

Speciality Home Shopping (US) Limited

Annual report and financial statements

Registered number 03941468

For the 52 week period ended 26 February 2022



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Director's report

The Director presents their annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the 52 week period ended 26 February 2022. The Director's Report has been prepared in accordance with the special provision relating to small companies under section 417 (1) of the Companies Act 2006. Accordingly no enhanced Strategic Report has been prepared.

Directors

The directors who served during the period and thereafter are as shown below:

S V Welsh

The company secretary who served during the period and thereafter is as shown below:

D M Cropper

(resigned 31 May 2022)

J Iveson

(appointed 31 May 2022)

Risks and uncertainties

The Company has stopped trading during the year, and as such the principal risks and uncertainties to the business have significantly reduced. The Company will continue to collect on its outstanding debtor book before fully winding down. Future risks are therefore focused on the ability to collect on the outstanding customer receivables. The Director routinely monitors the risks and uncertainties, and appropriate actions are taken to mitigate these risks.

Credit

The Company's Credit offering was a key enabler of product sales as well as a revenue and margin stream. Conditions have remained challenging during the period and the impact of Covid-19 on the broader macro-economic scenario continues to give rise to the increased risk of bad-debt and adverse shifts in payment and arrears rates. The Company's continued collection on the outstanding debtor book following the cessation of trade is the key principal risk to any future performance of the Company.

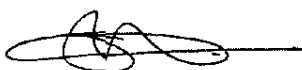
Going concern

Following a review of the business and its future profit potential, on 30 September 2020 the US website was closed, and the business ceased to trade. As a result, the website and catalogues are closed to new business and the remaining stock is cleared. The Company will continue to collect on the customer receivables for previous credit sales into the future. The Director intends to liquidate the Company in the future. They have therefore prepared the financial statements on a basis other than that of going concern. The effect of this is explained in note 1 to the financial statements.

Proposed dividend - The Director does not recommend payment of a dividend (2021: £nil).

Political and charitable contribution - The company has made no political or charitable donations during the year (2021: £nil).

Approved by the Director and signed on 21 November 2022.



Sarah Welsh

Director

STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE DIRECTORS REPORT AND THE FINANCIAL STATEMENTS

The Director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the Director 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Director is 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Profit and loss account & Other Comprehensive Income

for the 52 week period ended 26 February 2022

| | Notes | 2022 £ | 2021 £ |
|---|-------|----------------|------------------|
| Turnover | 3 | 15,722 | 862,794 |
| Credit account interest | 3 | 536,916 | 1,056,859 |
| Total turnover (including credit interest) | | 552,638 | 1,919,653 |
| Cost of sales | | (46,819) | (389,452) |
| Impairment losses on customer receivables | 5 | (34,840) | (1,344,476) |
| Gross profit | | 470,979 | 185,725 |
| Distribution costs | | (29) | (118,182) |
| Selling and administration costs | | (18,175) | (813,973) |
| Other non-operating income | | 487,853 | - |
| Operating Profit/(Loss) | | 945,289 | (746,430) |
| Profit/ (Loss) before taxation | | 945,289 | (746,430) |
| Taxation | 4 | - | (4,214) |
| (Loss)/ profit for the financial period | | 945,289 | (750,644) |

The Company has no recognised gains or losses other than the result for the current or prior financial period as shown above. Accordingly, no separate statement of Other Comprehensive Income is presented.

The accompanying notes are an integral part of these financial statements.

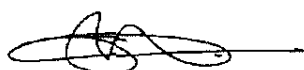
Balance sheet

As at 27 February 2021

| | <i>Note</i> | 2022 £ | 2021 £ |
|---|-------------|------------------|-----------|
| Current assets | | | |
| Debtors | 5 | 247,143 | 266,384 |
| Cash at bank and in hand | | 1,009,963 | 647,769 |
| | | <hr/> | <hr/> |
| | | 1,257,106 | 914,153 |
| Creditors: amounts falling due within one year | 6 | (293,856) | (896,192) |
| | | <hr/> | <hr/> |
| Net assets | | 963,250 | 17,961 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called-up share capital | 7 | 2 | 2 |
| Profit and loss account | | 963,248 | 17,959 |
| | | <hr/> | <hr/> |
| Shareholder's funds | | 963,250 | 17,961 |
| | | <hr/> | <hr/> |

For the year ending 26 February 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476. The Director acknowledges their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements of Speciality Home Shopping (US) Limited (registered number 03941468) were approved by the Director and authorised for issue on 21 November 2022 and signed on its behalf by:



Sarah Welsh
Director

The accompanying notes are an integral part of these financial statements.

Company number 03941468

Statement of changes in equity

| | Called up Share Capital £ | Profit and loss account £ | Total equity £ |
|--|------------------------------------|---------------------------------|----------------------|
| Balance at 29 February 2020 | 2 | 768,603 | 2 |
| Total comprehensive income for the period | | | |
| Loss for the period | - | (750,644) | (750,644) |
| Total comprehensive loss for the period | - | (750,644) | (750,644) |
| Balance at 27 February 2021 | 2 | 17,959 | 17,961 |
| Total comprehensive income for the period | | | |
| Profit for the period for the period | - | 945,289 | - |
| Total comprehensive income for the period | | 945,289 | - |
| Balance at 26 February 2022 | 2 | 963,248 | 963,250 |

Notes

(forming part of the financial statements)

1 Accounting policies

Speciality Home Shopping (US) Limited (the “Company”) is a company incorporated and domiciled in the UK. The company’s registered address is Griffin House, 40 Lever Street, Manchester, M60 6ES. The principal accounting policies of the Company are set out below.

Basis of preparation

The Company financial statements for the 52 weeks ended 26 February 2022 have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS 101”). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company’s ultimate parent undertaking N Brown Group Plc includes the Company in its consolidated financial statements. The consolidated financial statements of N Brown Group Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from its registered office address, see note 8.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of N Brown Group Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

There are no judgements made by the Director, in the application of these accounting policies that have significant effect on the financial statements or estimates with a significant risk of material adjustment in the next year.

Accounting period

Throughout the financial statements, the notes to the financial statements and the Directors’ Report, reference to 2022 means 26 February 2022 or the 52 week period then ended. Reference to 2021 means 27 February 2021 or the 52 weeks then ended.

Measurement convention

The financial statements are prepared on the historical cost basis and in accordance with applicable United Kingdom law and accounting standards.

The accounting policies below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes (continued)

Going concern

As disclosed in the Directors' Report, given the decision to cease trading during the previous financial year, the financial statements have been prepared on a basis other than going concern. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

Financial instruments

Classification and Measurement

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost; fair value through other comprehensive income ('FVOCI'); and fair value through profit and loss ('FVTPL'). The Company has determined that all of the trade and other receivables are classified as amortised cost, as a financial asset is measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

- all such assets are held within a business model whose objective is to hold the asset to collect its contractual cash flows; and
- the contractual terms of all such assets give rise to cash flows on specified dates that represent payments of solely principal and interest on the outstanding principal amount.

IFRS 9 contains two classification categories for financial liabilities: measured at amortised cost or fair value through profit and loss ('FVTPL'). All of the Company's financial liabilities are measured at amortised cost.

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate on initial recognition.

Financial assets classified as amortised cost are subsequently measured using the effective interest method, less any impairment. Financial liabilities classified as amortised cost are subsequently measured using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating amortised cost and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment – Financial Assets and contract assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for customer and other receivables. IFRS 9 requires an impairment provision to be recognised on origination of a customer advance, based on its ECL. Customer receivables relate to Trade receivables included in the Company balance sheet.

As the Company has determined there is a significant financing component, the ECL model applies the concept of staging.

Stage 1 – assets which have not demonstrated any significant increase in credit risk since origination

Stage 2 – assets which have demonstrated a significant increase in credit risk since origination

Stage 3 – assets which are credit impaired (ie. defaulted)

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are calculated for assets in Stage 1 and lifetime ECLs are calculated for assets in Stages 2 and 3.

Notes (continued)

1 Accounting policies (continued)

ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), discounted at the current effective interest rate (EIR). In accordance with IFRS 9, the current EIR is used as the discount rate because all trade receivables have a variable interest rate.

The Probability of Default is an estimate of the likelihood of default over 12 months (stage 1) or the expected lifetime of the debt (stage 2). It is 100% for balances within stage 3 as these have already defaulted. The calculation of PDs is based on statistical models that utilise internal data, adjusted to take into account estimates of future conditions.

The Exposure at Default is an estimate of the exposure at the date of default and is capped so as not to exceed the balance outstanding at the reporting date because receivables arising from future sales are not incorporated into the ECL calculation as explained below.

The Loss Given Default is an estimate of the loss arising on default, including an estimation of recoveries based on the Company's history of recovery rates from debt sales and expectations of how these are expected to change in the future. Recoveries exclude estimated future proceeds from VAT Bad Debt Relief. Instead, VAT Bad Debt relief is recognised within the net VAT creditor in Other creditors at the point at which the receivable balance meets the agreed criteria with HMRC for VAT Bad Debt Relief to apply.

IFRS 9 ordinarily requires an entity to not only consider a loan, but also the undrawn commitment when calculating the ECL, where the exposure to credit risk cannot be limited by the ability to cancel or demand repayment. However, the guidance in IFRS 9 excludes from its scope a sales commitment, being the rights and obligations from the delivery of goods as a result of a contract with a customer within the scope of IFRS 15. Thus, a sales commitment is not considered to be a financial instrument, and therefore the impairment requirements are not applied by the Company until delivery has occurred and a receivable has been recognised, at which point the 12 month ECL will be recognised in line with the above.

Significant increase in credit risk

A financial asset will be considered to have experienced a significant increase in credit risk (SICR) since initial recognition where there has been a significant increase in the lifetime probability of default of the asset. The assessment uses behavioural risk scores (which comprise both internal data around how customers have been using their accounts and credit bureau data as to how customers have been managing their credit obligations with other lenders) to compare the estimated risk of default occurring at the reporting date with that at initial recognition to identify the proportional change in risk score. The SICR threshold is set at the point at which, in recent historical observations, the proportional change in risk score resulted in the

PD after 12 months for such stage 1 customers being higher than the average PD for stage 2 customers that are one payment in arrears.

Where the proportional change in risk score since initial recognition exceeds the threshold, the asset will be deemed to have experienced a significant increase in credit risk. The credit risk of a financial asset may improve such that when this threshold is no longer exceeded, it is no longer considered to have experienced SICR and would move back to stage 1.

IFRS 9 requires a backstop to be applied whereby a receivable that is over a certain number of days past due (presumed to be no later than 30 days) is automatically considered to have experienced SICR. The backstop applied by the Company is a receivable that is 28 days or more past due. This period is used as customers have a 28 day statementing cycle. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which the minimum payment has not been received. Due dates are determined without considering any grace period or forbearance that may have been made available to the borrower.

Definition of Default

At each reporting date, the Company assesses whether financial assets carried at amortised cost are in default (stage 3).

Evidence that a financial asset is in default includes the following observable data:

- The account has been placed on a non-interest bearing payment arrangement (as part of forbearance measures);
- Notification of bereavement has been received; or
- The receivable is 56 days or more days past due for new customers and 84 days past due for established customers.

Notes (continued)

1 Accounting policies (continued)

Definition of write off

The Company consider that an asset should be written off when it is more than 124 days past due for new customers and 152 days past due for established customers and all collection activity has been exhausted. Write offs include where receivables have been sold to third parties in accordance with the Company's recovery strategies.

Incorporation of forward -looking data

The Company incorporates forward looking information into its measurement of expected credit loss. Separate macroeconomic provisions are recognised to reflect the expected impact of future economic events on a customer's ability to make repayments and the losses incurred given default, in addition to the core impairment provisions already recognised.

The future macroeconomic scenario assumptions are reviewed at each reporting date and updated accordingly.

Revenue Recognition

Product revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Product revenue is recognised in accordance with IFRS 15, with the sale of a product. In the case of goods sold through our trading websites and other routes, including goods delivered to the customers directly from suppliers, revenue is recognised when goods are delivered to the customer and therefore control is transferred to the customer. With regards to goods directly despatched to the customer from suppliers, the Company has the ability to direct the use of, and obtain substantially all of the benefits from the specified goods. More specifically, the Company is responsible for providing the specified goods to the customer, has inventory risk prior to these being transferred to the customer and has significant influence over the pricing of the goods, therefore it is acting as the principal in these arrangements. Revenue from direct despatch sales is therefore recognised gross. Sales returns in the period are recognised as a deduction to revenue based on expected levels of returns. Provision is made for outstanding returns not yet made at the period end. Accumulated experience (including historical returns rates) is used to estimate and provide for such returns. The provision is recorded as a reduction in revenue with a corresponding entry against trade receivables.

Financial services revenue includes interest, administrative charges and arrangement fees. Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate. Effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's gross carrying amount, being its amortised cost excluding expected credit losses. Interest income from stage 1 and 2 trade receivables is recognised by applying the effective interest rate to the gross carrying amount of the asset; for stage 3 trade receivables, the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses. Revenue from non-interest related financial services income primarily comprises administration fees arising from missed payments by customers and is recognised when the associated arrears management activity has been performed.

Foreign currency

Transactions in foreign currencies are translated to the company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes (continued)

1. Accounting policies (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Non-derivative financial instruments

Trade and other debtors

Trade and other debtors are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

2 Expenses and auditor's remuneration

The Company has no employees other than the Director, who received no remuneration from the company during the period. The services to the company during the period are deemed to be negligible therefore no charge has been made to the company.

3 Turnover

All turnover and operating profit is generated from the principal activity of the company in the United States of America.

| | 2022 £ | 2021 £ |
|-------------------------|-----------|-----------|
| Sale of goods | 15,722 | 801,846 |
| Rendering of services | - | 60,948 |
| | <hr/> | <hr/> |
| | 15,722 | 862,794 |
| Credit account interest | 536,916 | 1,056,859 |
| | <hr/> | <hr/> |
| | 552,638 | 1,919,653 |
| | <hr/> | <hr/> |

Notes (continued)

4 Taxation

The tax recognised in the profit and loss account:

| | 2022 £ | 2021 £ |
|--|-----------|-----------|
| <i>UK corporation tax</i> - current year | | |
| Current tax for the period | - | 4,214 |
| | <hr/> | <hr/> |
| Total tax charge | - | 4,214 |
| | <hr/> | <hr/> |

Reconciliation of effective tax rate

| | 2022 £ | 2021 £ |
|--|-----------|-----------|
| (Loss) /profit for the year | 945,289 | (604,608) |
| Total tax credit | - | (141,822) |
| | <hr/> | <hr/> |
| (Loss)/ profit excluding taxation | 945,289 | (746,430) |
| Tax using the UK corporation tax rate of 19% (2021: 19%) | 179,605 | (141,822) |
| Surrender /(utilisation) of group tax losses | (179,605) | 141,822 |
| Payment received for group relief | - | (141,822) |
| Adjustment in respect of prior periods | - | 146,036 |
| | <hr/> | <hr/> |
| Total tax (credit)/ charge | - | 4,214 |
| | <hr/> | <hr/> |

5 Debtors

| | 2022 £ | 2021 £ |
|------------------------------------|-----------|-----------|
| Trade debtors | - | - |
| Social security and other taxes | - | - |
| Amounts owed by group undertakings | - | - |
| Other debtors | 247,143 | 266,648 |
| | <hr/> | <hr/> |
| | 247,143 | 266,648 |
| | <hr/> | <hr/> |

Movement in allowance for expected credit losses

| | 2022 £ | 2021 £ |
|----------------------------------|-----------|-------------|
| Balance at beginning of the year | 809,934 | 697,859 |
| ECL impairment | - | 1,344,476 |
| Utilised during the period | - | (1,232,395) |
| | <hr/> | <hr/> |
| Balance at the end of the year | 809,934 | 809,934 |
| | <hr/> | <hr/> |

Notes (continued)

6 Creditors: Amounts falling due within one year

| | 2022 £ | 2021 £ |
|------------------------------------|----------------|----------------|
| Amounts owed to group undertakings | 293,856 | 835,815 |
| Accruals and deferred income | - | - |
| Other creditors | - | 60,377 |
| | <u>293,856</u> | <u>896,192</u> |

Amounts owed to group undertakings are unsecured, are repayable on demand and interest free.

7 Called-up share capital

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Allotted, called up and fully paid | | |
| 2 ordinary shares of £1 each | 2 | 2 |
| | <u>2</u> | <u>2</u> |

8 Ultimate parent undertaking and related party disclosures

The Company is a subsidiary undertaking of N Brown Group plc which is the ultimate parent company and controlling party incorporated in the United Kingdom.

The largest and smallest group in which the results of the Company are consolidated is that headed by N Brown Group plc, incorporated in the United Kingdom. The consolidated financial statements of these groups are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

As the Company is a wholly owned subsidiary of JD Williams & Company Limited, the Company has taken advantage of the exemption contained in FRS 101.8 (K) and has therefore not disclosed transactions with other group companies.