price competitive.</p> <p>There is increased risk of bad debt and fraud.</p>	<p>TV shopping and online sales continue to be attractive routes to market with growth prospects. We are planning to further increase the online proportion of our business to strengthen our market position.</p> <p>Part of our strategy is to continue to develop our strong market positions in niche product areas such as Craft and Gardening.</p> <p>We focus on offering a range of new, great value products and are continually improving our customer service.</p> <p>The Group has also established a website and TV offering for crafters in the US, tapping into a Craft market worth over \$30bn per annum.</p> <p>We do not hold significant 'in stock' items, due to having carefully selected long term purchase commitments, so can adapt our offer quickly.</p> <p>Our business model is extremely flexible and scalable.</p> <p>There is always the opportunity of broadening our platform presence and diversifying into additional broadcasting services such as Infomercials.</p> <p>We have low levels of customer bad debt and this is closely monitored. Our use of the 'Flexipay' promotional tool is managed and monitored closely. We also use a third party to screen for credit card fraud.</p>
<p><b>Access to consumers</b></p> <p>Access to digital television is primarily via Freeview, Sky Digital, Virgin Media and Freesat.</p> <p>The pace of technological change in TV and Internet retailing is rapid.</p>	<p>We have long term agreements with all of our platform providers and maintain good relationships with them to ensure we are made aware of capacity opportunities.</p> <p>Our Ideal World Freeview channel alone gives us access to over 23 million homes in the UK, and our new US broadcasting contracts give us access to a further 41 million homes.</p> <p>Increased marketing activity is helping us drive consumers to our TV channels and websites. We continue to upgrade our websites and improve navigation and customer web service.</p>

## Strategic report (continued)

### Risks and uncertainties (continued)


Risk	Measures In Place To Manage Risk
<p><b>Products and suppliers</b></p> <p>The quality of our product and service offer is paramount.</p> <p>We source some products direct from the Far East (at enhanced margins) which means we bear the stock and product liability risk.</p>	<p>We trade with a large number of suppliers, some on long term agreements. All suppliers are required to sign our conditions of purchase.</p> <p>We have airtime partnerships with a number of branded retailers to broaden our offer without stock risk.</p> <p>We manage our supply chain to minimise our stock risk and exposure.</p> <p>We work with a globally recognised testing and compliance organisation, Intertek, who do all our testing on bronze, silver and gold samples. We also have full Acceptance Quality Limit testing at production stage, prior to shipment.</p>
<p><b>Employees</b></p> <p>We rely on our employees to execute our strategy.</p>	<p>Employees are recruited and regularly appraised against a formal job and person specification.</p> <p>Formal policies cover all material aspects of employment and we are committed to high standards of health and safety at work, effective communication with employees and employee development.</p>
<p><b>Legislation and regulation</b></p> <p>Our Ofcom licence requires us to comply with the Advertising Standards Authority's (ASA's) Television Advertising Standards Code and other relevant legislation.</p> <p>Our activities are regulated by distance selling, consumer, data protection and environmental legislation.</p>	<p>Our policy is to meet or exceed all applicable legal and regulatory requirements.</p> <p>There is a good level of awareness of the ASA code throughout the business.</p> <p>Managers have specific responsibility for keeping up-to-date with legislation, advising senior management of required actions and putting in place appropriate procedures.</p>

## Strategic report (continued)

### Risks and uncertainties (continued)

Risk	Measures In Place To Manage Risk
<p><b>Financial</b></p> <p><i>Availability of funding.</i></p> <p>The principal treasury risks to the group arise from exchange rate and interest rate fluctuations.</p> <p>Some of the purchases of goods for resale are denominated in foreign currencies.</p>	<p>The business has a strong trading cash profile and is positively rated by credit insurance agencies. It has credit in place to fund its trading requirements.</p> <p>The group's policy is to hedge 80% of the following quarters' expected foreign currency requirement, after taking in to account any existing currency balances and potential currency inflows. The group may also take forward positions in foreign currency to the extent of forecast requirements over the longer term, subject to board approval.</p> <p>The group is also obliged to hedge its bank loan interest exposure under the terms of its funding arrangements.</p>
<p><b>IT and Business continuity</b></p> <p>We are dependent on information technology for all aspects of our business operations.</p>	<p>The IT systems within the business are continually reviewed. Forthcoming investment will be prioritised to those areas needed to support the anticipated growth.</p> <p>We have business continuity arrangements in place which seek to protect us from single points of failure in our operations, for example by having standby transmission arrangements in the event of a broadcast communications failure. We continue to look to strengthen the business continuity planning in force.</p>
<p><b>Outsourcing</b></p> <p>We outsource our product delivery and contact centre operations.</p>	<p>We have contractual arrangements with our outsource partners which contain service levels. We monitor the performance of our outsourced partners against such service levels.</p>

The strategic report has been approved by the board of directors and has been signed on its behalf by:

  
MJ Harcox  
Director

Ideal Home House  
Newark Road  
Peterborough  
PE1 5WG

19 April 2016



## Directors' report

The directors present their Annual report together with the audited consolidated financial statements for the period ended 3 January 2016.

### Principal activity

The principal activity of the group is that of distance selling to consumers through television home shopping channels and the Internet.

### Dividends

The directors do not propose a final dividend in respect of the period ended 3 January 2016 (*28 December 2014: £Nil*). There was no interim dividend (*28 December 2014: £Nil*).

### Directors

Details of the Directors serving during the period and in office at the year end are set out below (including changes to the Board during the year).

MJ Hancox  
A Sheridan  
L I Jebson  
A Gabriel

### Political contributions

The group incurred no political expenditure during the period (*28 December 2014: £Nil*).

### Employee involvement

The group recognises its responsibilities towards keeping employees informed of matters affecting them as employees and the economic factors affecting the performance of the group. This is conducted primarily through employee meetings and internal communications to staff. 'Change' programmes are governed and coordinated by a team of sponsors that appraise employees of the objectives and progress through the internal communications process.

### Disabled employees

It is group policy that training, career development and promotion opportunities should be available to all employees and this is reflected in our Equal Opportunities Policy. The group recognises its obligations towards disabled people and endeavours to provide employment where possible having regard to the physical demands of the group's operations and the abilities of the disabled person. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue.

### Going concern

The group has adequate financial resources and a large customer base. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current difficult economic outlook.

The Directors have made appropriate enquiries and have reasonable expectations at the time of approving the financial statements that the group has adequate resources to continue in operational existence for the foreseeable future.

The Directors consider that the accounts should be prepared on the going concern basis for the following reasons:

The statement of comprehensive income, statement of financial position and statement of cash flow forecasts have been prepared for the period to December 2016.

These forecasts show that the group can operate as a going concern without the need for additional bank financing facilities.

## **Directors' report** *(continued)*

### **Directors' indemnities**

A qualifying third party indemnity ("QTPI"), as permitted by Section 234 of the Companies Act 2006, has been granted by the company to each of the Directors of the company. In the QTPI the company indemnifies each director against liability to third parties (excluding criminal and regulatory penalties) and agrees to pay costs as they are incurred, so long as they are reimbursed if the Director is convicted or, in an action brought by the company, judgement is given against the director.

### **Disclosure of information to the auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will, therefore, continue in office.

By order of the board



**M.J. Hancox**  
Director

Ideal Home House  
Newark Road  
Peterborough  
PE1 5WG

19 April 2016

## **Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements**

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## KPMG LLP

One SnowHill  
Snow Hill Queensway  
Birmingham  
B4 6GH

### **Independent auditor's report to the members of Ideal Shopping Direct Limited**

We have audited the financial statements of Ideal Shopping Direct Limited for the period ended 3 January 2016 set out on pages 12 to 53. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the Audit of the Financial Statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on Financial Statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 3 January 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**


In our opinion the information given in the directors' and strategic reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Ideal Shopping Direct Limited** *(continued)*

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Simon Purkess (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

19 April 2016

**Consolidated statement of comprehensive income**  
*for the period ended 3 January 2016*

	Note	Period ended 3 January 2016			Period ended 28 December 2014		
		Underlying £000	Non- underlying*	Total £000	Underlying £000	Non- underlying*	Total £000
Revenue	2	160,620	-	160,620	149,138	-	149,138
Cost of sales		(88,688)	-	(88,688)	(86,264)	-	(86,264)
<b>Gross profit</b>		<b>71,932</b>	<b>-</b>	<b>71,932</b>	<b>62,874</b>	<b>-</b>	<b>62,874</b>
Distribution costs		(5,982)	-	(5,982)	(5,246)	-	(5,246)
Administrative expenses		(55,471)	(19,393)	(74,864)	(47,951)	(3,361)	(51,312)
<b>Operating (loss)/profit</b>	3	<b>10,479</b>	<b>(19,393)</b>	<b>(8,914)</b>	<b>9,677</b>	<b>(3,361)</b>	<b>6,316</b>
Finance expense	6	(159)	-	(159)	(150)	-	(150)
Finance income	6	19	-	19	26	-	26
<b>(Loss)/profit before taxation</b>		<b>10,339</b>	<b>(19,393)</b>	<b>(9,054)</b>	<b>9,553</b>	<b>(3,361)</b>	<b>6,192</b>
Taxation	7			1,464			(1,321)
<b>(Loss)/profit for the period</b>				<b>(7,590)</b>			<b>4,871</b>
<b>Other comprehensive income</b>							
Foreign currency translation differences				(272)			(30)
<b>Total comprehensive (expense)/income for the period</b>				<b>(7,862)</b>			<b>4,841</b>

\* Details of non-underlying items, which includes amortisation of acquired intangibles, are disclosed in note 3.


EBITDA is defined in note 26 and referred to in the Strategic report.

**Consolidated statement of financial position**  
*at 3 January 2016*

	Note	3 January 2016 £000	28 December 2014 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	1,319	2,295
Intangible assets	9	7,937	9,423
Goodwill	10	9,881	7,340
Deferred tax assets	12	2,142	516
<b>Total non-current assets</b>		<b>21,279</b>	<b>19,574</b>
<b>Current assets</b>			
Inventories	13	10,121	7,634
Trade and other receivables	14	41,080	40,143
Cash and cash equivalents	15	2,271	10,348
<b>Total current assets</b>		<b>53,472</b>	<b>58,125</b>
<b>Total assets</b>		<b>74,751</b>	<b>77,699</b>
<b>Equity</b>			
Share capital	23	1,072	1,072
Share premium		1,316	1,316
Capital contribution		500	-
Merger reserve		5,169	5,169
Revaluation reserve		8	97
Translation reserve		(302)	(30)
Retained earnings		21,972	29,473
<b>Total equity</b>		<b>29,735</b>	<b>37,097</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	468	586
Other interest bearing loans and borrowings	16	3	123
<b>Total non-current liabilities</b>		<b>471</b>	<b>709</b>
<b>Current liabilities</b>			
Other interest bearing loans and borrowings	16	120	605
Trade and other payables	19	43,263	35,783
Provisions	18	568	1,694
Current tax liabilities		594	1,811
<b>Total current liabilities</b>		<b>44,545</b>	<b>39,893</b>
<b>Total liabilities</b>		<b>45,016</b>	<b>40,602</b>
<b>Total equity and liabilities</b>		<b>74,751</b>	<b>77,699</b>

The notes on pages 19 to 53 form and integral part of these financial statements.

The financial statements were approved by the Board of Directors on 19 April 2016, and were signed on its behalf by:

  
M. Hancox  
Director

Company registered number: 01534758

## Company statement of financial position at 3 January 2016

	Note	3 January 2016 £000	28 December 2014 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	1,030	2,096
Intangible assets	9	4,460	5,585
Goodwill	10	5,419	5,419
Investments	11	6,900	4,359
Deferred tax assets	12	705	351
<b>Total non-current assets</b>		<b>18,514</b>	<b>17,810</b>
<b>Current assets</b>			
Inventories	13	5,957	4,369
Trade and other receivables	14	49,331	41,549
Cash and cash equivalents	15	1,098	8,826
<b>Total current assets</b>		<b>56,386</b>	<b>54,744</b>
<b>Total assets</b>		<b>74,900</b>	<b>72,554</b>
<b>Equity</b>			
Share capital	23	1,072	1,072
Share premium		1,316	1,316
Capital contribution		500	-
Merger reserve		5,169	5,169
Revaluation reserve		8	97
Retained earnings		20,918	25,718
<b>Total equity</b>		<b>28,983</b>	<b>33,372</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	53	74
Other interest bearing loans and borrowings	16	-	116
<b>Total non-current liabilities</b>		<b>53</b>	<b>190</b>
<b>Current liabilities</b>			
Other interest bearing loans and borrowings	16	116	526
Trade and other payables	19	45,347	35,831
Provisions	18	443	1,617
Current tax liabilities		(42)	1,018
<b>Total current liabilities</b>		<b>45,864</b>	<b>38,992</b>
<b>Total liabilities</b>		<b>45,917</b>	<b>39,182</b>
<b>Total equity and liabilities</b>		<b>74,900</b>	<b>72,554</b>

The notes on pages 19 to 53 form and integral part of these financial statements.

The financial statements were approved by the Board of Directors on 19 April 2016 and were signed on its behalf by:

  
MJ Hancock  
Director

Company registered number: 01534758



**Consolidated statement of changes in equity**  
*for the period ended 3 January 2016*

**Group**

	Share capital £000	Share premium £000	Capital contribution £000	Merger reserve £000	Revaluation reserves £000	Translation reserve £000	Retained earnings £000	Total equity £000
Balance at 30 December 2013	1,072	1,316	-	5,169	1,125	-	23,574	32,256
Total comprehensive income for the period	-	-	-	-	-	-	4,871	4,871
Profit or loss	-	-	-	-	-	-	4,871	4,871
Other comprehensive income	-	-	-	-	-	-	-	-
Translation reserve	-	-	-	-	-	(30)	-	(30)
Transfer revaluation reserve to retained earnings	-	-	-	-	(1,028)	-	1,028	-
Total comprehensive income for the period	-	-	-	-	(1,028)	(30)	5,899	4,841
Balance at 28 December 2014	1,072	1,316	-	5,169	97	(30)	29,473	37,097
Balance at 29 December 2014	1,072	1,316	-	5,169	97	(30)	29,473	37,097
Total comprehensive income for the period	-	-	-	-	-	-	(7,590)	(7,590)
Profit or loss	-	-	-	-	-	-	(7,590)	(7,590)
Other comprehensive income	-	-	-	-	-	-	-	-
Translation reserve	-	-	-	-	-	(272)	-	(272)
Transfer revaluation reserve to retained earnings	-	-	-	-	(89)	-	89	-
Total comprehensive income for the period	-	-	-	-	(89)	(272)	(7,501)	(7,862)
Capital contribution	-	-	500	-	-	-	-	500
Balance at 3 January 2016	1,072	1,316	500	5,169	8	(302)	21,972	29,735

**Company statement of changes in equity**  
*for the period ended 3 January 2016*

Company	Share capital £000	Share premium £000	Capital contribution £000	Merger reserve £000	Revaluation reserves £000	Retained Earnings £000	Total equity £000
Balance at 30 December 2013	1,072	1,316	-	5,169	1,125	19,599	28,281
Total comprehensive income for the period							
Profit or loss				-	-	5,091	5,091
Other comprehensive income:							
Transfer revaluation reserve to retained earnings	-	-	-	-	(1,028)	1,028	-
Total comprehensive income for the period				-	(1,028)	6,119	5,091
Balance at 28 December 2014	1,072	1,316	-	5,169	97	25,718	33,372
Balance at 29 December 2014	1,072	1,316	-	5,169	97	25,718	33,372
Total comprehensive income for the period							
Profit or loss				-	-	(4,889)	(4,889)
Other comprehensive income:							
Transfer revaluation reserve to retained earnings	-	-	-	-	(89)	89	-
Total comprehensive income for the period				-	(89)	(4,800)	(4,889)
Capital contribution			500	-			500
Balance at 3 January 2016	1,072	1,316	500	5,169	8	20,918	28,983

**Consolidated statement of cash flows**  
*for the period ended 3 January 2016*

	<i>Note</i>	<b>Period ended 3 January 2016 £000</b>	<b>Period ended 28 December 2014 £000</b>
<b>Continuing operations</b>			
<b>Cash flows from operating activities</b>			
Profit for the period		(7,590)	4,871
Depreciation		574	592
Amortisation of intangible assets		2,055	1,729
Financial income	6	(19)	(26)
Financial expense	6	159	150
Loss on disposal of property, plant and equipment		56	-
Loss on disposal of intangible assets		532	-
Income tax expense	7	(1,464)	1,321
<b>Operating cash flows before changes in working capital and provisions</b>		<b>(5,697)</b>	<b>8,637</b>
Change in:			
Inventories		(2,487)	(1,569)
Trade and other receivables		(937)	(6,968)
Trade and other payables		7,480	1,384
Provisions		(50)	150
<b>Cash generated from operations</b>		<b>(1,691)</b>	<b>1,634</b>
Interest paid		(159)	(150)
Income tax paid		(1,436)	(1,016)
<b>Net cash flows from operating activities</b>		<b>(3,286)</b>	<b>468</b>
<b>Cash flows from investing activities</b>			
Interest received		19	26
Proceeds from sale of property, plant and equipment		785	5,350
Deferred consideration on prior acquisition		(1,076)	-
Acquisition of:			
Property, plant and equipment		(434)	(549)
Intangible assets		(1,034)	(2,022)
Subsidiary, net of cash acquired		(2,541)	(188)
<b>Net cash flows from investing activities</b>		<b>(4,281)</b>	<b>2,617</b>
<b>Cash flows from financing activities</b>			
Repayment of other borrowings		(75)	(565)
Drawdown of other borrowings		-	125
Repayment of finance leases		(530)	(545)
Capital contribution		500	-
<b>Net cash flows from financing activities</b>		<b>(105)</b>	<b>(985)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(7,672)</b>	<b>2,100</b>
Cash and cash equivalents at 28 December 2014		10,348	8,280
Effect of exchange rate fluctuations on cash held		(405)	(32)
<b>Cash and cash equivalents at 3 January 2016</b>	15	<b>2,271</b>	<b>10,348</b>

**Company statement of cash flows**  
*for the period ended 3 January 2016*

	<i>Note</i>	<b>Period ended 3 January 2016 £000</b>	<b>Period ended 28 December 2014 £000</b>
<b>Continuing operations</b>			
<b>Cash flows from operating activities</b>			
Profit for the period		(4,889)	5,091
Depreciation		472	550
Amortisation of intangible assets		1,477	1,493
Financial income	6	(16)	(22)
Financial expense	6	156	136
Loss on disposal of property, plant and equipment		53	-
Loss on disposal of intangible assets		532	-
Income tax expense	7	(378)	903
<b>Operating cash flows before changes in working capital and provisions</b>		<b>(2,593)</b>	<b>8,151</b>
Change in:			
Inventories		(1,588)	255
Trade and other receivables		(7,782)	(9,783)
Trade and other payables		9,516	321
Provisions		(98)	150
<b>Cash generated from operations</b>		<b>(2,545)</b>	<b>(906)</b>
Financial expense		(156)	(136)
Income tax paid		(1,058)	(340)
<b>Net cash flows from operating activities</b>		<b>(3,759)</b>	<b>(1,382)</b>
<b>Cash flows from investing activities</b>			
Financial income		16	22
Proceeds from sale of property, plant and equipment		785	5,350
Proceeds from transfer of fixed assets		23	-
Deferred consideration on prior acquisition		(1,076)	-
Acquisition of:			
Property, plant and equipment		(244)	(454)
Intangible assets		(906)	(1,071)
Investment in subsidiary		(2,541)	(500)
<b>Net cash flows from investing activities</b>		<b>(3,943)</b>	<b>3,347</b>
<b>Cash flows from financing activities</b>			
Repayment of finance leases		(526)	(544)
Dividends received		-	-
Capital contribution		500	-
<b>Net cash flows from financing activities</b>		<b>(26)</b>	<b>(544)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(7,728)</b>	<b>1,421</b>
Cash and cash equivalents at 28 December 2014		8,826	7,405
<b>Cash and cash equivalents at 3 January 2016</b>	15	<b>1,098</b>	<b>8,826</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

#### **Reporting entity**

Ideal Shopping Direct Limited (the 'company') is a company domiciled in the United Kingdom. The address of the company's registered office is Ideal Home House, Newark Road, Peterborough, PE1 5WG. The consolidated financial statements of the company as at and for the 53 week period ended 3 January 2016 comprise the company and its subsidiaries (together referred to as the 'group'). The group is primarily involved in distance selling to consumers through television home shopping channels and the Internet.

#### **Basis of preparation**

##### *Statement of compliance*

The group's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') and the Companies Act 2006. The company has elected to prepare its parent company financial statements in accordance with Adopted IFRS.

The accounting policies adopted in the preparation of these financial statements are consistent with previous years.

Under section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own Statement of Consolidated Income. The profit after taxation attributable to the company, dealt with in its own accounts, for the year ended 3 January 2016 is £4,889,000. (28 December 2014: £5,091,000).

#### **Going concern**

The group has adequate financial resources and a large customer base. As a consequence, the Directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have reasonable expectations that the company has adequate resources to continue in operational existence for the future.

Full and detailed statement of comprehensive income, statement of financial position and cash flows forecasts have been prepared for the period to the end of 2016. These forecasts show that the company can operate as a going concern without the need for bank financing facilities.

Thus the Directors continue to adopt the going concern basis in preparing the annual financial statements.

#### **Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments at fair value through profit and loss are measured at fair value;
- property, plant and equipment which fall within the company revaluation policy are measured at their revalued amount.

#### **Functional and presentation currency**

These consolidated financial statements are presented in Sterling (GBP), which is the company's functional currency. All financial information presented in GBP has been rounded to the nearest thousand.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Use of estimates and judgements*

The preparation of the consolidated financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Management has applied a robust, formal and auditable process in the assessment of intangible assets. In valuing an intangible asset, judgement is required in identifying the cash generating unit, the intangible asset, its remaining useful life and its implied rate of return.

Judgements made by the Directors in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

#### *Valuation of property, plant and equipment*

Items of property plant and equipment that qualify for recognition as an asset are initially measured at cost. Cost includes any expenditure that is directly attributable to the acquisition of the asset. After initial recognition classes of assets valued under the cost model are carried at cost less any accumulated depreciation and any accumulated impairment losses. Property assets have been valued under the revaluation model and are carried at a revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses.

#### *Trade receivables*

An appropriate allowance for estimated irrecoverable trade receivables is derived where there is an identified event which, based on previous experience, is evidence of a potential reduction in the recoverability of future cash flows. This estimation is based on assumed collection rates, which, although based on the group's historical experience of customer repayment patterns, remains inherently uncertain.

#### *Inventory*

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling values, and is consequently a source of estimation uncertainty.

#### *Deferred tax*

Deferred tax assets and liabilities require management judgement, in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Basis of consolidation*

##### *Accounting for business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts relating to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities that the group incurs in connection with a business combination, are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

##### *Subsidiaries*

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

##### *Transactions eliminated on consolidation*

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

##### *Revenue recognition*

Revenue represents the total invoice value (which includes postage & packaging), excluding value added tax, of goods sold. The total invoice value equates to the fair value of consideration receivable. Revenue is recognised for the sale of goods on despatch to the customer. Provision is made for the impact of anticipated returns. Agency fees are earned on sold airtime, this revenue is recognised at the point that the sold airtime is broadcast.

##### *Non-underlying items*

Non underlying items are material items which arise from unusual non-recurring or non-trading events.

They are disclosed in aggregate on the face of the statement of comprehensive income where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period.

## Notes (continued)

### 1 Accounting policies (continued)

#### Segmental reporting

The group has relied upon the provision included in IFRS 8 not to include segmental information in these consolidated financial statements. The company does not have any shares or loans listed on a recognised stock exchange.

#### Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed for indications of impairment when events or changes in circumstances indicate that the carrying amount may not be recovered. If there are indications then a test is performed to assess its recoverable value. An impaired asset is written down to the higher of its value in use or its fair value less costs to sell.

#### Intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful life. Carrying amounts are reduced by provisions for impairment where necessary.

Amortisation is provided on a straight-line basis, at the following rates, in order to write off the cost, less estimated residual value, of each asset, over its expected useful economic life.

Software (other than bespoke)	-	20%
Software (bespoke)	-	16.7% - 50%
Licences of channel rights	-	5% - 9%
Brand	-	10%

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

Directly attributable costs relating to software development include employee costs. The costs of internally generated software developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired licences. However, until completion of the development project, the assets are subject to impairment testing only.

In respect of directly attributable costs on software development projects, the costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the project is technically feasible so that it will be available for use;
- the group intends to complete the intangible asset and use it;
- the group has the ability to use the asset;
- the intangible asset will generate probable future economic benefits. This requires that the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use the intangible asset;
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Amortisation of the asset commences when it is fully implemented or operational, and is shown within, "Administrative expenses".

Costs associated with maintaining computer software programs in use are recognised as an expense when incurred.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Property, plant and equipment*

Property, plant and equipment comprise freehold land and buildings, fixtures, fittings and equipment and are stated at historical cost less accumulated depreciation, except for the land and buildings which have been revalued. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on a straight-line basis, at the following rates, in order to write off the cost or valuation less estimated residual value of each asset, other than freehold land, over its expected useful economic life.

Buildings	-	2%
Motor vehicles	-	25%
Plant and equipment	-	10% - 33%

The company's policy is to obtain an independent revaluation of land and buildings every 5 years but the Board review market and asset conditions yearly. If the Board consider that circumstances have varied substantially during the period a revaluation will take place. Due to the recent sale and leaseback of the freehold land and buildings, the Board consider that the professional advice, together with the purchase offers received, are acceptable for use in assessing the valuation of these assets at the year end.

Depreciation methods, residual values and useful lives are re-assessed annually and, if necessary, changes are accounted for prospectively.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

Leases in which the group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

#### *Investments*

In the company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and the costs incurred in bringing inventories to their present location and condition. Net realisable value means estimated selling price less all costs incurred in marketing, selling and distribution.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash which are subject to an insignificant risk of change in value.

#### *Provisions*

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Leases*

##### *Operating leases*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Rentals are charged to the income statement on a straight-line basis over the life of the lease.

Broadcasting service contracts are not classified as operating leases, but are disclosed separately in note 20 according to their size and significance to the business.

##### *Finance lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### *Taxation*

Current tax is the tax currently payable based on taxable profit for the year together with any adjustments to tax payable in respect of prior years.

Deferred tax is calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are provided in full, with no discounting.

Deferred tax assets are recognised only to the extent that the underlying deductible temporary differences will be able to be offset against future taxable income. Tax losses available to be carried forward are assessed for recognition as a deferred tax asset.

Current and deferred tax assets and liabilities are calculated at tax rates ruling at the statement of financial position date that are expected to apply to their respective period of realisation, provided they are enacted or substantially enacted at the balance sheet date.

Changes in deferred tax assets and liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

#### *Financial instruments*

##### *Financial assets*

Financial assets are divided into trade and other receivables and cash and cash equivalents. All financial assets are recognised when the group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest rate method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

Impairment of trade receivables is made when there is objective evidence that the group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Financial instruments (continued)***

##### ***Financial liabilities***

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of any direct issue costs.

At each reporting date all financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of comprehensive income on an accruals basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

##### ***Foreign currencies***

Transactions in foreign currencies are translated into sterling at the group's monthly exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the statement of financial position date. All exchange differences are subject to the above and are included within the statement of comprehensive income for the year.

##### ***Equity and dividend payments***

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares;
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- "Merger reserve" represents the excess of fair value over nominal value of shares issued in consideration for the acquisition of subsidiaries where statutory merger reserve has been applied in the financial statements of the parent company
- "Revaluation reserve" represents the gains and losses due to the revaluation of certain assets and property, plant and equipment;
- "Retained earnings" represents retained profits after tax and dividends.

Dividends are recognised through equity on the earlier of their approval by the company shareholders or their payment.

##### ***Employee and retirement benefits***

The group operates a defined contribution pension scheme. Contributions payable are charged to the statement of comprehensive income in the period to which they relate. These contributions are invested separately from the group's assets.

##### ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these consolidated financial statements. The Directors do not expect any of these interpretations adopted by the EU to have any significant impact.

## Notes (continued)

### 2 Revenue

The group is exempt from presenting segmental information as it does not have any debt or equity instruments which are publicly traded.

All turnover and profits before taxation are derived from distance selling to customers through television home shopping channels and the internet. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographic location of the assets.

#### Geographical information

	Period ended 3 January 2016		Period ended 28 December 2014	
	Revenues	Non-current assets	Revenues	Non-current assets
	£000	£000	£000	£000
United Kingdom	148,511	21,247	142,545	19,574
Rest of the world	12,109	32	6,593	-
	<u>160,620</u>	<u>21,279</u>	<u>149,138</u>	<u>19,574</u>

### 3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	Period ended 3 January 2016 £000	Period ended 28 December 2014 £000
Depreciation of property, plant and equipment:		
Owned	564	502
Leased	10	90
Amortisation of other intangible assets	2,055	1,729
Impairment loss on trade receivables	979	931
Operating lease rentals payable:		
Hire of plant and machinery	72	129
Property rentals	1,005	747
Broadcasting service contracts	17,675	15,679
Loss on disposal of property, plant and equipment	56	-
Loss on disposal of intangible assets	532	-
	<u></u>	<u></u>

#### Auditor's remuneration:

	Period ended 3 January 2016 £000	Period ended 28 December 2014 £000
Audit of these financial statements	41	40
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	39	38
Taxation compliance services	33	22
	<u>113</u>	<u>100</u>

## Notes (continued)

### 3 Expenses and auditor's remuneration (continued)

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £Nil (28 December 2014: £Nil).

The following items have been presented as non-underlying:

	Period ended 3 January 2016 £000	Period ended 28 December 2014 £000
<i>Included in administrative expenses:</i>		
Restructuring costs	3,905	261
Bank deposit recovery	-	(8)
International expansion costs	221	2,666
Amortisation of intangible assets in relation to the acquisition of LTGL (under IFRS 3)	72	72
Amortisation of intangible assets in relation to the acquisition of DRL (under IFRS 3)	114	114
Amortisation of intangible assets in relation to the acquisition of CCPL (under IFRS 3)	184	123
Acquisition costs associated with Craft Channel Productions Limited	-	133
Re-negotiation of broadcast contract	14,897	-
	<hr/>	<hr/>
Total non-underlying items	19,393	3,361
	<hr/>	<hr/>

Included in international expansion costs above, is expenditure relating to establishing a website and TV offering for Crafters in the US. Specific costs include the setup of a call centre, marketing and professional fees.

### 4 Staff numbers and costs

The average number of persons employed by the group during the year, analysed by category, was as follows:

	Number of employees	
	Period ended 3 January 2016	Period ended 28 December 2014
Management	18	25
Operations	806	760
	<hr/>	<hr/>
	824	785
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	21,391	18,334
Social security costs	2,022	1,777
Contributions to defined contribution plans	331	341
	<hr/>	<hr/>
	23,744	20,452
	<hr/>	<hr/>

## Notes (continued)

### 5 Directors' remuneration

	Period ended 3 January 2016 £000	Period ended 28 December 2014 £000
Directors' emoluments	2,169	1,176
Company contributions to money purchase pension plans	19	18

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £1,013,067 (28 December 2014: £512,573), and no company pension contributions (28 December 2014: £Nil) were made to a money purchase schemes on his behalf.

	Number of directors	
	Period ended 3 January 2016	Period ended 28 December 2014
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	2

### Company

	Period ended 3 January 2016 £000	Period ended 28 December 2014 £000
Directors' emoluments	1,515	812
Company contributions to money purchase pension plans	18	18

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £716,413 (28 December 2014: £332,903), and no company pension contributions (28 December 2014: £Nil) were made to a money purchase schemes on his behalf.

### 6 Finance income and expense

	Period ended 3 January 2016 £000	Period ended 28 December 2014 £000
<b>Recognised in profit or loss</b>		
<b>Finance income</b>		
Interest income on bank deposits	19	26
<b>Finance expense</b>		
Interest expense in respect of financial liabilities measured at amortised cost	(159)	(150)

## Notes (continued)

### 7 Taxation

#### Analysis of charge for the period

	Period ended 3 January 2016 £000	Period ended 28 December 2014 £000
<i>Current tax expense</i>		
Current period	633	1,825
Adjustments for prior periods	(353)	(388)
Current tax expense	280	1,437
<i>Deferred tax income</i>		
Origination and reversal of timing differences	(463)	(77)
Adjustments for prior periods	(40)	(39)
Reduction in rate	4	-
Recognition of tax loss	(1,245)	-
Deferred tax income	(1,744)	(116)
Tax on profit on ordinary activities	(1,464)	1,321

#### Reconciliation of effective tax rate

	Period ended 3 January 2016 £000	Period ended 28 December 2014 £000
Profit for the period	(7,590)	4,871
Total tax expense	(1,464)	1,321
Profit excluding taxation	(9,054)	6,192
Tax using the UK corporation tax rate of 20.25% (28 December 2014 21.5%)	(1,833)	1,331
Adjustment in respect of prior periods	(412)	(427)
Non-deductible expenses	601	71
Deferred tax not recognised	-	340
Effect of tax rate changes	144	6
Effect of tax rates in foreign jurisdictions	18	-
Fixed asset differences	18	-
Total tax expense	(1,464)	1,321

#### Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset/liability at 3 January 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

## Notes (continued)

### 8 Property, plant and equipment

#### Group

	Freehold land and buildings £000	Plant, equipment and vehicles £000	Total £000
<b>Cost</b>			
Balance at 30 December 2013	6,083	9,684	15,767
Acquisitions through business combinations	-	216	216
Additions	-	549	549
Disposals	(5,183)	(583)	(5,766)
At 28 December 2014	900	9,866	10,766
Balance at 29 December 2014	900	9,866	10,766
Additions	-	434	434
Disposals	(824)	(75)	(899)
Foreign exchange	-	6	6
At 3 January 2016	76	10,231	10,307
<b>Depreciation and impairment</b>			
Balance at 30 December 2013	-	(8,209)	(8,209)
Acquisitions through business combinations	-	(86)	(86)
Depreciation charge for the period	-	(592)	(592)
Disposals	-	416	416
Balance at 28 December 2014	-	(8,471)	(8,471)
Balance at 29 December 2014	-	(8,471)	(8,471)
Depreciation charge for the period	-	(574)	(574)
Disposals	-	58	58
Foreign exchange	-	(1)	(1)
Balance at 3 January 2016	-	(8,988)	(8,988)
<b>Net book value</b>			
Balance at 29 December 2013	6,083	1,475	7,558
Balance at 28 December 2014	900	1,395	2,295
Balance at 3 January 2016	76	1,243	1,319

Freehold land of £76,000 (28 December 2014: £900,000) has not been depreciated. At the period end, the net carrying value of leased plant and machinery was £126,861 (28 December 2014: £228,798).



## Notes (continued)

### 8 Property, plant and equipment (continued)

#### Company

	Freehold land and buildings £000	Plant, equipment and vehicles £000	Total £000
<b>Cost</b>			
Balance at 30 December 2013	6,083	9,521	15,604
Additions	-	454	454
Disposals	(5,183)	(583)	(5,766)
Balance at 28 December 2014	900	9,392	10,292
Balance at 29 December 2014	900	9,392	10,292
Additions	-	244	244
Disposals	(824)	(22)	(846)
Balance at 3 January 2016	76	9,614	9,690
<b>Depreciation and impairment</b>			
Balance at 30 December 2013	-	(8,062)	(8,062)
Depreciation charge for the period	-	(550)	(550)
Disposals	-	416	416
Balance at 28 December 2014	-	(8,196)	(8,196)
Balance at 29 December 2014	-	(8,196)	(8,196)
Depreciation charge for the period	-	(472)	(472)
Disposals	-	8	8
Balance at 3 January 2016	-	(8,660)	(8,660)
<b>Net book value</b>			
Balance at 29 December 2013	6,083	1,459	7,542
Balance at 28 December 2014	900	1,196	2,096
Balance at 3 January 2016	76	954	1,030

Freehold land of £76,000 (28 December 2014: £900,000) has not been depreciated. At the period end, the net carrying value of leased plant and machinery was £126,861 (28 December 2014: £228,798).

## Notes (continued)

### 9 Intangible assets

#### Group

	Broadcasting channel rights and licences £000	Website /Brand £000	Software £000	Total £000
<b>Cost</b>				
Balance at 30 December 2013	1,803	1,264	9,573	12,640
Acquisitions through business combinations	-	2,024	-	2,024
Additions	-	-	2,345	2,345
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 28 December 2014	1,803	3,288	11,918	17,009
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 29 December 2014	1,803	3,288	11,918	17,009
Reclassification	-	509	(509)	-
Additions	-	30	1,004	1,034
Disposals	(672)	(120)	(744)	(1,536)
Foreign exchange	-	-	76	76
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 3 January 2016	1,131	3,707	11,745	16,583
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Amortisation and impairment</b>				
Balance at 30 December 2013	(628)	(113)	(4,931)	(5,672)
Acquisitions through business combinations	-	(184)	-	(184)
Amortisation charge for the period	(107)	(309)	(1,314)	(1,730)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 28 December 2014	(735)	(606)	(6,245)	(7,586)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 29 December 2014	(735)	(606)	(6,245)	(7,586)
Reclassification	-	(260)	260	-
Amortisation charge for the period	(83)	(371)	(1,601)	(2,055)
Disposals	381	120	502	1,003
Foreign exchange	-	-	(8)	(8)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 3 January 2016	(437)	(1,117)	(7,092)	(8,646)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
Balance at 29 December 2013	1,175	1,151	4,642	6,968
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 28 December 2014	1,068	2,682	5,673	9,423
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 3 January 2016	694	2,590	4,653	7,937
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 9 Intangible assets (continued)

#### Company

	Broadcasting channel rights and licences £000	Website/ brand £000	Software £000	Total £000
<b>Cost</b>				
Balance at 30 December 2013	1,803	512	9,013	11,328
Additions	-	-	1,071	1,071
Balance at 28 December 2014	1,803	512	10,084	12,399
Balance at 29 December 2014	1,803	512	10,084	12,399
Additions	-	-	906	906
Disposals	(672)	-	(692)	(1,364)
Transfer to group companies	-	-	(45)	(45)
Balance at 3 January 2016	1,131	512	10,253	11,896
<b>Amortisation and impairment</b>				
Balance at 30 December 2013	(628)	(72)	(4,621)	(5,321)
Amortisation charge for the period	(107)	(72)	(1,314)	(1,493)
Balance at 28 December 2014	(735)	(144)	(5,935)	(6,814)
Balance at 29 December 2014	(735)	(144)	(5,935)	(6,814)
Amortisation charge for the period	(83)	(72)	(1,322)	(1,477)
Disposals	381	-	452	833
Transfer to group companies	-	-	22	22
Balance at 3 January 2016	(437)	(216)	(6,783)	(7,436)
<b>Net book value</b>				
Balance at 29 December 2013	1,175	440	4,392	6,007
Balance at 28 December 2014	1,068	368	4,149	5,585
Balance at 3 January 2016	694	296	3,470	4,460

## Notes (continued)

### 10 Goodwill

#### Group

Goodwill arises from the acquisition of Ideal Sourcing Limited (formerly Superstore TV Limited) in 2006, the acquisition of Lead The Good Life Limited in 2010, the acquisition of Deramores Retail Limited in 2013 and the acquisition of Craft Channel Productions Limited in 2014/2015 (see note 21). The net carrying amounts of the goodwill can be analysed as follows:

	£000
<b>Cost</b>	
Balance at 29 December 2013, 28 December 2014	8,863
Additions	2,541
	<hr/>
Balance at 3 January 2016	11,404
	<hr/>
<b>Impairment</b>	
Balance at 29 December 2013, 28 December 2014 and 3 January 2016	(1,523)
	<hr/>
<b>Net book value</b>	
Balance at 29 December 2013 and 28 December 2014	7,340
	<hr/>
<b>Balance at 3 January 2016</b>	<b>9,881</b>
	<hr/>

#### Impairment review

Goodwill considered significant in comparison to the group's total carrying amount of such assets have been allocated to cash generating units ("CGUs") or groups of CGUs as follows:

	3 January 2016 £000	28 December 2014 £000
Deramores Retail Limited	1,884	1,894
Craft Channel Productions Limited	2,578	37
Ideal Shopping Direct Limited	5,419	5,419
	<hr/>	<hr/>

The recoverable amount of both CGUs has been calculated with reference to their value in use. The key assumptions in this calculation are shown below:

	3 January 2016	28 December 2014
Period on which management approved forecast are based	5 years	5 years
Growth rate applied beyond approved forecast period	5.0%	5.0%
Discount rate	8.4%	12.1%
	<hr/>	<hr/>

The compound sales growth rate of 5.0% reflects an uplift to the historic UK TV Shopping 2010-13 CAGR of 2.2%. This uplift is anticipated following continued growth in our strong Craft division and focus on our Ideal World division. We are also monitoring a number of acquisition targets to provide further growth, as seen by Craft Channel Productions Limited, the craft and design products company we acquired in August 2014. In the light of the historic UK Home Shopping growth of 10.1% (CAGR 2010-13), 5% appears reasonable.

The post-tax discount rate of 8.4% (28 December 2014: 12.1%) was used to discount the expected cash flows of the CGUs. As each CGU is considered to have similar risks the same discount rate has been applied.

## Notes (continued)

### 10 Goodwill (continued)

#### Company

Goodwill arises in the company in relation to Lead The Good Life Limited ("LTGL"). The company's trade, assets and liabilities were transferred to Ideal Shopping Direct Limited on 29 December 2013. The goodwill arises from transferring the cost of investment in LTGL to goodwill. The net carrying amounts of the goodwill can be analysed as follows:

	£000
<i>Cost and net book value</i>	
Balance at 29 December 2013, 28 December 2014 and 3 January 2016	5,419

#### Impairment review

Goodwill considered significant in comparison to the company's total carrying amount of such assets have been allocated to cash generating units ("CGUs") as follows:

	3 January 2016 £000	28 December 2014 £000
Ideal Shopping Direct Limited	5,419	5,419

The recoverable amount of this CGU has been calculated with reference to its value in use. The key assumptions in this calculation are shown below:

	3 January 2016	28 December 2014
Period on which management approved forecast are based	5 years	5 years
Growth rate applied beyond approved forecast period	5.0%	5.0%
Discount rate	8.4%	12.1%

The compound sales growth rate of 5.0% reflects an uplift to the historic UK TV Shopping 2010-13 CAGR of 2.2%. This uplift is anticipated due to the focus on our Ideal World division. In the light of the historic UK Home Shopping growth of 10.1% (CAGR 2010-13), 5% appears reasonable.

The post-tax discount rate of 8.4% (2014: 12.1%) was used to discount the expected cash flows of the CGUs. As each CGU is considered to have similar risks the same discount rate has been applied.

## Notes (continued)

### 11 Investments

Company	Shares in subsidiary undertakings £000
<b>Cost</b>	
Balance at 29 December 2013 and 28 December 2014	5,102
Additions	2,541
	<hr/>
Balance at 3 January 2016	7,643
	<hr/>
<b>Amounts written off</b>	
Balance at 29 December 2013 and 28 December 2014 and 3 January 2016	(743)
	<hr/>
<b>Net book value</b>	
Balance at 29 December 2013 and 28 December 2014	4,359
	<hr/>
<b>Balance at 3 January 2016</b>	<b>6,900</b>
	<hr/>

The company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Held directly or indirectly	Ownership	Principal activity
Create and Craft Limited	UK	Ordinary	Directly	100%	Dormant
Ideal Home Mail Order Limited	UK	Ordinary	Directly	100%	Dormant
Ideal World Home Shopping Limited	UK	Ordinary	Directly	100%	Dormant
Wrightway Marketing Limited	UK	Ordinary	Directly	100%	Dormant
Lead the Good Life Limited	UK	Ordinary	Directly	100%	Dormant
Pets and Wildlife Limited	UK	Ordinary	Directly	100%	Dormant
Ideal Sourcing Limited	UK	Ordinary	Directly	100%	Product design, sourcing and wholesale
Craft Retail International Limited	UK	Ordinary	Directly	100%	Retail
Craft Retail Incorporated	USA	Ordinary	Indirectly	100%	Retail
Craft Channel Productions Limited *	UK	Ordinary	Directly	100%	Retail
Deramores Retail Limited*	UK	Ordinary	Directly	100%	Retail
Ideal Sourcing Shanghai Limited	China	Ordinary	Indirectly	100%	Product sourcing and wholesale

\* These subsidiaries have a financial year end of 31 December.

## Notes (continued)

### 12 Deferred tax assets and liabilities

#### Group

##### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 3 January 2016 £000	Assets 28 December 2014 £000	Liabilities 3 January 2016 £000	Liabilities 28 December 2014 £000
Intangible assets	432	210	(468)	(586)
Property, plant and equipment	274	139	-	-
Inventories	4	4	-	-
Trade receivables	145	137	-	-
Provisions	39	23	-	-
Trade payables	3	3	-	-
Tax value of loss carry forwards	1,245	-	-	-
	<u>2,142</u>	<u>516</u>	<u>(468)</u>	<u>(586)</u>
Tax assets/(liabilities)	<u>2,142</u>	<u>516</u>	<u>(468)</u>	<u>(586)</u>

There are no unrecognised deferred tax assets or liabilities in either period.

##### Movement in deferred tax during the period:

	28 December 2014 £000	On acquisition of subsidiary £000	Recognised in income £000	28 December 2015 £000
Intangible assets	(376)	-	340	(36)
Property, plant and equipment	139	-	135	274
Inventories	4	-	-	4
Trade receivables	137	-	8	145
Trade payables	3	-	-	3
Provisions	23	-	16	39
Tax value of loss carry forwards	-	-	1,245	1,245
	<u>(70)</u>	<u>-</u>	<u>1,744</u>	<u>1,674</u>

##### Movements in deferred tax during the prior period:

	29 December 2013 £000	On acquisition of subsidiary £000	Recognised in income £000	28 December 2014 £000
Intangible assets	(125)	(368)	117	(376)
Property, plant and equipment	232	(15)	(78)	139
Inventories	4	-	-	4
Trade receivables	60	-	77	137
Trade payables	3	-	-	3
Provisions	13	10	-	23
	<u>187</u>	<u>(373)</u>	<u>116</u>	<u>(70)</u>

## Notes (continued)

### 12 Deferred tax assets and liabilities (continued)

#### Company

##### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 3 January 2016 £000	Assets 28 December 2014 £000	Liabilities 3 January 2016 £000	Liabilities 28 December 2014 £000
Intangible assets	432	210	(53)	(74)
Property, plant and equipment	252	141	-	-
Provisions	21	-	-	-
	<u>705</u>	<u>351</u>	<u>(53)</u>	<u>(74)</u>

There are no unrecognised deferred tax assets or liabilities in either period.

##### Movement in deferred tax during the year

	28 December 2014	Recognised in income £000	3 January 2016 £000
Intangible assets	136	243	379
Property, plant and equipment	141	111	252
Provisions	-	21	21
	<u>277</u>	<u>375</u>	<u>652</u>

##### Movements in deferred tax during the prior year

	29 December 2013	Recognised in income £000	28 December 2014 £000
Intangible assets	66	70	136
Property, plant and equipment	218	(77)	141
	<u>284</u>	<u>(7)</u>	<u>277</u>



## Notes (continued)

### 13 Inventories

	Group		Company	
	3 January 2016 £000	28 December 2014 £000	3 January 2016 £000	28 December 2014 £000
Goods for resale	10,121	7,634	5,957	4,369

In the period ended 3 January 2016, a total of £94,963,000 (for the group) and £69,003,000 (for the company) inventories were included in the statement of comprehensive income as an expense (28 December 2014: £73,647,000 for the group and £68,798,000 for the company). This includes an amount of £845,000 for the group and £828,000 for the company from the write down of inventories (28 December 2014: £468,000 for the group and £396,000 for the company).

### 14 Trade and other receivables

	Group		Company	
	3 January 2016 £000	28 December 2014 £000	3 January 2016 £000	28 December 2014 £000
Trade receivables	7,623	7,815	6,991	7,211
Other receivables	1,495	1,180	1,283	922
Amounts due from group undertakings	-	-	11,874	4,938
Amounts due from group holding company	28,981	28,355	26,781	25,979
Prepayments and accrued income	2,981	2,793	2,402	2,499
	41,080	40,143	49,331	41,549

The group and company's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 24.

### 15 Cash and cash equivalents

	Group		Company	
	3 January 2016 £000	28 December 2014 £000	3 January 2016 £000	28 December 2014 £000
Cash at bank and in hand	2,271	10,348	1,098	8,826

## Notes (continued)

### 16 Other interest bearing loans and borrowings

#### Group

Finance lease liabilities are payable as follows:

	Minimum lease payments 3 January 2016 £000	Interest 3 January 2016 £000	Principal 3 January 2016 £000	Minimum lease payments 28 December 2014 £000	Interest 28 December 2014 £000	Principal 28 December 2014 £000
Less than one year	122	(2)	120	551	(21)	530
Between one and five years	3	-	3	125	(2)	123
	<u>125</u>	<u>(2)</u>	<u>123</u>	<u>676</u>	<u>(23)</u>	<u>653</u>

Non-current liabilities	3 January 2016 £000	28 December 2014 £000
Finance leases	3	123

#### Current liabilities

	3 January 2016 £000	28 December 2014 £000
Other loans	-	75
Finance leases	120	530
	<u>120</u>	<u>605</u>

#### Company

Finance lease liabilities are payable as follows:

	Minimum lease payments 3 January 2016 £000	Interest 3 January 2016 £000	Principal 3 January 2016 £000	Minimum lease payments 28 December 2014 £000	Interest 28 December 2014 £000	Principal 28 December 2014 £000
Less than one year	118	(2)	116	547	(21)	526
Between one and five years	-	-	-	118	(2)	116
	<u>118</u>	<u>(2)</u>	<u>116</u>	<u>665</u>	<u>(23)</u>	<u>642</u>

## Notes (continued)

### 16 Other interest bearing loans and borrowings (continued)

	3 January 2016 £000	28 December 2014 £000
<b>Current liabilities</b>		
Finance leases	116	526
	<u>          </u>	<u>          </u>
<b>Non-current liabilities</b>		
Finance leases	-	116
	<u>          </u>	<u>          </u>

The terms of the finance lease are as follows:

Fixed rate loan £116,000 (28 December 2014: £259,000). Repayable in monthly instalments up to September 2016. Interest is charged at between 2.7% and 6.6% on the outstanding balance.

The terms of the unsecured loan under finance lease are as follows:

An unsecured fixed rate loan £Nil (28 December 2014: £383,000). Repayable in quarterly instalments up to October 2015. Interest is charged at 3.5% on the outstanding balance.

### 17 Operating lease and broadcasting service contract commitments

The group's non-cancellable operating lease rentals are payable as follows:

	Within one year £000	Two to five years £000	More than five years £000	Total £000
<b>3 January 2016</b>				
Lease payments	989	2,714	7,146	10,849
Broadcasting service contract payments	14,069	42,779	37,913	94,761
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>28 December 2014</b>				
Lease payments	915	2,790	7,692	11,397
Broadcasting service contract payments	14,282	46,797	46,593	107,672
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The company's non-cancellable operating lease rentals are payable as follows:

	Within one year £000	Two to five years £000	More than five years £000	Total £000
<b>3 January 2016</b>				
Lease payments	874	2,514	7,146	10,534
Broadcasting commitments	13,264	42,779	37,913	93,956
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>28 December 2014</b>				
Lease payments	915	2,790	7,692	11,397
Broadcasting service contract payments	14,282	46,797	46,593	107,672
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Notes (continued)

### 17 Operating lease and broadcasting service contract commitments (continued)

Ideal Shopping Direct Limited has a number of operating leases in respect of property, equipment and services which expire between 2014 and 2026. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

Operating lease payments recognised as an expense during the period amounted to £1,077,000 (28 December 2014: £875,000). Broadcasting service contract payments recognised as an expense during the period amounted to £17,675,000 (28 December 2014: £15,679,000). No sublease income is expected as all assets held under lease agreements are used exclusively by the group.

### 18 Provisions

#### Group

	Sales returns £000	Other £000	Deferred consideration £000	Total £000
Balance at 28 December 2014	541	77	1,076	1,694
Provisions made/(released) during the period	(75)	50	-	(25)
Provisions utilised during the period	(8)	(17)	(1,076)	(1,101)
<b>Balance at 3 January 2016</b>	<b>458</b>	<b>110</b>	<b>-</b>	<b>568</b>

#### Company

	Sales returns £000	Deferred consideration £000	Total £000
Balance at 28 December 2014	541	1,076	1,617
Provisions made during the period	(90)	-	(90)
Provisions (utilised) during the period	(8)	(1,076)	(1,084)
<b>Balance at 3 January 2016</b>	<b>443</b>	<b>-</b>	<b>443</b>

### 19 Trade and other payables

	Group		Company	
	3 January 2016 £000	28 December 2014 £000	3 January 2016 £000	28 December 2014 £000
Trade payables	20,171	24,338	17,167	21,093
Other tax and social security costs	2,312	2,733	2,240	2,582
Amounts due to group undertakings	-	-	7,425	5,604
Amounts due to group holding company	9,072	-	9,072	-
Accruals and deferred income	11,708	8,712	9,443	6,552
	<b>43,263</b>	<b>35,783</b>	<b>45,347</b>	<b>35,831</b>

## Notes (continued)

### 20 Related party transactions

The following transactions were carried out between Ideal Shopping Direct Limited and its fellow group undertakings:

#### Group

3 January 2016 £000	28 December 2014 £000
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Purchases from Ideal Shopping Bidco Limited	-	157
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#### Company

3 January 2016 £000	28 December 2014 £000
---------------------------	-----------------------------

Purchases from Ideal Sourcing Limited	13,304	12,486
Recharges to Ideal Sourcing Limited	831	1,044
Recharges to Craft Retail International Limited	3,849	2,514
Purchases from Craft Channel Productions Limited	5,603	3,508
Recharges to Craft Channel Productions Limited	336	54
Purchases from Deramores Retail Limited	99	128
Recharges to Deramores Retail Limited	1,119	225
Purchases from Ideal Shopping Bidco Limited	-	157

#### Group

##### Receivables outstanding

3 January 2016 £000	28 December 2014 £000
---------------------------	-----------------------------

Ideal Shopping Midco Limited	3,278	3,737
Ideal Shopping Bidco Limited	25,686	24,618
Duke Bidco Limited	-	-
Duke Midco Limited	17	-
	<u>28,981</u>	<u>28,355</u>

##### Payables outstanding

3 January 2016 £000	28 December 2014 £000
---------------------------	-----------------------------

	-	-
	-	-
	9,072	-
	-	-
	<u>9,072</u>	<u>-</u>

#### Company

##### Receivables outstanding

3 January 2016 £000	28 December 2014 £000
---------------------------	-----------------------------

Ideal Sourcing Limited	335	1,139
Deramores Retail Limited	264	640
Lead The Good Life Limited	-	-
Craft Channel Productions Limited	78	16
Craft Retail International Limited	10,592	2,887
Craft Retail Incorporated	606	80
Ideal Shopping Midco Limited	3,277	3,737
Ideal Shopping Bidco Limited	23,486	22,418
Duke Midco Limited	17	-
Duke Bidco Limited	-	-
	<u>38,655</u>	<u>30,917</u>

##### Payables outstanding

3 January 2016 £000	28 December 2014 £000
---------------------------	-----------------------------

	5,342	4,909
	31	42
	50	50
	1,944	602
	58	1
	-	-
	-	-
	-	-
	-	-
	9,072	-
	<u>16,497</u>	<u>5,604</u>

## Notes (continued)

### 20 Related party transactions (continued)

The outstanding balance from Ideal Shopping Midco Limited is a loan, repayable on demand and bearing no interest, used by Ideal Shopping Midco Limited to pay administration fees on the acquisition of the company.

The outstanding balance from Ideal Shopping Bidco Limited is a loan, repayable on demand and bearing no interest, used by Ideal Shopping Midco Limited to pay administration fees on the acquisition of the company.

### 21 Acquisition of subsidiary

#### Group and company

On 1 May 2014 the Group obtained control of Craft Channel Productions Limited, craft products retailer by acquiring 75 percent of the shares and voting interests in the company. The call option for the remaining 25% share capital was exercised on 10 November 2015.

Taking control of Craft Channel Productions Limited will enable the Group to increase profitability by the introduction of a high margin, low returns niche category, together with business growth opportunities via database, website and brand development.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	3 January 2016 £000	28 December 2014 £000
<i>Consideration transferred</i>		
Cash	2,541	500
Share option consideration	-	1,076
	<hr/> 2,541	<hr/> 1,576

The fair value of the contingent consideration as at 28 December 2014 has been recognised on the balance sheet as at that point in time it was deemed the most likely outcome of the share options. Due to the sale of Ideal Shopping Limited Group during the year, the call option was exercised which resulted in additional consideration transferred.

	Fair values £000
<i>Identifiable assets acquired and liabilities assumed</i>	
Property, plant and equipment	130
Intangible assets (see note 9)	1,840
Inventories	323
Trade and other receivables	851
Cash and cash equivalents	312
Deferred tax liabilities	(373)
Trade and other payables (including corporation tax)	(1,543)
	<hr/>
Total net identifiable assets	1,540

## Notes (continued)

### 21 Acquisition of subsidiary (continued)

#### Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

	£000
Total consideration transferred	4,117
Less fair value of identifiable assets and liabilities	(1,540)
Goodwill	<u>2,577</u>

The goodwill is attributable mainly to the intrinsic value of future earnings potential of Craft Channel Productions Limited, the skills and experience of its management in the market place and synergies obtained by the planned integration of the Company into the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business has generated profit after tax of £1,032,000 during the year.

### 22 Contingent assets and other contingent liabilities

There are no material contingent assets or liabilities as at 3 January 2016 or 28 December 2014 for the group or the company.

### 23 Capital and reserves

Share capital	Number '000	3 January 2016 £000	Number '000	28 December 2014 £000
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £0.03 each	35,576	1,067	35,576	1,067
Deferred shares of £0.01 each	454	5	454	5
	<u>36,030</u>	<u>1,072</u>	<u>36,030</u>	<u>1,072</u>

All ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Ideal Shopping Direct Limited. There are no dividend or voting rights associated with the deferred shares.

#### Merger reserve

The merger reserve represents the excess of fair value over nominal value of shares issued in consideration for the acquisition of subsidiaries where statutory merger reserve has been applied in the financial statements of the parent company.

#### Revaluation reserve

Where property, plant and equipment is revalued, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

## Notes (continued)

### 24 Financial instruments

#### *Fair value of financial instruments*

The group and company's financial instruments consist of cash and cash equivalents (note 15), trade receivables (note 14) and trade payables (note 19). The financial instruments not disclosed in the below table are considered to have fair values consistent with their carrying amounts.

#### **Group**

	3 January 2016		28 December 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
<b>Financial liabilities</b>				
<b>Financial liabilities measured at amortised cost</b>				
Finance leases (note 16)	123	123	653	661

#### **Company**

<b>Financial liabilities measured at amortised cost</b>				
Finance leases (note 16)	116	116	642	651

#### **Credit risk**

##### **Financial risk management**

Credit risk is the risk of financial loss to the group and company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investment securities.

Ideal Shopping Direct Limited continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Ideal Shopping Direct Limited's policy is to deal only with creditworthy counterparties. Ideal Shopping Direct Limited's management considers that all the above financial assets for each of the reporting dates under review are of good credit quality, including those that are past due and are not impaired.

In respect of trade and other receivables, Ideal Shopping Direct Limited is not exposed to any significant credit risk or exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

##### **Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk for the group at the balance sheet date was £9,673,000 (28 December 2014: £18,102,000) being the total of the carrying amount of financial assets, excluding equity investments. The maximum exposure to credit risk for the company at the balance sheet date was £7,951,000 (28 December 2014: £16,062,000).



## Notes (continued)

### 24 Financial instruments (continued)

#### Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was:

##### Group

	3 January 2016		28 December 2014	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	7,872	(412)	8,070	(305)
Not more than three months	275	(112)	166	(116)
More than three months but not more than six months	-	-	-	-
	<u>8,147</u>	<u>(524)</u>	<u>8,236</u>	<u>(421)</u>

##### Company

	3 January 2016		28 December 2014	
	Gross £000	Impairment £000	Gross £000	Impairment £000
Not past due	7,320	(329)	7,516	(305)
Not more than three months	112	(112)	116	(116)
	<u>7,432</u>	<u>(441)</u>	<u>7,632</u>	<u>(421)</u>

Factors considered in determining the level of receivables impairment include the age of the debt, future plans for continued trade and management views on the likelihood of repayment.

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

##### Group

	3 January 2016 £000	28 December 2014 £000
Balance at beginning of period	421	398
Increase in allowance	979	931
Utilisation of allowance	(876)	(908)
Balance at end of period	<u>524</u>	<u>421</u>

##### Company

	3 January 2016 £000	28 December 2014 £000
Balance at beginning of period	421	398
Increase in allowance	848	931
Utilisation of allowance	(828)	(908)
Balance at end of period	<u>441</u>	<u>421</u>

## Notes (continued)

### 24 Financial instruments (continued)

The allowance account for trade receivables is used to record impairment losses unless the group or company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

#### Liquidity risk analysis

Liquidity risk is the risk that the group and company will not be able to meet its financial obligations as they fall due.

The group has significant cash balances and is forecast to remain cash positive and therefore the Board does not consider the liquidity risk of the group to be significant.

As at 3 January 2016, the group's liabilities have contractual maturities which are summarised as follows:

	Within six months £000
3 January 2016	
Trade payables	43,263
28 December 2014	
Trade payables	35,783

As at 3 January 2016, the company's liabilities have contractual maturities which are summarised as follows:

	Within six months £000
3 January 2016	
Trade payables	45,347
28 December 2014	
Trade payables	35,831

The group and company contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the statement of financial position date.

#### Market risk financial risk management

Market risk is the risk that changes in market prices will affect the group's income or the value of its holdings of financial instruments.

The group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

The group's risk management is coordinated at its headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the group's short to medium term cash flows by minimising the exposure to financial markets.

The group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

## Notes (continued)

### 24 Financial instruments (continued)

#### Market risk – Foreign currency risk

The group and company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

The group's exposure to currency rates arise from overseas purchases, which are primarily denominated in US Dollars and Euros.

To mitigate the group's exposure to foreign currency risk, forward exchange contracts are entered into, in accordance with the group's risk management policy. Forward exchange contracts are mainly entered into for long-term foreign currency exposures, where there is not expected to be a further amount to offset against.

Group foreign currency denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	3 January 2016		28 December 2014	
	£000 US\$	£000 €	£000 US\$	£000 €
<i>Nominal amounts</i>				
Financial assets	2,163	51	471	359
Financial liabilities	(1,908)	(276)	(1,643)	(772)
	<hr/>	<hr/>	<hr/>	<hr/>
Short term exposure	255	(225)	(1,172)	(413)
	<hr/>	<hr/>	<hr/>	<hr/>

Company foreign currency denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	3 January 2016		28 December 2014	
	£000 US\$	£000 €	£000 US\$	£000 €
<i>Nominal amounts</i>				
Financial assets	1,403	9	204	151
Financial liabilities	(232)	(230)	(33)	(740)
	<hr/>	<hr/>	<hr/>	<hr/>
Short term exposure	1,171	(221)	171	(589)
	<hr/>	<hr/>	<hr/>	<hr/>

#### Sensitivity analysis

The following table illustrates the sensitivity of the net result for the period and equity in regards to the group's financial assets and financial liabilities and the US Dollar – Sterling exchange rate and the Euro – Sterling exchange rate.

It assumes a +/- 5% change of the exchange rates for the period ended at 3 January 2016 (and 28 December 2014). The sensitivity analysis is based on the group's foreign currency financial instruments held at each statement of financial position date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

## Notes (continued)

### 24 Financial instruments (continued)

#### £ strengthens by 5%

	3 January 2016		28 December 2014	
	£000	£000	£000	£000
	US\$	€	US\$	€
<i>Nominal amounts</i>				
Net result for the period	(7,602)	(7,580)	5,433	4,973
Equity	29,723	29,745	37,659	37,198

#### £ weakens by 5%

	3 January 2016		28 December 2014	
	£000	£000	£000	£000
	US\$	€	US\$	€
<i>Nominal amounts</i>				
Net result for the period	(7,577)	(7,602)	4,307	4,767
Equity	29,748	29,723	36,533	36,993

The following table illustrates the sensitivity of the net result for the year and equity in regards to the company's financial assets and financial liabilities and the US Dollar – Sterling exchange rate and the Euro – Sterling exchange rate.

It assumes a +/- 5% change of the exchange rates for the period ended at 3 January 2016 (and 28 December 2014). The sensitivity analysis is based on the company's foreign currency financial instruments held at each statement of financial position date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

#### £ strengthens by 5%

	3 January 2016		28 December 2014	
	£000	£000	£000	£000
	US\$	€	US\$	€
<i>Nominal amounts</i>				
Net result for the period	(5,323)	(5,257)	5,136	5,192
Equity	28,927	29,678	33,416	33,473

#### £ weakens by 5%

	3 January 2016		28 December 2014	
	£000	£000	£000	£000
	US\$	€	US\$	€
<i>Nominal amounts</i>				
Net result for the period	(5,205)	(5,279)	5,049	4,993
Equity	29,044	28,971	33,329	33,273

## Notes (continued)

### 24 Financial instruments (continued)

#### Market risk - interest rate risk profile

Ideal Shopping Direct Limited's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates.

The group monitors its actual cash position on a daily basis and updates forecasts of cash and currency requirements.

At the statement of financial position date the interest rate profile of the group's interest bearing financial instruments was:

	3 January 2016 £000	28 December 2014 £000
<i>Variable rate instruments</i>		
Financial assets	2,271	10,348

#### Sensitivity analysis

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1% and -1% (28 December 2014: +/-1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the group and the company's financial instruments held at each statement of financial position date. All other variables are held constant.

	3 January 2016		28 December 2014	
	£000	£000	£000	£000
	Increase	Decrease	Increase	Decrease
<i>Nominal amounts</i>				
Net result for the period	(7,568)	(7,613)	4,974	4,767
Equity	29,757	29,712	37,596	37,389

#### Capital management

The group and the company's capital management objectives are:

- to ensure the group and company's ability to continue as a going concern; and
- to provide an adequate return to shareholders.

These objectives are met principally by pricing products and services commensurate with the level of risk.

The group and company monitor capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position. Capital for the reporting periods under review is summarised below.

The group and company sets the amount of capital in proportion to its overall financing structure, ie equity and financial liabilities. The group and company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group and company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## Notes (continued)

### 24 Financial instruments (continued)

The group's capital-to-overall financing ratio is calculated as follows:

	3 January 2016 £000	28 December 2014 £000
Total equity	29,735	37,097
Cash and cash equivalents	(2,271)	(10,348)
Capital	27,464	26,749
Total equity	29,735	37,097
Borrowings	123	728
Overall financing	29,858	37,825
Capital-to-overall financing ratio	1:1.09	1:1.41

Based upon the plan prepared to support the acquisition, the objective is to maintain the capital to overall financing ratio at current levels, with profits and cash generated being remitted as dividend payments to the parent company.

The company's capital-to-overall financing ratio is calculated as follows:

	3 January 2016 £000	28 December 2014 £000
Total equity	28,983	33,372
Cash and cash equivalents	(1,098)	(8,826)
Capital	27,885	24,546
Total equity	28,983	33,372
Borrowings	116	728
Overall financing	29,099	34,100
Capital-to-overall financing ratio	1:1.04	1:1.39

Based upon the plan prepared to support the acquisition, the objective is to maintain the capital to overall financing ratio at current levels, with profits and cash generated being remitted as dividend payments to the parent company.

### 25 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Ideal Shopping Limited, whose ultimate parent company is Duke Cayman Limited (incorporated in the Cayman Islands). The directors do not consider there to be one ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Ideal Shopping Limited, incorporated in the UK. The smallest group in which they are consolidated is within this set of accounts, being Ideal Shopping Direct Limited, incorporated in the UK. No other group financial statements include the results of the company.

**26 Year on year underlying statistics (Not forming part of the financial statements)**

	<b>FY 2015</b> £000	<b>FY 2014</b> £000	<b>Change</b> £000	<b>%</b>
<b>Sales revenue</b>	<b>160,620</b>	<b>149,138</b>	<b>11,482</b>	<b>7.7</b>
Gross profit	71,932	62,874	9,058	14.4
Net profit before tax	(9,054)	6,192	(15,246)	
Non-underlying costs	19,393	3,361	16,032	
Underlying profit before tax	10,339	9,553	786	
Interest	140	124	16	
Depreciation	223	592	(369)	
Amortisation	2,158	1,729	429	
<b>Underlying EBITDA</b>	<b>12,860</b>	<b>11,998</b>	<b>862</b>	<b>7.2</b>
<i>On-line sales %</i>	<i>60.2%</i>	<i>58.2%</i>	<i>2.0%</i>	<i>ppts</i>