

Registered number: 12063361

HOCHANDA GLOBAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021



HOCHANDA GLOBAL LIMITED

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HOCHANDA GLOBAL LIMITED

COMPANY INFORMATION

Directors

B Gray
A Hart
V Kaye
J Padbury
M Wright
P Wright
P Goodrum
K Shaw

Registered number

12063361

Registered office

First Floor
5 Fleet Place
London
EC4M 7RD

Trading Address

Nene House
Nene Valley Business Park
The Old Quarry
Oundle
Peterborough
PE8 4HN

Independent auditor

Blick Rothenberg Audit LLP
Chartered Accountants & Statutory Auditor
16 Great Queen Street
Covent Garden
London
WC2B 5AH

HOCHANDA GLOBAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Principal activities

Hochanda Global Limited operates as a retailer of craft, hobby and art supplies by distance selling direct to the consumer. Crafters can watch our 24/7 broadcast channels for demonstration led inspiration and education on our Freeview, SKY TV and, Virgin and Freesat EPG's, which are accompanied by the rapidly growing IPTV platforms ROKU, Apple TV, and Amazon Fire TV. Once the viewer is ready to make a purchase, they visit our e-commerce site or app which is growing with an aim to become the 'one stop shop' craft store to service all consumer craft needs in the UK, Europe, and the USA.

Business review

The business continued to face challenges during the period as the country navigated its way out of the Covid-19 pandemic while adapting to the new trading challenges resulting from the United Kingdom's departure from the European Union. The 12-month period of trade delivered sales of £15,952,801 and gross profits of £6,151,291, which followed the 18-month period ended 31 December 2020 of £24,510,983 in sales and gross profits of £9,689,069. The period ended with an EBITDA loss of £1,899,135, a significant improvement from the previous period loss of £3,827,782 which reported 18-months.

The period of trade started well with sales results during Q1 up by 10% year on year. This positive start to the year subsequently eased in-line with the UK governments roadmap for lifting lockdown restrictions which came to an end on 21 June 2021. The audience enjoyed during the pandemic which was driven by the increased popularity and interest in craft stabilised and gradually returned to pre-pandemic levels. This trend the board believe was shared across the TV shopping and crafting industries.

The business experienced supplier stock importation challenges throughout the year as a result of import delays, increased freight costs and customs clearance backlogs while the UK adapted to its new processes and agreements outside of the European Union. These challenges were mostly mitigated by turning to local manufacturers and supply partners with greater stock reserves held in the UK. The Board had anticipated some associated cost increased would be passed on which is reflected in the 1% fall in gross margin.

Post balance sheet events

On 10 January 2022, Hochanda Global Limited acquired the brand and business, traded as Create and Craft, from its closest market competitor, Ideal Shopping Direct Limited "ISD". This acquisition completed at pace, resulting from ISD finding itself in a distressed state following poor trading out of the Covid-19 pandemic. ISD entered administration on 21 February 2022.

Founded in 2003, the Create and Craft brand has enjoyed its market leader position in generating highly engaging craft TV shoppable content for near 20 years. The brand is accompanied by a customer base of over 200,000 and an actively engaged loyalty club of over 60,000 shoppers.

Following the acquisition, the Board remain positively encouraged by the early trading results enjoyed since merging its original 'The Craft Store' brand and moving forward trading under its newly acquired name, Create and Craft.

This significant strategic step forwards for the business increases its sales revenue generation by over 100% with an associated increase to business costs of just 20%. The Board forecast a return to profitable trade through 2022 with the exception of one-off acquisition related restructuring costs. We remain focused on delivering further growth opportunities and trading efficiencies during the year ahead.

HOCHANDA GLOBAL LIMITED
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021

Principal risks and uncertainties

Market

The TV shopping and craft e-commerce market continues to be a highly competitive space with many retailers and broadcasters adopting discount pricing strategies to increase market share. The business does not see this strategy as being sustainable for the long-term and instead is working to build strong partnerships with our supply partners to protect brand values and fair industry pricing.

Brexit

The withdrawal of the United Kingdom from the European Union has led to a number of operational import challenges. We continue to trade with Europe which generates only a small part of our revenue. The Board continue to monitor this risk and do not foresee any significant impact to our ongoing operations.

Economy

Increases to cost of living and the climbing rates of inflation are expected to have a negative impact consumer spending in the current period and beyond. Historically the craft industry has traded well through this climate and the board believe the company will see less of an impact than other retailers.

Covid-19 Pandemic

On 30 January 2020 the World Health Organisation declared Coronavirus (Covid-19) a public health emergency. There are no comparable recent events which may provide guidance as to the effect of the spread of Covid-19 and a potential pandemic, and, as a result, the ultimate impact of the Covid-19 outbreak or similar health epidemic is highly uncertain and subject to change.

Financial key performance indicators

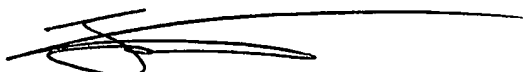
The business and future strategy continues to trade on a fixed overhead cost base, allowing all sales growth and increase in gross margin to exponentially accelerate our profitability. This model allows the board of directors to monitor and the following KPIs on a regular basis in addition to the EBITDA:

	12 months 2021	18 months 2020
Turnover	15,952,801	24,510,983
Gross Profit	6,151,291	9,689,069
Gross Profit Margin	38.6%	39.5%
Overheads	8,557,720	15,689,958
EBITDA	(1,899,135)	(3,827,782)

Other key performance indicators

Non-financial key performance indicators including marketing effectiveness are reviewed on a regular basis with improvement plans executed as appropriate.

This report was approved by the board and signed on its behalf.


J Padbury
Director

Date: 04/08/2022

HOCHANDA GLOBAL LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The loss for the year, after taxation, amounted to £3,395,028 (2020 - loss £7,157,472).

Directors

The directors who served during the year were:

A Brooks (resigned 16 December 2021)
B Gray
A Hart
V Kaye
J Padbury
M Wright
P Wright

Subsequent to the year end, Mr P Goodrum and Mr K Shaw were appointed as directors on 1 January 2022 and 22 June 2022 respectively.

Matters covered in the Strategic report

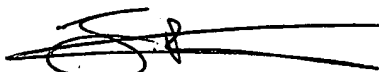
As permitted by s414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This report was approved by the board and signed on its behalf.



J Padbury
Director

Date: 04/08/2022

HOCHANDA GLOBAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HOCHANDA GLOBAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOCHANDA GLOBAL LIMITED FOR THE YEAR ENDED 31 DECEMBER 2021

Opinion

We have audited the financial statements of Hochanda Global Limited (the 'company') for the year ended 31 December 2021, which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

HOCHANDA GLOBAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOCHANDA GLOBAL LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

HOCHANDA GLOBAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOCHANDA GLOBAL LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the television retail sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment, The Office of Communications (Ofcom) legislation (including Advertising Standards Authority (ASA), and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested a sample of journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 3 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, the company's legal advisors and other relevant regulatory bodies.

HOCHANDA GLOBAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOCHANDA GLOBAL LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor's responsibilities for the audit of the financial statements (continued)

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Blick Rothenberg Audit LLP

Darsh Shah (senior statutory auditor)

for and on behalf of
Blick Rothenberg Audit LLP

Chartered Accountants
Statutory Auditor

16 Great Queen Street
Covent Garden
London
WC2B 5AH

Date: 5/06/2022

HOCHANDA GLOBAL LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December 2021 £	18 month Period ended 31 December 2020 £
Turnover	4	15,952,801	24,510,983
Cost of sales		(9,801,510)	(14,821,914)
Gross profit		6,151,291	9,689,069
Administrative expenses		(8,581,224)	(15,689,958)
Other operating income	5	-	34,356
Operating loss		(2,429,933)	(5,966,533)
Interest payable and similar expenses	10	(965,095)	(1,190,939)
Loss before taxation		(3,395,028)	(7,157,472)
Tax on loss	9	-	-
Loss for the financial year/period		(3,395,028)	(7,157,472)


There are no items of other comprehensive income for either the year or the prior year other than the loss for the year. Accordingly, no statement of other comprehensive income has been presented.

The notes on pages 14 to 29 form part of these financial statements.

HOCHANDA GLOBAL LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2021**

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	11	2,618,011	2,999,461
Tangible assets	12	95,666	143,367
		<u>2,713,677</u>	<u>3,142,828</u>
Current assets			
Stocks	13	159,181	98,222
Debtors: amounts falling due after more than one year	14	183,000	183,000
Debtors: amounts falling due within one year	14	682,817	922,729
Cash at bank and in hand		140,749	183,424
		<u>1,165,747</u>	<u>1,387,375</u>
Creditors: amounts falling due within one year	15	(2,263,828)	(2,039,089)
Net current liabilities		<u>(1,098,081)</u>	<u>(651,714)</u>
Total assets less current liabilities		<u>1,615,596</u>	<u>2,491,114</u>
Creditors: amounts falling due after more than one year	16	(12,167,996)	(9,648,486)
Net liabilities		<u>(10,552,400)</u>	<u>(7,157,372)</u>
Capital and reserves			
Called up share capital	18	100	100
Profit and loss account		(10,552,500)	(7,157,472)
Total equity		<u>(10,552,400)</u>	<u>(7,157,372)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



J Padbury
Director

Date: 04.08.2022

The notes on pages 14 to 29 form part of these financial statements.

HOCHANDA GLOBAL LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 21 July 2019	100	-	100
Comprehensive income for the period			
Loss for the period	-	(7,157,472)	(7,157,472)
Total comprehensive income for the period	-	(7,157,472)	(7,157,472)
At 1 January 2021	100	(7,157,472)	(7,157,372)
Comprehensive income for the year			
Loss for the year	-	(3,395,028)	(3,395,028)
Total comprehensive income for the year	-	(3,395,028)	(3,395,028)
At 31 December 2021	100	(10,552,500)	(10,552,400)

The notes on pages 14 to 29 form part of these financial statements.

HOCHANDA GLOBAL LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Cash flows from operating activities		
Loss for the financial year	(3,395,028)	(7,157,472)
Adjustments for:		
Amortisation of intangible assets	429,865	606,816
Depreciation of tangible assets	100,932	341,386
Interest paid	965,095	1,190,939
Monitoring and facility fees	154,416	1,190,549
(Increase) in stocks	(60,959)	(98,222)
Decrease/(increase) in debtors	239,913	(1,098,212)
Increase in creditors	2,744,248	6,297,643
Net cash generated from operating activities	1,178,482	1,273,427
Cash flows from investing activities		
Purchase of intangible fixed assets	(48,415)	-
Purchase of tangible fixed assets	(53,231)	(17,683)
Cash balance transferred from the acquisition of Hochanda Limited	-	654,584
Net cash from investing activities	(101,646)	636,901
Cash flows from financing activities		
Interest paid	(965,095)	(1,190,939)
Monitoring and facility fees	(154,416)	(1,190,549)
Net cash used in financing activities	(1,119,511)	(2,381,488)
Net (decrease) in cash and cash equivalents	(42,675)	(471,160)
Cash and cash equivalents at beginning of year	183,424	654,584
Cash and cash equivalents at the end of year	140,749	183,424
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	140,749	183,424
	140,749	183,424

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1. General information

Hochanda Global Limited is a private company limited by shares incorporated in England and Wales. The address of its registered office is First Floor, 5 Fleet Place, London, United Kingdom, EC4M 7RD.

The financial statements are presented in Sterling (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis notwithstanding the fact that the company has a deficiency on shareholders' funds at the end of the year.

The company is dependent on the continued financial support of two of its directors who have provided the company with loan facilities. These directors have provided a letter of support to the company to state their intention to continue to provide capital as and when needed so that the company is able to meet its financial obligations as and when they fall due.

2.3 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.7 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.8 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.9 Government grants receivable

Government grants comprise amounts received or receivable from the HM Revenue and Customs for employees on the furlough scheme under the Coronavirus Job Retention Scheme. These are recognised in the period in which it becomes receivable.

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.10 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the profit and loss account over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.11 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- 5 years
Plant and machinery	- 5 years
Fixtures and fittings	- 1-5 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.12 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.13 Cash

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

2.14 Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

2.15 Financial instruments

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

The company's policies for its major classes of financial assets and financial liabilities are set out below.

Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

Financial liabilities

Basic financial liabilities, including trade and other creditors and related party loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

HOCHANDA GLOBAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The directors consider the following to be the most significant areas of estimation uncertainty:

Useful economic life and impairment of goodwill

The directors exercise judgement to determine the useful economic life of goodwill arising on business combinations. Where the useful life is considered indefinite, goodwill is amortised over a period of no more than ten years. The directors also use judgement to consider whether any indicators of impairment exist, and perform an impairment assessment through consideration of future cash flows, discounted to the time of the impairment review.

4. Turnover

An analysis of turnover by class of business is as follows:

	Year ended 31 December 2021 £	18 month Period ended 31 December 2020 £
Sale of goods	15,359,293	23,241,112
Membership income	593,508	932,371
Airtime sharing income	-	337,500
	<u>15,952,801</u>	<u>24,510,983</u>

Analysis of turnover by country of destination:

	Year ended 31 December 2021 £	18 month Period ended 31 December 2020 £
United Kingdom	15,606,601	23,979,057
Rest of Europe	158,721	243,871
Rest of the world	187,479	288,055
	<u>15,952,801</u>	<u>24,510,983</u>

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

5. Other operating income

	Year ended 31 December 2021 £	18 month Period ended 31 December 2020 £
Government grants receivable	-	34,356

6. Operating loss

The operating loss is stated after charging:

	Year ended 31 December 2021 £	18 month Period ended 31 December 2020 £
Defined contribution pension costs	97,549	167,200
Exchange differences	2,926	9,185
Other operating lease rentals	208,500	290,249
Depreciation of tangible fixed assets	100,932	341,386
Amortisation of intangible fixed assets	429,865	606,816
Audit fees payable to the company's auditor	21,000	19,500
Non-audit fees payable to the company's auditor	5,000	5,000

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Year ended 31 December 2021 £	18 month Period ended 31 December 2020 £
Wages and salaries	3,172,396	4,645,435
Social security costs	266,512	385,787
Cost of defined contribution scheme	97,549	167,200
	<u>3,536,457</u>	<u>5,198,422</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Year ended 31 December 2021 No.	Period ended 31 December 2020 No.
Management	5	5
Administration	37	39
Television	44	46
Call centre	22	20
Buying	21	20
	<u>129</u>	<u>130</u>

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

8. Directors' remuneration

	Year ended 31 December 2021 £	18 month Period ended 31 December 2020 £
Directors' emoluments	231,271	318,098
Company contributions to defined contribution pension schemes	13,950	26,194
	<u>245,221</u>	<u>344,292</u>

During the year retirement benefits were accruing to 2 directors (2020 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £102,575 (2020 - £127,637).

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

9. Taxation

Factors affecting tax charge for the year/period

The tax assessed for the year/period is the same as (2020 - the same as) the standard rate of corporation tax in the UK of 19% (2020 - 19%) as set out below:

	Year ended 31 December 2021 £	18 month Period ended 31 December 2020 £
Loss on ordinary activities before tax	(3,395,028)	(7,157,472)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	(645,055)	(1,359,920)
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	58,927	84,948
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,202	1,092
Capital allowances for year/period in excess of depreciation	(5,711)	34,113
Tax losses for which no deferred tax asset recognised	587,777	915,428
Changes in provisions leading to an increase (decrease) in the tax charge	(140)	3,665
Connected party bad debt	-	320,674
Total tax charge for the year/period	-	-

Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% for companies with profits of over £250,000. A small profits rate will also be introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. From this date companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The company has losses of £14,056,158 (2020: £10,962,595) available for carry forward against future trading profits.

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

10. Interest payable and similar expenses

	Year ended 31 December 2021 £	Period ended 31 December 2020 £
Other loan interest payable	965,095	1,190,939

11. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 1 January 2021	504,870	3,101,407	3,606,277
Additions	48,415	-	48,415
At 31 December 2021	553,285	3,101,407	3,654,692
Amortisation			
At 1 January 2021	159,721	447,095	606,816
Charge for the year	119,724	310,141	429,865
At 31 December 2021	279,445	757,236	1,036,681
Net book value			
At 31 December 2021	273,840	2,344,171	2,618,011
At 31 December 2020	345,149	2,654,312	2,999,461

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

12. Tangible fixed assets

	Short-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
At 1 January 2021	129,436	3,876	324,829	26,612	484,753
Additions	26,290	892	6,522	19,527	53,231
At 31 December 2021	155,726	4,768	331,351	46,139	537,984
Depreciation					
At 1 January 2021	65,819	2,985	254,742	17,840	341,386
Charge for the year	50,294	320	39,561	10,757	100,932
At 31 December 2021	116,113	3,305	294,303	28,597	442,318
Net book value					
At 31 December 2021	39,613	1,463	37,048	17,542	95,666
At 31 December 2020	63,617	891	70,087	8,772	143,367

13. Stocks

	2021 £	2020 £
Finished goods and goods for resale	159,181	98,222

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

14. Debtors

	2021 £	2020 £
Due after more than one year		
Other debtors	183,000	183,000
	2021 £	2020 £
Due within one year		
Trade debtors	2,735	-
Other debtors	364,568	528,505
Prepayments and accrued income	315,514	394,224
	682,817	922,729

15. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	1,820,789	1,324,475
Other taxation and social security	201,488	450,806
Other creditors	135,000	135,000
Accruals and deferred income	106,551	128,808
	2,263,828	2,039,089

16. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Other loans	12,167,996	9,648,486

HOCHANDA GLOBAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

17. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due after 1 year		
Other loans	12,167,996	9,648,486

The loan incurs interest at 12.5% per annum, monitoring fees at 2% per annum and is secured by a charge over the company's assets. The loan is repayable within 366 days at the notice of the directors.

18. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
100,000,000 (2020 - 100,000,000) Ordinary shares of £0.000001 each	100	100

These shares are fully subscribed and paid for.

19. Analysis of net debt

	At 1 January 2021 £	Cash flows £	Interest and fees accrued £	At 31 December 2021 £
Cash at bank and in hand	183,424	(42,675)	-	140,749
Debt due after 1 year	(9,648,486)	(1,400,000)	(1,119,510)	(12,167,996)
	(9,465,062)	(1,442,675)	(1,119,510)	(12,027,247)

20. ESOP shares

The company operates an employee share option plan whereby options are granted to employees which vest when certain vesting conditions are met. No options were exercised during the period. In the directors' opinion, the ESOP shares have £nil value for accounting purposes.

21. Commitments under operating leases

The company had no commitments under non-cancellable operating leases at the balance sheet date.

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

22. Related party transactions

During the period, the company incurred rent and premises costs totalling £180,000 (2020: £255,000) payable to a company under the control of two of its directors.

Two of the Hochanda Global Limited's directors have provided loan facilities to the company. During the period, interest totalling £965,095 (2020: £1,190,939), facility fees of £nil (2020: £1,000,000) and monitoring fees of £154,416 (2020: £190,549) were charged on these loans, the balance of which at balance date is £12,167,996 (2020: £9,648,486), payable after one year. The loans are secured by a fixed charge over the company's assets and incurs interest at 12.5% per annum, and monitoring fees at 2% per annum.

23. Post balance sheet events

On 10 January 2022, the company entered into an agreement with Ideal Shopping Direct Limited to purchase "Create and Craft" for consideration of £2.75 million. The post year-end impact of this will be an increase in the assets of the company and increased activity driven by sales revenue.

24. Controlling party

In the directors' opinion, there is no ultimate controlling party.