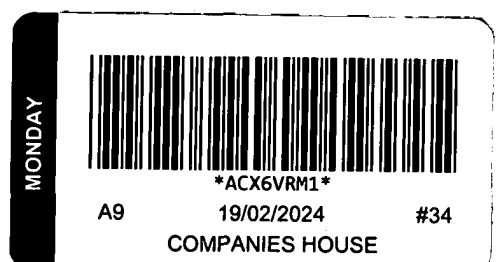


Registered number: 12063361

HOCHANDA GLOBAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



HOCHANDA GLOBAL LIMITED

CONTENTS

	Page
Company information	1
Strategic report	2 - 3
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6 - 9
Profit and loss account	10
Balance sheet	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 28

HOCHANDA GLOBAL LIMITED

COMPANY INFORMATION

Director C Samuels

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 2022

The directors present the strategic report for the year ended 31 December 2022.

Principal activities

Hochanda Global Limited operates as a retailer of craft, hobby and art supplies by distance selling direct to the customer. Crafters can watch the company's 24/7 broadcast channels for demonstration led inspiration and education on Freeview, SKY TV, Virgin and Freesat EPG's, which are accompanied by the rapidly growing IPTV platforms ROKU, Apple TV and Amazon Fire TV. Content can now also be consumed via the company's Smart TV apps which are available on all Samsung, LG, Hisense and other major brand TV's. Once the viewer is ready to make a purchase, they visit the company's e-commerce site, sales call centre or smart app which is growing with an aim to become the 'one stop shop' craft store to service all customer craft needs in the UK, Europe, and the USA.

Business review

Year on year statistics

The current and future business strategy continues to trade on a fixed overhead cost base, allowing all sales growth and increases in gross margin to exponentially accelerate the company's profitability. This model allows the directors to monitor and track KPI's on a regular basis in addition to the EBITDA.

	FY2022	FY2021	Change	Change
	£'000	£'000	£'000	%
Revenue	33,248	15,952	17,296	108%
Gross profit	12,696	6,151	6,622	108%
%	38.2%	38.6%		
Overheads	13,833	8,557	6,274	73%
EBITDA	(3,532)	(1,899)	519	(27%)
Adjusted EBITDA	68	(1,745)	1,890	108%

**Adjusted EBITDA is calculated by adding back one-off and exceptional items which are not associated with on-going trade.*

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

2022 started with 'Hochanda Global Limited' trading as 'The Craft Store' purchasing by acquisition from Ideal Shopping Direct 'ISD' its closest market competitor trading as 'Create and Craft' including the brand, intellectual property, and stock. Create and Craft sales were approximately double those of The Craft Store at the time of acquisition. During the merger we switched the trading name to Create and Craft to maximise the potential of the newly acquired customer base and viewing figures.

After a six-week period of trading utilising the existing 'ISD' systems, buildings, and warehousing in nearby Peterborough under licence, the company moved operationally to the Oundle head office TV studios where the customer base was migrated together with the ordering method and website; it was a challenging merger that saw a hit to the previously seen increase in sales and customer engagement due to significant IT integration and migration of data issues which impacted sales and overall journey the customers and suppliers experienced.

Sales throughout July and August came in line with expectations and the cost base. The business was on track with the growth forecast with a profitable EBITDA. The turning point was the impact of Russia when it initiated its special military operation which saw an assault upon Ukraine, come September the market changed this was then to lead to price hikes in petrol at the pump, and gas fuel prices, leading to negativity and loss of confidence in the markets which saw the economy enter a cost of living crisis, food prices in supermarkets rise sharply, subsequent mortgage rate risks and further uncertainty for the company's customers which then created hesitancy in spending habits throughout 2022.

HOCHANDA GLOBAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Post balance sheet events

Our outlook for 2023 is optimistic where we are focused on maintaining and growing our core TV business model while we look to harvest the opportunities of a loyal customer base and an engaged supplier portfolio. The company truly wants this to be a triple win as it will inevitably carry additional costs having taken the decision to invest in a new IT system (planned for delivery and deployment in April 2024) and it will also carry the burden of high magazine creation costs into Q1/Q2 2023. However, there are some exciting strategic stability and growth plans for 2023, including the launch of our two-tier loyalty membership club where members receive benefits such as 10% discount on product purchases, or as a Freedom member free unlimited standard delivery. The company has also invested and developed its own TV apps and exclusive content; having recognised the opportunities to have continued growth in ecommerce presence, and the team are working hard to deploy more reliable campaign tools, with Mention Me (a refer a friend scheme), demonstrating, educational know how and 'how to' content remains key to engage with our customer base reengaging with both the USA and European audiences, to grow sales and engagement.

On 27 November 2023 the existing shareholders, Paul Wright and Val Kaye, sold their entire shareholding in Hochanda Global Limited to Chanrossa No.2 Ltd. Upon acquisition, the new owners have appointed Charlie Samuels as the company's new Managing Director. The acquisition has been supported by Tnui Asset Finance Ltd ("Tnui"). Tnui has also provided a working capital facility to the company to support its development of the IT system which will support the growth of the business. Tnui sees its investment as an exciting opportunity to support the business to grow and prosper continuing the great work undertaken by the original shareholders.

Principal risks and uncertainties

Market

The TV shopping and craft e-commerce market remains a competitive space and the business remains committed to working with our supply partners to build strong supportive relationships to protect brand value and fair industry pricing. The outlook of the business remains optimistic.

Economy

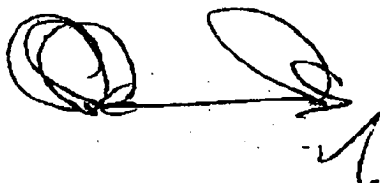
Cost of living increases which were mainly due to rises in fuel, groceries, utility bills and interest rate saw changes to more conservative and considered spending habits.

Systems and information technology (IT)

The company has continued to implement key strategic processes and invest in technology to assist in its growth plans.

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

C Samuels
Director



Date:

8/2/24

HOCHANDA GLOBAL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The loss for the year, after taxation, amounted to £5,760,153 (2021 - loss £3,395,028).

Directors

The directors who served during the year were:

B Gray (resigned 3 December 2023)
A Hart (resigned 5 December 2023)
V Kaye (resigned 27 November 2023)
J Padbury (resigned 31 December 2022)
M Wright (resigned 28 November 2023)
P Wright (resigned 27 November 2023)
K Shaw (appointed 22 June 2022, resigned 28 November 2023)

On 13 December 2023 C Samuels was appointed as a director.

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.

C Samuels
Director



Date:

8.2.24

HOCHANDA GLOBAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022

Opinion

We have audited the financial statements of Hochanda Global Limited (the 'company') for the year ended 31 December 2022, which comprise the profit and loss account, the balance sheet, the statement of cash flows, the statement of changes in equity and the notes to the financial statements, including 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 2022 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 2022

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 2022

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 company's 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 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 HM Revenue and Customs, 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 2022

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.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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: 14 February 2024

HOCHANDA GLOBAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover	4	33,248,419	15,952,801
Cost of sales		(20,552,117)	(9,801,510)
Gross profit		12,696,302	6,151,291
Administrative expenses		(13,833,153)	(8,581,224)
Exceptional administrative expenses		(1,039,669)	-
Operating loss	5	(2,176,520)	(2,429,933)
Impairment of goodwill		(2,034,032)	-
Interest payable and similar expenses	8	(1,549,601)	(965,095)
Loss before taxation		(5,760,153)	(3,395,028)
Tax on loss		-	-
Loss for the financial year		(5,760,153)	(3,395,028)

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 28 form part of these financial statements.

HOCHANDA GLOBAL LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2022**

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	11	1,581,197	2,618,011
Tangible assets	12	294,688	95,666
		<u>1,875,885</u>	<u>2,713,677</u>
Current assets			
Stocks	13	815,446	159,181
Debtors: amounts falling due after more than one year	14	183,000	183,000
Debtors: amounts falling due within one year	14	2,079,991	682,817
Cash at bank and in hand		1,043,946	140,749
		<u>4,122,383</u>	<u>1,165,747</u>
Creditors: amounts falling due within one year	15	(4,545,283)	(2,263,828)
Net current liabilities		<u>(422,900)</u>	<u>(1,098,081)</u>
Total assets less current liabilities		<u>1,452,985</u>	<u>1,615,596</u>
Creditors: amounts falling due after more than one year	16	(17,765,534)	(12,167,996)
Net liabilities		<u>(16,312,549)</u>	<u>(10,552,400)</u>
Capital and reserves			
Called up share capital	18	104	100
Profit and loss account		(16,312,653)	(10,552,500)
Total equity		<u>(16,312,549)</u>	<u>(10,552,400)</u>

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

C Samuels
Director



Date:

8.2.24

The notes on pages 14 to 28 form part of these financial statements.

HOCHANDA GLOBAL LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2021	100	(7,157,472)	(7,157,372)
Loss for the financial year	-	(3,395,028)	(3,395,028)
At 1 January 2022	100	(10,552,500)	(10,552,400)
Loss for the financial year	-	(5,760,153)	(5,760,153)
Contributions by and distributions to owners			
Shares redeemed during the year	4	-	4
At 31 December 2022	104	(16,312,653)	(16,312,549)

HOCHANDA GLOBAL LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss for the financial year	(5,760,153)	(3,395,028)
Adjustments for:		
Amortisation of intangible assets	580,792	429,865
Depreciation of tangible assets	98,068	100,932
Impairment of goodwill	2,034,032	-
Interest paid	1,549,601	965,095
(Increase) in stocks	(656,265)	(60,959)
(Increase)/decrease in debtors	(1,397,173)	239,913
Increase in creditors	2,281,454	224,738
Monitoring and facility fees	247,936	154,416
Net cash generated from operating activities	(1,021,708)	(1,341,028)
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,578,010)	(48,415)
Purchase of tangible fixed assets	(297,090)	(53,231)
Net cash from investing activities	(1,875,100)	(101,646)
Cash flows from financing activities		
Issue of ordinary shares	4	-
Loans due from/(repaid to) directors	5,597,538	2,519,510
Interest paid	(1,549,601)	(965,095)
Monitoring and facility fees	(247,936)	(154,416)
Net cash used in financing activities	3,800,005	1,399,999
Net increase/(decrease) in cash and cash equivalents	903,197	(42,675)
Cash and cash equivalents at beginning of year	140,749	183,424
Cash and cash equivalents at the end of year	1,043,946	140,749
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,043,946	140,749
	1,043,946	140,749

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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 was dependent on the continued financial support of its shareholders who have provided the company with loan facilities. These shareholders had 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.

On 27 November 2023, these shareholders sold their entire shareholding in Hochanda Global Limited to Chanrossa No.2 Ltd. This acquisition has been supported by Tnui Asset Finance Ltd, who has also provided a working capital facility to the company to support its development of the IT system which will support the growth of the business. A letter of support to the company has been provided by Tnui Asset Finance Ltd.

2.3 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is Sterling (£).

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 2022

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 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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
Motor vehicles	- 3 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 2022

2. Accounting policies (continued)

2.12 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.13 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.

2.14 Cash

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

2.15 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

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

Taxation (continued)

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.

2.16 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 2022

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 2022

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:

	2022 £	2021 £
Sale of goods	32,761,477	15,359,293
Membership income	486,942	593,508
	<u>33,248,419</u>	<u>15,952,801</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	32,434,498	15,606,601
Rest of Europe	208,799	158,721
Rest of the world	605,122	187,479
	<u>33,248,419</u>	<u>15,952,801</u>

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5. Operating loss

The operating loss is stated after charging:

	2022 £	2021 £
Defined contribution pension costs	351,381	97,549
Exchange differences	20,876	2,926
Other operating lease rentals	263,119	208,500
Depreciation of tangible fixed assets	98,068	100,932
Amortisation of intangible fixed assets	580,792	429,865
Audit fees payable to the company's auditor	30,000	25,000
Non-audit fees payable to the company's auditor	5,750	5,000

6. Employees

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

	2022 £	2021 £
Wages and salaries	4,829,812	3,172,396
Social security costs	518,738	266,512
Cost of defined contribution scheme	351,381	97,549
	<u>5,699,931</u>	<u>3,536,457</u>

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

	2022 No.	2021 No.
Management	5	5
Administration	20	37
Television	55	44
Call centre	51	22
Buying	53	21
	<u>184</u>	<u>129</u>

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

7. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	239,727	231,271
Company contributions to defined contribution pension schemes	20,185	13,950
	<u>259,912</u>	<u>245,221</u>

During the year retirement benefits were accruing to 3 directors (2021 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £102,882 (2021 - £102,575).

8. Interest payable and similar expenses

	2022 £	2021 £
Other loan interest payable	<u>1,549,601</u>	<u>965,095</u>

9. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2021 - the same as) the standard rate of corporation tax in the UK of 19% (2021 - 19%) as set out below:

	2022 £	2021 £
Loss on ordinary activities before tax	<u>(5,760,153)</u>	<u>(3,395,028)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	<u>(1,094,429)</u>	<u>(645,055)</u>
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	496,817	58,927
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,770	4,202
Capital allowances for year in excess of depreciation	(52,354)	(5,711)
Tax losses for which no deferred tax asset recognised	640,326	587,777
Changes in provisions leading to an increase (decrease) in the tax charge	870	(140)
Total tax charge for the year	<u>-</u>	<u>-</u>

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. Taxation (continued)

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 £17,324,262 (2021: £14,056,158) available for carry forward against future trading profits.

10. Exceptional items

	2022 £	2021 £
Exceptional items	1,039,669	-

Included within exceptional items at the year end was £645,039 relating to redundancy costs as a result of the acquisition of the Ideal Shopping Direct business. A further £394,630 related to the set up, publication and delivery of a magazine that was brought into the Hochanda business due to the acquisition of the Ideal Shopping Direct business. This was a contractual commitment as part of the acquisition and did not continue post year end.

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

11. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 1 January 2022	553,285	3,101,407	3,654,692
Additions	23,400	1,554,610	1,578,010
At 31 December 2022	<u>576,685</u>	<u>4,656,017</u>	<u>5,232,702</u>
Amortisation			
At 1 January 2022	279,445	757,236	1,036,681
Charge for the year	115,192	465,600	580,792
Impairment charge	-	2,034,032	2,034,032
At 31 December 2022	<u>394,637</u>	<u>3,256,868</u>	<u>3,651,505</u>
Net book value			
At 31 December 2022	<u>182,048</u>	<u>1,399,149</u>	<u>1,581,197</u>
At 31 December 2021	<u>273,840</u>	<u>2,344,171</u>	<u>2,618,011</u>

The impairment charge was the result of the reassessment of the carrying value of the goodwill triggered by the directors' assessment at the year end. The impairment charge was recognised in the profit and loss account.

HOCHANDA GLOBAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Tangible fixed assets

	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2022	155,726	4,768	-	331,351	46,139	537,984
Additions	14,233	5,665	32,642	239,808	4,742	297,090
At 31 December 2022	169,959	10,433	32,642	571,159	50,881	835,074
Depreciation						
At 1 January 2022	116,113	3,305	-	294,303	28,597	442,318
Charge for the year	23,766	1,268	8,147	56,219	8,668	98,068
At 31 December 2022	139,879	4,573	8,147	350,522	37,265	540,386
Net book value						
At 31 December 2022	30,080	5,860	24,495	220,637	13,616	294,688
At 31 December 2021	39,613	1,463	-	37,048	17,542	95,666

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

13. Stocks

	2022 £	2021 £
Finished goods and goods for resale	815,446	159,181

14. Debtors

	2022 £	2021 £
Due after more than one year		
Other debtors	183,000	183,000

	2022 £	2021 £
Due within one year		
Trade debtors	8,541	2,735
Other debtors	1,609,580	364,568
Prepayments and accrued income	461,870	315,514
	2,079,991	682,817

15. Creditors: amounts falling due within one year

	2022 £	2021 £
Trade creditors	3,330,804	1,820,789
Other taxation and social security	719,684	201,488
Other creditors	137,596	135,000
Accruals and deferred income	357,199	106,551
	4,545,283	2,263,828

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

	2022 £	2021 £
Other loans	17,765,534	12,167,996

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

17. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due after 1 year		
Other loans	<u>17,765,534</u>	<u>12,167,996</u>

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.

18. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
103,750,000 (2021 - 100,000,000) Ordinary shares of £0.000001 each	<u>104</u>	<u>100</u>

These shares are fully subscribed and paid for.

Share options were exercised during the year resulting in an issue of 3.75m ordinary shares. These were fully paid up at the year end.

19. Analysis of net debt

	At 1 January 2022 £	Cash flows £	At 31 December 2022 £
Cash at bank and in hand	140,749	903,197	1,043,946
Debt due after 1 year	(12,167,996)	(5,597,538)	(17,765,534)
	<u>(12,027,247)</u>	<u>(4,694,341)</u>	<u>(16,721,588)</u>

HOCHANDA GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

20. Commitments under operating leases

At 31 December 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	60,000	-
Later than 1 year and not later than 5 years	240,000	-
Later than 5 years	255,000	-
	<u>555,000</u>	<u>-</u>

21. Related party transactions

During the period, the company incurred rent and premises costs totaling £204,436 (2021: £180,000) payable to a company which was under the control of two of its directors who served during the year and resigned on 27 November 2023.

Two of the Hochanda Global Limited's directors had provided loan facilities to the company. During the period, interest totaling £1,549,601 (2021: £965,095) and monitoring fees of £247,936 (2021: £154,416) were charged on these loans, the balance of which at balance date is £17,765,534 (2021: £12,167,996), payable after one year. The loans were secured by a fixed charge over the company's assets and incurred interest at 12.5% per annum, and monitoring fees at 2% per annum until 27 November 2023.

22. Post balance sheet events

On 14 September 2023, the company received £120,000 following the conclusion of an insurance claim after the reporting date. A proportion of the claim related to legal fees incurred during 2022.

On 27 November 2023, the existing shareholders sold their entire shareholding to Chanrossa No.2 Ltd.

23. Controlling party

Until 27 November 2023, in the directors' opinion, there was no ultimate controlling party. From 27 November 2023, in the director's opinion, the ultimate controlling party is Chanrossa No.2 Ltd.