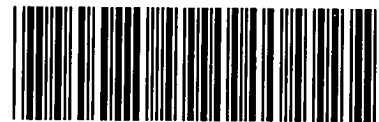


Company Registration No. 00232346

LITTLEWOODS CLEARANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 30 June 2014

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LITTLEWOODS CLEARANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 30 June 2014

DIRECTORS

A D Baldock
A S Barclay
H M Barclay
D W Kershaw
M McMenemy
P L Peters
M Seal

REGISTERED OFFICE

First Floor, Skyways House
Speke Road
Speke
Liverpool
L70 1AB

INDEPENDENT AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester
United Kingdom

LITTLEWOODS CLEARANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 30 June 2014

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STRATEGIC REPORT

The directors present their strategic report of the company for the year ended 30 June 2014.

Principal activity

The principal activity of the company is discount high street and internet retailing.

Review of the business

A key performance measure for the business is loss before taxation. The loss on ordinary activities before taxation for the year ended 30 June 2014 was £1.1m (2013: £1.9m). The loss after tax of £1.1m (2013: £1.9m) has been withdrawn from reserves.

During the year there has been a capital contribution of £8.2m in the form of a waiver of intercompany loans which has contributed to the increase in net assets from net liabilities of £5.8m at June 2013 to net assets of £1.4m at June 2014.

The profit and loss account for the year is set out on page 8.

Future outlook

The directors remain confident on the trading outlook of the business.

Principal risks and uncertainties

The management of the company and the execution of its strategy are subject to a number of risks.

The company operates in the highly competitive retail sector, particularly around price, service, product quality and availability. Failure to pay attention to these factors would result in failing to meet customer expectations, potentially reduced sales and excessive holding of stocks. To mitigate this risk there is a clear focus on service, monitoring of competitors' pricing and a group wide enhanced attitude to meeting customers' expectations.

Going concern

The company has received confirmation that it will continue to receive the full support of its parent company, Shop Direct Limited, therefore in forming their conclusion over the going concern assumption the directors are mindful of the following disclosure made in the group accounts:

'In determining whether the group's accounts can be prepared on a going concern basis, the directors considered the group's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and borrowing facilities and the principal risks and uncertainties relating to its business activities.

The group has carefully considered its cash flows and banking covenants for the next 12 months from the date of signing the audited financial statements. These have been appraised in the light of the uncertainty in the current economic climate.

As such, conservative assumptions for working capital performance have been used to determine the level of financial resources available to the company and to assess liquidity risk. The key risk identified by the directors for these assumptions is the impact that a further deterioration in the economic climate will have on the performance of sales and the debtor book.

STRATEGIC REPORT

Going concern (continued)

The group's forecasts and projections, after sensitivities to take account of all reasonably foreseeable changes in trading performance, show that the group will have sufficient headroom within its current loan facilities. After making appropriate enquiries the directors have a reasonable expectation that the company and the group have adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the Annual Report and Financial Statements.'

By order of the board



A D Baldock
Director

30 October 2014

DIRECTORS' REPORT

The directors present their report and the audited financial statements of the company for the year ended 30 June 2014.

Directors

The directors that held office during the year and at the date of this report, unless stated otherwise, were as follows:

A D Baldock	(appointed 24 th July 2013)
A S Barclay	
H M Barclay	
D W Kershaw	
M McMenemy	(appointed 24 th July 2013)
P L Peters	
M Seal	

Dividends

The directors do not recommend the payment of a dividend (2013: £nil).

Elective resolutions

The company has passed elective resolutions to dispense with the holding of annual general meetings and for the laying of the annual report and financial statements before the company in general meetings, until such time as the elections are revoked.

Employee engagement

There is a commitment to employee engagement geared towards business improvement and which incorporates a full and open dialogue with employees and their representatives. This encourages an active contribution from employees to achieving stated business objectives.

The company has well established negotiation and consultation mechanisms with employees and their representatives including consultative committees, joint working parties and briefing groups. The company recognises and has collective bargaining agreements with USDAW and SATA trade unions.

Employees and the representatives are regularly informed of corporate and individual business unit objectives, trading performance, economic conditions and other relevant matters. Employees are also represented on the various trustee boards relating to pension arrangements.

Equal opportunities

The company discharges, equitably, its statutory and social duties in respect of the Equality Act 2010. An equal opportunities policy is in operation.

DIRECTORS' REPORT (continued)

Statement to disclose information to the auditor

Each of the persons who are a director at the date of approval of this report confirms 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 he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have indicated their willingness to continue in office.

By order of the board



A D Baldock
Director
30 October 2014

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, 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 year. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LITTLEWOODS CLEARANCE LIMITED

We have audited the financial statements of Littlewoods Clearance Limited for the year ended 30 June 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LITTLEWOODS CLEARANCE LIMITED (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.



Rachel Argyle (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester

30 October 2014

LITTLEWOODS CLEARANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 30 June 2014

PROFIT AND LOSS ACCOUNT

	<i>Notes</i>	2014 £'000	2013 £'000
Turnover	1	9,942	11,360
Cost of sales		(4,397)	(4,988)
Gross profit		5,545	6,372
Net operating expenses – before exceptional items	2	(6,586)	(7,977)
Exceptional items	3	(18)	(279)
		(6,604)	(8,256)
Operating loss	4	(1,059)	(1,884)
Interest receivable and similar income	5	-	1
Loss on ordinary activities before taxation		(1,059)	(1,883)
Taxation on loss on ordinary activities	7	-	-
Loss for the financial year	16, 17	(1,059)	(1,883)

The loss for the financial year for the current and prior year arises from the company's continuing operations.

There have been no recognised gains and losses other than the loss for the current and prior year as shown above. Accordingly, no separate statement of total recognised gains and losses has been prepared.

There is no difference between the loss on ordinary activities before taxation and the loss for the year and their historical cost equivalents.

LITTLEWOODS CLEARANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 30 June 2014

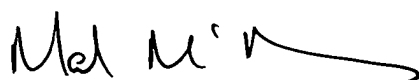
BALANCE SHEET
As at 30 June

	<i>Notes</i>	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	8	150	346
Investments	9	-	-
		<hr/> 150	<hr/> 346
Current assets			
Stocks	10	2,408	2,236
Debtors	11	234	1,038
Cash at bank and in hand		138	152
		<hr/> 2,780	<hr/> 3,426
Creditors: Amounts falling due within one year	12	(1,427)	(9,429)
		<hr/> 1,353	<hr/> (6,003)
Net current assets/(liabilities)			
		<hr/> 1,503	<hr/> (5,657)
Total assets less current liabilities			
Provisions for liabilities	13	(82)	(108)
		<hr/> 1,421	<hr/> (5,765)
Net assets/(liabilities) before pension liability			
Pension liability	18	(36)	(33)
		<hr/> 1,385	<hr/> (5,798)
Net assets/(liabilities)			
		<hr/> 1,385	<hr/> (5,798)
Capital and reserves			
Share capital	15	21,000	21,000
Profit and loss account	16	(27,857)	(26,798)
Other reserves	16	8,242	-
		<hr/> 1,385	<hr/> (5,798)
Total shareholders' funds/(deficit)	17	<hr/> 1,385	<hr/> (5,798)

The financial statements of Littlewoods Clearance Limited, company number 00232346 were approved by the Board of Directors on 30 October 2014.

Signed on its behalf

M McMenemy
Director



NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and United Kingdom applicable accounting standards, which have been applied on a consistent basis with the previous year. The principal accounting policies are set out below.

The accounts are drawn up to the Saturday nearest to 30 June, or to 30 June where this falls on a Saturday.

Going concern

In determining whether the company's accounts can be prepared on a going concern basis, the directors considered the company's business activities together with factors likely to affect its future development, performance and its financial position including cash flows, liquidity position and borrowing facilities and the principal risks and uncertainties relating to its business activities. These are set out within the Strategic Report.

After making appropriate enquiries, and on the basis that the company has the support of its parent company, Shop Direct Limited, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the annual report and accounts.

Cash flow statement and related party transactions

As the results of the company are included in the consolidated financial statements of Shop Direct Holdings Limited, the company's parent undertaking, which are publicly available, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 'Cash Flow Statements (revised 1996)'.

The company is also exempt under the terms of Financial Reporting Standard 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of, or investees of, the ultimate parent company's group as the ultimate parent company controls 100% of the total shareholding and prepares consolidated financial statements.

Consolidated financial statements

As the company is a wholly owned subsidiary of Shop Direct Limited it is exempt under S408 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Turnover

Turnover represents sale of goods to customers, less value added tax and is recognised in the profit and loss account at the point of sale for high street sales and on despatch for internet sales which is considered to be the point at which the risks and rewards are transferred to the customer.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are measured at cost net of depreciation and any provision for impairment. Depreciation is provided to write down the cost of tangible fixed assets to their estimated residual values by equal annual instalments over their estimated useful working lives as follows:

Fixtures, fittings and equipment	10-33% per annum
----------------------------------	------------------

Residual value is calculated on prices prevailing at the date of acquisition.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Leases

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease, even where payments are not made on such a basis.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

In accordance with FRS 19 'Deferred tax', full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is based on the tax rates or laws enacted or substantively enacted at the balance sheet date. No provision is made in respect of timing differences arising from the sale of fixed assets at the balance sheet date as the directors anticipate that the proceeds will be reinvested in qualifying assets. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits in the foreseeable future from which the underlying timing differences or carried forward losses can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. When some of the economic benefits required to settle a provision are expected to be recovered from a third party, the provision is reduced by this amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

Investments in subsidiary undertakings

Investments in subsidiary undertakings are included in the company's balance sheet at cost on acquisition. Where appropriate, provision is made for any impairment.

Pensions and post retirement benefits

Pension costs are calculated in accordance with FRS 17 'Retirement Benefits'.

For multi-employer defined benefit pension schemes, contributions are determined by independent actuaries and where it is not possible to separately identify individual company shares of the underlying assets and liabilities, these contributions are charged to the profit and loss account in the year in which contributions become payable as pension costs.

For unfunded pension arrangements where the companies within the company can identify their share of the liabilities:

- Provision is maintained based on the advice of independent actuaries for unfunded retirement benefit arrangements less attributable taxation on a full provision basis and shown on the face of the balance sheet.
- Liabilities are measured using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.
- The movements during the year in the present value of the liabilities arising from the passage of time are included in other finance charges.
- Actuarial gains and losses are recognised in the statement of total recognised gains and losses.
- Curtailment gains are included in the profit and loss account as exceptional items.

Contributions to defined contribution pension schemes are charged to the profit and loss account in the year in which contributions become payable. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The assets of the scheme are held in independently administered funds.

2. Net operating expenses – before exceptional items

	2014 £'000	2013 £'000
Distribution costs	1,702	2,034
Administrative expenses	4,884	5,943
	<hr/> 6,586 <hr/>	<hr/> 7,977 <hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. Exceptional operating items

	2014 £'000	2013 £'000
Restructuring costs arising from operational reorganisation	18	279
	<hr/>	<hr/>

The restructuring costs relate to the costs incurred in the closure of stores and principally consist of property costs and redundancy costs.

4. Operating loss

Operating loss is stated after charging:

	2014 £'000	2013 £'000
Depreciation:		
Owned assets	203	215
Loss on sale of fixed assets	-	39
Operating lease rentals: land and buildings	840	869
Fees payable to the company's auditor for the audit of the company's annual accounts	6	6
	<hr/>	<hr/>

There are no non-audit fees payable to the auditor in the current or prior year.

5. Interest receivable and similar income

	2014 £'000	2013 £'000
Bank deposit interest receivable	-	1
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Employees and directors

	2014 £'000	2013 £'000
Staff costs (including part-time staff and directors) during the year:		
Wages and salaries	2,762	3,554
Social security costs	198	236
Other pension costs (note 18)	84	74
	<hr/> 3,044	<hr/> 3,864
	<hr/> <hr/>	<hr/> <hr/>
	2014 Number	2013 Number
Average monthly number of full time equivalents (including part-time staff and directors) employed:		
Administration	27	33
Stores	86	106
Distribution & customer services	26	44
	<hr/> 139	<hr/> 183
	<hr/> <hr/>	<hr/> <hr/>

The directors did not receive any emoluments for their services to the company during the year ended 30 June 2014 (2013: same). Directors' emoluments are borne by other group companies and are not recharged.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Taxation

The current tax charge assessed for the year is different to the standard rate of corporation tax in the UK at 22.5% (2013: 23.8%). The differences are explained below:

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(1,059)	(1,883)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.5% (2013: 23.8%)	238	448
Effects of:		
Expenses not deductible for taxation purposes	(4)	(6)
Other permanent differences	59	50
Differences between capital allowances and depreciation	(42)	(56)
Other short term timing differences and losses	6	26
Group relief surrendered at nil consideration	(257)	(462)
Current tax charge for the year	-	-

The company earns its profits primarily in the UK. Therefore the tax rate used for tax on profit on ordinary activities is the standard rate of UK corporation tax of 22.5%.

Finance Act 2013, which was substantively enacted in July 2013, included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015. Accordingly, deferred tax balances have been revalued to the lower rate of 20% in these accounts. To the extent that the deferred tax reverses before 1 April 2015 then the impact on the net deferred tax asset will be reduced.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. Tangible fixed assets

	Fixtures, fittings and equipment £'000
Cost	
At 1 July 2013	1,292
Additions	7
	<hr/>
At 30 June 2014	1,299
Depreciation	
At 1 July 2013	946
Charged in the year	203
	<hr/>
At 30 June 2014	1,149
Net book value	
At 30 June 2014	150
	<hr/>
At 30 June 2013	346
	<hr/>

9. Fixed asset investments

	£
Shares in group undertakings:	
At 1 July 2013 and 30 June 2014	31
	<hr/>

Subsidiary undertakings at 30 June 2014 are listed below. They carry out their principal operations in the country of incorporation, and the company owns 100% of the ordinary share capital:

Subsidiary undertakings	Nature of business	Country of Incorporation
Catalogue Bargain Shop Limited	Dormant	England & Wales
Lewis U.K. Limited	Dormant	England & Wales

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Stocks

	2014 £'000	2013 £'000
Goods for resale	2,408	2,236

There is no material difference between the balance sheet value of stocks and their replacement cost.

11. Debtors: Amounts falling due within one year

	2014 £'000	2013 £'000
Trade debtors	2	2
Prepayments and accrued income	232	291
Amounts owed by group undertakings	-	745
	234	1,038

12. Creditors: Amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	292	276
Amounts due to group undertakings	175	8,041
Other taxation and social security	353	363
Accruals and deferred income	607	749
	1,427	9,429

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

During the year the parent company waived £8.2m of intercompany balances resulting in a capital contribution (see note 16).

13. Provisions for liabilities

	At 1 July 2013 £'000	Utilised during the year £'000	At 30 June 2014 £'000
Rationalisation and reorganisation provision	108	(26)	82

It is estimated that the majority of the rationalisation and reorganisation provision will be utilised over the next financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Deferred taxation

The total unrecognised deferred tax asset is as follows:

	2014 £'000	2013 £'000
Accelerated capital allowances	642	703
Short term timing differences	562	653
	<hr/>	<hr/>
Deferred tax asset	1,204	1,356
Deferred tax asset not recognised	(1,204)	(1,356)
	<hr/>	<hr/>
Deferred tax asset recognised	-	-
	<hr/>	<hr/>

The deferred tax asset is not recognised as it is not expected to be able to be recovered in the foreseeable future.

15. Share capital

	2014 £'000	2013 £'000
Authorised:		
21,000,000 ordinary shares of £1 each	21,000	21,000
	<hr/>	<hr/>
Allotted, issued and fully paid:		
21,000,000 ordinary shares of £1 each	21,000	21,000
	<hr/>	<hr/>

16. Reserves

	Other reserves £'000	Profit & loss account £'000	Total £'000
At 1 July 2013	-	(26,798)	(26,798)
Loss for the financial year	-	(1,059)	(1,059)
Capital contribution - waiver of intercompany loans	8,242	-	8,242
	<hr/>	<hr/>	<hr/>
At 30 June 2014	8,242	(27,857)	(19,615)
	<hr/>	<hr/>	<hr/>

Other reserves relate to the capital contribution from the parent company in the form of a waiver of intercompany balances during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Reconciliation of movement in shareholders' funds/(deficit)

	2014 £'000	2013 £'000
Loss for the financial year	(1,059)	(1,883)
Capital contribution - waiver of intercompany loans	8,242	-
	<hr/>	<hr/>
Net movement in shareholders' deficit	7,183	(1,883)
Opening shareholders' deficit	(5,798)	(3,915)
	<hr/>	<hr/>
Closing shareholders' funds/(deficit)	1,385	(5,798)
	<hr/>	<hr/>

18. Pension commitments

FRS 17 – Retirement Benefits

Littlewoods Clearance Limited participates in the following pension arrangements:

- (i) The Littlewoods Pensions Scheme ("Scheme"), which is a defined benefit arrangement based on final pensionable salaries. The pension scheme is set up under trust and the assets of the scheme are held separately from those of the company. The fund is valued at intervals not exceeding three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary and agreed by the parent undertaking and all other Shop Direct Holdings Limited group companies and the Scheme Trustee. The Scheme was closed to new entrants with effect from 1 October 2001 and is closed to future accrual.

The Scheme closed to future accrual on 28 February 2011. Members were given alternative options upon closure regarding the level of contributions that they and the company would pay into the new Stakeholder arrangement. The options given were to either retain salary linkage to the defined benefits already accrued, or alternatively the company would pay more contributions into the Stakeholder arrangement for a member who did not opt to retain salary linkage.

- (ii) Certain employees are members of the Shop Direct Stakeholder Pension Plan ("Stakeholder Scheme"). The Stakeholder Scheme is a funded defined contribution stakeholder pension scheme to which employees and the company contribute.

The company is unable to identify its share of the underlying assets and liabilities on a consistent and reliable basis. Consequently, contributions are charged to the Plan and Stakeholder Scheme to the profit and loss account in the year in which contributions become payable as pension costs.

- (iii) Certain employees have accrued benefits in a defined benefit ex-gratia arrangement originally set up by GUS prior to Shop Direct Group Limited's acquisition by Shop Direct Holdings Limited. No new employees have been granted membership of the ex-gratia arrangement since 1998. The liabilities under this arrangement have been estimated by an independent actuary and accrued in the balance sheet of the company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Pension commitments (continued)

FRS 17 disclosures relating to the pension schemes operated by Shop Direct Holdings Limited are provided in the consolidated accounts for that undertaking, which are publicly available.

The total cost of the contributions to all the schemes within these accounts amounted to £84,000 (2013: £74,000).

Full actuarial valuations for the Plan and the Scheme were carried out on 31 March 2013 and 31 December 2012 respectively by a qualified independent actuary.

There were no outstanding contributions payable at 30 June 2014 (2013: £nil).

Ex-gratia arrangements

The major assumptions used by the actuaries for valuing ex-gratia liabilities were:

	2014	2013
Rate of increase in pensionable salaries	3.7%	3.8%
Discount rate	4.3%	4.6%
Inflation assumption	3.2%	3.3%

There is no mortality assumption since benefits are paid in a lump sum on retirement.

Movement in deficit during the year

	2014 £'000	2013 £'000
Opening and closing deficit in scheme	(45)	(45)
Deficit in scheme at end of year	(45)	(45)
Deferred tax asset	9	12
Closing deficit after tax	(36)	(33)

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Operating lease commitments

At 30 June the company had annual commitments under non-cancellable operating leases as follows:

	2014 £'000	2013 £'000
Land and buildings:		
Expiring within one year	75	369
Expiring between two and five years	395	261
Expiring after five years	158	155
	<hr/> 628	<hr/> 785
	<hr/>	<hr/>

20. Ultimate controlling party

The immediate holding company is Shop Direct Limited, a company registered in England and Wales. The smallest group into which the results of the company are consolidated is the financial statements of Shop Direct Limited. The largest group into which the results of the company are consolidated is the financial statements of Shop Direct Holdings Limited, a company registered in England and Wales, which the directors regard as being controlled by Sir David Barclay and Sir Fredrick Barclay Family Settlements.