Company Registration No. 09534899 (England and Wales)

HOCHANDA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

HOCHANDA LIMITED

COMPANY INFORMATION

Directors	V Kaye	
	P Wright	
	A Brooks	(Appointed 2 July 2018)
	J Padbury	(Appointed 2 July 2018)
	M Wright	(Appointed 2 July 2018)
Company number	09534899	
Registered office	Nene House Nene Valley Business Park Oundle Peterborough PE8 4HN	
Auditor	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor Palladium House 1-4 Argyll Street London W1F 7LD	
Business address	Nene House Nene Valley Business Park Oundle Peterborough PE8 4HN	

HOCHANDA LIMITED

CONTENTS

HOCHANDA LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Hochanda Limited's principal business activity is the retailing of crafts, hobbies and art supplies by distance selling direct to consumers. The core route to market is through our Hochanda.com portal which is supported by a presence on traditional television platforms including Digital Terrestrial Freeview, SKY TV and Freesat. Since the company's inception in 2015, the company has developed a loyal and growing customer base who follow Hochanda not only for new innovative products but for community, innovation and inspiration. Hochanda has formed supply partnerships with a number of suppliers in the crafts and art industries throughout the UK, Europe and the USA.

In 2018, Hochanda increased its IPTV (Internet Protocol Television) and online presence by releasing applications on streaming platforms ROKU and Amazon Fire TV. These platforms allow Hochanda to broadcast online 24/7 for the general consumption and crafting entertainment of our growing worldwide audience. These platforms support our Android and Apple iOS applications which are growing in popularity for use on both mobile and tablet devices.

Fair review of the business
The business has had a positive year of trading, with turnover increasing 23.3% on the prior year to £23,364,565 (2017: £18,956,106). An increase in gross margin to 46.3% (2017: 46.0%) resulted in an increased gross profit of £10,808,012, an increase of 24.0% (2017: £8,715,241).

The business for the first year since inception traded profitably delivering a profit of £382,481 (2017: £2.2m loss) and an EBITDA profit of £1.4m (2017: £0.9m EBITDA loss).

IPTV broadcast and focussed marketing strategy into the USA market proved successful with sales growing to £890,444 (2017: £58,158).

The business growth and reaching profitability in 2018 has been achieved with the support from working capital loans. The company had no additional borrowing requirements during 2018 ending the year with total of £5.3m drawn down against facilities of £6.0m (2017: £5.3m).

Principal risks and uncertainties
Due to the sale of the company's assets post year end, as commented upon in the 'Competition and Future Trading' paragraph, management do not consider there to be any principal risks facing the company. The only current uncertainty relates to whether or not a valid commercial opportunity may arise in the foreseeable future that provides a renewed purpose for the continuation of the company. In the event that a commercial opportunity does not arise, the directors may look to commence liquidation proceedings.

Key Performance Indicators
The business traded on a fixed overhead cost base, allowing all sales growth and increase in gross margin to exponentially improve our profitability. This model allows the board of directors to monitor the following KPIs on a regular basis in addition to the EBITDA profitability:

	2018	2017
Turnover	£23,364,565	£18,956,106
Gross Margin	46.3%	46.0%
Gross Profit	£10,808,012	£8,715,241

HOCHANDA LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Future Developments and Events After the Reporting Date

In December 2018, a direct competitor of Hochanda within the Craft TV Shopping sector instigated an aggressive campaign under new management to target Hochanda suppliers and to try force the company into administration. It is believed that the aim of the campaign was to prospect Hochanda suppliers with attractive commercial propositions and substantial cash incentives in order to win over their supply and for them to terminate relationships with Hochanda with immediate effect to cause Hochanda significant harm.

In the first quarter of 2019, a number of key Hochanda suppliers defected to the competitor without notice which resulted in an immediate and substantial decline in sales and profitability.

These actions of the direct competitor and defecting suppliers of Hochanda left the board of directors with a requirement to secure substantial working capital to secure the future of the business and the continuing security of its staff and suppliers.

A number of funding options were considered and following the passing of a general shareholder resolution, Hochanda Global Limited (registered company number 12063361) purchased from Hochanda Limited, the Hochanda arts and crafts television shopping business as a going concern along with its defined liabilities, on 22nd July 2019. This action has secured the working capital required for the future of the business, now run by Hochanda Global Limited, to rebuild the supplier base and also secures the jobs and employment of all of our loyal and dedicated staff.

On behalf of the board

....
P Wright
Director

....
17/10/2019

HOCHANDA LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities
The principal activity of the company continued to be that of the retail of craft and hobby supplies through television programming and broadcasting activities.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Hart	(Resigned 14 August 2019)
V Kaye	
P Wright	
A Brooks	(Appointed 2 July 2018)
J Padbury	(Appointed 2 July 2018)
M Wright	(Appointed 2 July 2018)
C Norris	(Appointed 2 July 2018 and resigned 5 December 2018)
B Gray	(Appointed 11 February 2019 and resigned 14 August 2019)

Results and dividends
The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors' insurance
The company maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the company.

Statement of directors' responsibilities
The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 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 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 LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Strategic Report

The company has chosen in accordance with the Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial instruments, future developments and events after the reporting date.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

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P Wright
Director

Date: 17/10/2019

HOCHANDA LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HOCHANDA LIMITED

Opinion

We have audited the financial statements of Hochanda Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, 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 FRS 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 2018 and of its profit 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 UK, including the FRC'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.

Material uncertainty related to going concern

We draw attention to Note 1.2 in the financial statements, which indicates that there is material uncertainty regarding the company's ability to continue as a going concern. As stated in Note 1.2, these conditions indicate that a material uncertainty exists, which may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in this respect.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 and the directors' report.

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

- adequate accounting records have not been kept, 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, 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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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.

BR LLP

Leonard Siskind FCA (Senior Statutory Auditor)
for and on behalf of Blick Rothenberg Audit LLP

21/10/19

Chartered Accountants
Statutory Auditor

Palladium House
1-4 Argyll Street
London
W1F 7LD

HOCHANDA LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 £	Year ended 31 December 2017 as restated £
Turnover	4	23,364,565	18,956,106
Cost of sales		(12,556,553)	(10,240,865)
Gross profit		10,808,012	8,715,241
Administrative expenses		(9,872,558)	(9,953,496)
Operating profit/(loss)	5	935,454	(1,238,255)
Interest payable and similar expenses	8	(743,875)	(1,000,266)
Profit/(loss) before taxation		191,579	(2,238,521)
Tax on profit/(loss)	9	190,902	-
Profit/(loss) for the financial year		382,481	(2,238,521)

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

HOCHANDA LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	2018 £	2017 as restated £	2017 as restated £
Fixed assets					
Intangible assets	10		540,306		405,229
Tangible assets	11		657,328		991,257
			1,197,634		1,396,486
Current assets					
Stocks	13	34,113		46,042	
Debtors	14	2,021,418		1,901,068	
Cash at bank and in hand		1,159,182		372,211	
		3,214,713		2,319,321	
Creditors: amounts falling due within one year	15	(2,589,473)		(2,926,976)	
Net current assets/(liabilities)			625,240		(607,655)
Total assets less current liabilities			1,822,874		788,831
Creditors: amounts falling due after more than one year	16		(8,162,254)		(7,530,692)
Net liabilities			(6,339,380)		(6,741,861)
Capital and reserves					
Called up share capital	21		1,771		1,770
Share premium account			3,474,339		3,454,340
Profit and loss reserves			(9,815,490)		(10,197,971)
Total equity			(6,339,380)		(6,741,861)

The financial statements were approved by the board of directors and authorised for issue on 17/10/2019 and are signed on its behalf by:

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P Wright
Director

Company Registration No. 09534899

HOCHANDA LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital £	Share premium account £	Profit and loss reserves £	Total £
As restated for the period ended 31 December 2017:					
Balance at 1 January 2017		1,761	3,234,049	(8,583,544)	(5,347,734)
Effect of change in accounting policy and prior prior errors		-	-	624,094	624,094
As restated		1,761	3,234,049	(7,959,450)	(4,723,640)
Period ended 31 December 2017:					
Loss and total comprehensive income for the period		-	-	(2,238,521)	(2,238,521)
Issue of share capital	21	9	220,291	-	220,300
Balance at 31 December 2017		1,770	3,454,340	(10,197,971)	(6,741,861)
Period ended 31 December 2018:					
Profit and total comprehensive income for the period		-	-	382,481	382,481
Issue of share capital	21	1	19,999	-	20,000
Balance at 31 December 2018		1,771	3,474,339	(9,815,490)	(6,339,380)

HOCHANDA LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

		2018		2017 as restated	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	25		1,127,710		(591,074)
Interest paid			(15,501)		(15,500)
Net cash inflow/(outflow) from operating activities			1,112,209		(606,574)
Investing activities					
Purchase of intangible assets		(212,442)		(200,875)	
Purchase of tangible fixed assets		(32,796)		(742,698)	
Proceeds on disposal of tangible fixed assets		-		900	
Net cash used in investing activities			(245,238)		(942,673)
Financing activities					
Proceeds from issue of shares		20,000		220,300	
Proceeds from borrowings		-		1,050,000	
Payment of finance leases obligations		(100,000)		(100,000)	
Net cash (used in)/generated from financing activities			(80,000)		1,170,300
Net increase/(decrease) in cash and cash equivalents			786,971		(378,947)
Cash and cash equivalents at beginning of year			372,211		751,158
Cash and cash equivalents at end of year			1,159,182		372,211

1 Accounting policies

Company information

Hochanda Limited is a private company limited by shares incorporated in England and Wales. The registered office is Nene House, Nene Valley Business Park, Oundle, Peterborough, PE8 4HN.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

The financial statements have been prepared on a going concern basis, although as stated in note 23, the principal trade and assets of the company were sold post year end on 22 July 2019. A valid commercial opportunity may arise in the foreseeable future that the company may pursue. However, the directors consider there to be material uncertainty as to whether such a commercial opportunity will arise. In the event that a suitable commercial opportunity does not arise, the directors may look to commence liquidation proceedings. No provision for any liability that may result from ceasing operations has been made in the financial statements.

The company is dependent on the continued support of two of Hochanda Limited's directors who have provided the company with loan facilities. Following the sale of the company's assets (note 23), the residual interest on these loans totalling £2,914,629 was still due to the two directors. However, these directors have indicated their intention to waive this balance at some point in the future. As a result, at the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods, including the postage and packaging, is recognised when the customer places the order, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets other than goodwill

Intangible assets are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets relate to software development costs incurred in-house. Such assets are defined as having finite useful lives and the costs are amortised on a straight line basis over their estimated useful lives of 6 years.

1 Accounting policies **(Continued)**

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	over 6 years straight line

Intangible assets are reviewed for impairment at each reporting period end date.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings short leasehold	over 5 years straight line
Plant and machinery	over 5 years straight line
Fixtures, fittings & equipment	over 1-5 years straight line
Computer equipment	over 3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

1 Accounting policies **(Continued)**

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call with banks.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

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.

1 Accounting policies **(Continued)**

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
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.

Basic financial liabilities
Basic financial liabilities, including creditors, loans and obligations under hire purchase contracts that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

1 Accounting policies **(Continued)**

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1 Accounting policies **(Continued)**

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Change in accounting policy

The directors have made the decision to capitalise specific salary costs relating to the in-house development of bespoke computer software. Please see note 25 with respect to the prior period adjustment.

3 Judgements 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 estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities related to the valuation of intangible assets and tangible assets as detailed in note 10 and 11 respectively.

4 Turnover and other revenue

	2018	2017
	£	£
Turnover analysed by class of business		
Product sales	20,662,667	16,903,409
Freedom membership	911,243	729,591
Recovered postage and packaging	440,655	535,606
Airtime income	1,350,000	787,500
	23,364,565	18,956,106

	2018	2017
	£	£
Turnover analysed by geographical market		
United Kingdom	22,300,570	18,759,622
EU	173,551	138,326
USA	890,444	58,158
	23,364,565	18,956,106

5 Operating profit/(loss)

	2018	2017
Operating profit/(loss) for the period is stated after charging:	£	£
Exchange losses	1,304	405
Fees payable to the company's auditor for the audit of the company's financial statements	21,375	12,000
Depreciation of owned tangible fixed assets	294,161	216,570
Depreciation of tangible fixed assets held under finance leases	72,564	72,564
(Profit)/loss on disposal of tangible fixed assets	-	1,900
Amortisation of intangible assets	77,365	43,274
Cost of stocks recognised as an expense	12,556,553	10,240,865
Operating lease charges	192,917	172,460

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £1,304 (2017 - £405).

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2018 Number	2017 Number
	123	110

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	3,118,988	3,015,964
Social security costs	236,509	223,491
Pension costs	64,622	-
	3,217,304	3,038,580

Included within the above balances is employee remuneration totalling £202,815 (2017: £200,875), which has been capitalised as an intangible asset (see note 10).

7 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	159,249	125,188

7 Directors' remuneration **(Continued)**

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 3 (2017 - 1).

8 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on finance leases and hire purchase contracts	15,500	15,500
Other interest on financial liabilities	728,375	984,766
	743,875	1,000,266

9 Taxation

	2018	2017
	£	£
Deferred tax		
Adjustment in respect of prior periods	(190,902)	-

The company has estimated losses of £10,200,000 (2017 - £10,600,000) available for carry forward against future trading profits.

The actual (credit)/charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2018	2017
	£	£
Profit/(loss) before taxation	191,579	(2,238,521)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	36,400	(430,915)
Tax effect of expenses that are not deductible in determining taxable profit	1,367	4,835
Tax effect of utilisation of tax losses not previously recognised	(76,794)	-
Unutilised tax losses carried forward	-	452,470
Permanent capital allowances in excess of depreciation	39,027	(12,310)
Research and development tax credit	(190,902)	-
Other permanent differences	-	(14,080)
Taxation credit for the period	(190,902)	-

10 Intangible fixed assets

	Software
	£
Cost	
At 1 January 2018	460,522
Additions - internally developed	212,442
At 31 December 2018	672,964
Amortisation and impairment	
At 1 January 2018	55,293
Amortisation charged for the year	77,365
At 31 December 2018	132,658
Carrying amount	
At 31 December 2018	540,306
At 31 December 2017	405,229

The intangible asset relates to specific salary costs incurred in relation to the development of bespoke in-house computer software. The directors are of the opinion that a straight line amortisation policy of 6 years is appropriate.

11 Tangible fixed assets

	Land and buildings short leasehold	Plant and machinery	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2018	233,894	13,456	1,079,783	224,143	1,551,276
Additions	(2,550)	200	14,352	20,794	32,796
At 31 December 2018	231,344	13,656	1,094,135	244,937	1,584,072
Depreciation and impairment					
At 1 January 2018	29,559	6,319	363,376	160,765	560,019
Depreciation charged in the year	46,229	2,719	261,589	56,188	366,725
At 31 December 2018	75,788	9,038	624,965	216,953	926,744
Carrying amount					
At 31 December 2018	155,556	4,618	469,170	27,984	657,328
At 31 December 2017	204,335	7,138	716,407	63,377	991,257

11 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2018	2017
	£	£
Fixtures, fittings & equipment	116,263	188,827

12 Financial instruments

	2018	2017
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	752,362	881,610
Carrying amount of financial liabilities		
Measured at amortised cost	10,452,983	10,235,015

13 Stocks

	2018	2017
	£	£
Finished goods and goods for resale	34,113	46,042

14 Debtors

	2018	2017
Amounts falling due within one year:	£	£
Trade debtors	-	9,350
Corporation tax recoverable	190,902	-
Other debtors	752,362	872,260
Prepayments and accrued income	1,078,154	1,019,458
	2,021,418	1,901,068

15 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Obligations under finance leases	18	99,353	102,541
Trade creditors		1,834,885	2,263,638
Taxation and social security		186,244	110,153
Deferred income	19	112,500	112,500
Other creditors		125,628	112,500
Accruals and deferred income		230,863	225,644
		2,589,473	2,926,976

16 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Obligations under finance leases	18	70,145	166,957
Other borrowings	17	8,092,109	7,363,735
		8,162,254	7,530,692

17 Loans and overdrafts

	2018 £	2017 £
Other loans	8,092,109	7,363,735
Payable after one year	8,092,109	7,363,735

The long-term loans are secured over the assets of the company.

The long-term loans carry an interest rate of 12.5% p.a. plus base, a 2% p.a.monitoring fee.

The lenders are required to provide Hochanda Limited with 365 days notice to repay the loans, together with accrued interest, all fees and all other amounts accrued or outstanding under the agreements. No such notice has been enacted from the date these financial statements are formally approved.

18 Finance lease obligations

Future minimum lease payments due under finance leases:	2018 £	2017 £
Within one year	99,353	102,541
In two to five years	70,145	166,957
	169,498	269,498

18 Finance lease obligations **(Continued)**

Finance lease payments represent rentals payable by the company for certain items of sound and recording equipment included within fixtures, fittings and equipment. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 5 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

19 Deferred income

	2018	2017
	£	£
Other deferred income	112,500	112,500

20 Retirement benefit schemes

	2018	2017
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	61,456	-

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 Share capital

	2018	2017
	£	£
Ordinary share capital		
Issued and fully paid		
10,000,000 Ordinary A shares of 0.01p each	1,000	1,000
60,000,000 Ordinary B shares of 0.001p each	600	600
15,034,967 (2017: 14,954,967) Ordinary C shares of 0.001p each	151	150
2,000,000 Ordinary D shares of 0.001p each	20	20
	1,771	1,770

The company has four classes of ordinary shares which carry with them voting, dividend and capital distribution (including on winding up) rights to the extent provided by the Articles of Association, which are held on public record at Companies House.

The ordinary shares have attached to them full voting, dividend and capital distribution (including winding up) rights. They do not confer any rights of redemption.

21 Share capital **(Continued)**

Reconciliation of movements during the year:

	A Number	B Number	C Number	D Number
At 1 January 2018	1,000	600	14,954,967	20
Issue of fully paid shares	-	-	80,000	-
At 31 December 2018	1,000	600	15,034,967	20

80,000 Ordinary C shares of 0.001p each were allotted during the year for consideration of £20,000.

22 Operating lease commitments

Lessee
At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases totalling £nil (2017 - £142,169).

23 Events after the reporting date

Subsequent to the year end, the company sold it principal trade and assets to a separate company (the "Buyer") controlled by two of Hochanda Limited's directors on 22 July 2019. The consideration of £5,190,000 was comprised of the following two transactions:

- On 17 July 2019, the Buyer subscribed to C shares in the share capital of Hochanda Limited in the amount of £1,088,850 in exchange for the issue of 9,150,000 C shares issued at 11.9 pence per share; and
- On 22 July 2019, the Buyer paid £4,101,150 to Hochanda Limited.

Immediately prior the sale, Hochanda Limited owed these two directors £5,190,000 in respect to loan facilities provided, as well as accumulated interest totalling £2,914,629. The £5,190,000 consideration was deemed a full repayment towards the capital balance. Following the sale, the accumulated interest balance of £2,914,629 is the only liability left within the company. The two directors have indicated their intention to waive this balance in the future.

24 Related party transactions

During the year, the company incurred rent and premises costs totalling £180,000 (2017 - £152,195) payable to a company under the control of two of Hochanda Limited's directors.

During the year, the company made purchases totalling £nil (2017 - £37,854) payable to a company under the control of two of Hochanda Limited's directors. Included in trade creditors is an amount of £nil (2017 - £37,854) payable to this company.

Two of Hochanda Limited's directors have provided loan facilities to the company. During the year, interest totalling £609,328 (2017 - £689,143), a facility fee of £nil (2017 - £200,000) and monitoring fees totalling £86,000 (2017 - £95,623) were charged on these loan facilities. Included in creditors falling due after more than one year is an amount of £8,092,109 (2017 - £7,363,735) payable to these directors.

The directors P Wright and V Kaye have provided a personal guarantee on behalf of the company, in favour of the hire purchase finance lessor.

25 Cash generated from operations

	2018	2017
	£	£
Profit/(loss) for the year after tax	382,481	(2,238,521)
Adjustments for:		
Taxation credited	(190,902)	-
Finance costs	743,875	1,000,266
(Gain)/loss on disposal of tangible fixed assets	-	1,900
Amortisation and impairment of intangible assets	77,365	43,274
Depreciation and impairment of tangible fixed assets	366,725	289,134
Movements in working capital:		
Decrease/(increase) in stocks	11,929	(27,738)
Decrease/(increase) in debtors	70,552	(90,127)
(Decrease)/increase in creditors	(334,315)	318,238
(Decrease)/increase in deferred income	-	112,500
Cash generated from/(absorbed by) operations	1,127,710	(591,074)

26 Prior period adjustment

The comparative amounts in the prior period presented have been restated as detailed below:

Changes to the balance sheet

	At 31 December 2017		
	As previously reported	Adjustment	As restated
	£	£	£
Fixed assets			
Other intangibles	-	405,229	405,229
Current assets			
Debtors due within one year	1,486,813	414,255	1,901,068
Net assets	(7,561,345)	819,484	(6,741,861)
Capital and reserves			
Profit and loss	(11,017,455)	819,484	(10,197,971)
Total equity	(7,561,345)	819,484	(6,741,861)

26 Prior period adjustment **(Continued)**

Changes to the profit and loss account

	Period ended 31 December 2017		
	As previously reported	Adjustment	As restated
	£	£	£
Turnover	18,918,317	37,789	18,956,106
Administrative expenses	(10,111,097)	157,601	(9,953,496)
Loss for the financial period	(2,433,911)	195,390	(2,238,521)

Reconciliation of changes in equity

	Notes	1 January 2017	31 December 2017
		£	£
Equity as previously reported		(5,347,734)	(7,561,345)
Adjustments to prior year			
Change in accounting policy - capitalisation of salary costs	(i)	259,647	460,522
Change in accounting policy - amortisation	(i)	(12,019)	(55,293)
Adjustment for prepayments	(ii)	376,466	376,466
Adjustment for turnover	(iii)	-	37,789
Equity as adjusted		(4,723,640)	(6,741,861)

Reconciliation of changes in loss for the previous financial period

	Notes	2017
		£
Loss as previously reported		(2,433,911)
Adjustments to prior year		
Change in accounting policy - capitalisation of salary costs	(i)	200,875
Change in accounting policy - amortisation	(i)	(43,274)
Adjustment for turnover	(iii)	37,789
Loss as adjusted		(2,238,521)

26 Prior period adjustment **(Continued)**

Notes to reconciliation

(i) Change in accounting policy - capitalisation of salary costs and amortisation

A prior period adjustment arose following a change in accounting policy to capitalise specific salary costs totalling £460,523 as software development costs. Previously, such expenses were recognised in 'Administrative expenses' as 'wages and salaries'. The directors are of the opinion that the intangible assets have a useful life of six years. Amortisation has retrospectively been charged on this basis.

The reclassification has increased retained earnings at 1 January 2017 by £247,628 and correspondingly introduced an intangible asset with the same carrying value.

The profit for the year ended 31 December 2017 has been increased by £157,601 and, correspondingly, the intangible asset has increased by the same amount.

(ii) Adjustment for prepayments

A prior period adjustment arose following an error identified regarding a specific prepayment which resulted in retained earnings and prepayments at 1 January 2017 being understated by £376,466.

(iii) Adjustment for turnover

A prior period adjustment arose following an error identified regarding turnover that should have been recognised. As a result, the profit for the year ended 31 December 2017 has increased by £37,789 and, correspondingly, other debtors has increased by the same amount.