Heavy Distance Limited

Financial statements

For the year ended 31 January 2016

Company No. 6005142

Company information

Company registration number	6005142
Registered office	Century House Brunel Road Wakefield 41 Industrial Estate Wakefield WF2 0XG
Directors	C R Beck D Bryant
Auditor	KPMG LLP Chartered Accountants Registered Auditors 1 Sovereign Square Sovereign Street Leeds LS1 4DA

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Strategic report

Principal activities and business review

The principal activity of the Company was previously that of an intermediate holding company and the provision of management services prior to a Group re-organisation undertaken in the year by Card Factory plc, the ultimate parent company. Following the Group re-organisation the Company has no subsidiary undertakings and net assets and share capital of £2 at 31 January 2016.

During the year the Company sold its investment in Sportswift Limted to Card Factory plc. Following the sale of its investment in Sportswift Limited, the Company ceased its activities. The sale of the investment for £47,132,207 resulted in a profit on disposal of £22,112,313.

The Group of companies that the Company controlled prior to the Group re-organisation is the UK's leading specialist retailer of greeting cards. A detailed review of the business and performance of the Group of companies formerly owned by Heavy Distance Limited is included within the Annual Report and Accounts of Card Factory plc.

During the year the Company underwent a capital reduction. Dividends paid in the year totalled £23,346,250 (2015: £205,316,191).

There was a profit for the year after taxation amounting to £22,107,234 (2015:£205,317,080) including dividends received from subsidiary undertakings of £nil (2015: £205,316,191) and profit on disposal of investments of £22,112,313 (2015: £nil). There are no proposed dividends.

These are the Company's first financial statements prepared in accordance with FRS 101. Details of the transition to FRS 101 are provided in note 16 to the financial statements.

Principal risks and uncertainties

Following the sale of its investment the Company has no principal risks and uncertainties.

Future developments

It is anticipated that the Company will be dormant in future financial periods.

ON BEHALF OF THE BOARD

D Bryant
Director
9 August 2016

Directors' report

The Directors present their report and the financial statements of the Company for the year ended 31 January 2016.

Directors

The Directors who served the Company during the year were as follows:

A D Barraclough	resigned 3 December 2015
C R Beck	
D Bryant	
R J Hayes	resigned 30 June 2016
S Middleton	resigned 3 December 2015

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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 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 estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 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.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' report (continued)

Auditor

The independent auditor, KPMG LLP, has expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

D Bryant
Director
9 August 2016

Independent auditor's report to the members of Heavy Distance Limited

We have audited the financial statements of Heavy Distance Limited for the year ended 31 January 2016 set out on pages 8 to 19. 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), including FRS 101 *Reduced Disclosure Framework*.

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 set out on page 4, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 31 January 2016 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.

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.

Independent auditor's report to the members of Heavy Distance Limited (continued)

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.

Chris Hearld

Chris Hearld
Senior Statutory Auditor
for and on behalf of KPMG LLP
Statutory Auditor,
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

15th August 2016

Profit and loss account and other comprehensive income

	Note	2016 £	2015 £
Turnover	2	**575,286**	4,796,370
Administrative expenses		**(581,648)**	(4,793,929)
Operating (loss)/profit	3	**(6,362)**	2,441
Income from shares in Group undertakings		-	205,316,191
Profit on disposal of investment	6	**22,112,313**	-
Profit on ordinary activities before taxation		**22,105,951**	205,318,632
Tax on profit on ordinary activities	5	**1,283**	(1,552)
Profit for the year		**22,107,234**	205,317,080
Other comprehensive income		-	-
Total comprehensive income for the year		**22,107,234**	205,317,080

All of the activities of the Company are classed as discontinued.

Balance sheet

	Note	**2016** £	2015 £
Fixed assets			
Investments	6	-	25,019,894
Current assets			
Debtors	7	**2**	2,808,112
Cash at bank and in hand		-	433
		2	2,808,545
Creditors: amounts falling due within one year	8	-	(26,589,421)
Net current assets /(liabilities)		**2**	(23,780,876)
Net assets		**2**	1,239,018
Capital and reserves			
Called-up equity share capital	9	**2**	500,043
Profit and loss account		-	738,975
Shareholders' funds		**2**	1,239,018

These financial statements were approved by the Directors on 9 August 2016 and are signed on their behalf by:

DBryant

D Bryant
Director

Statement of changes in equity

	Share capital £	Profit and loss account £	Total equity £
At 1 February 2014	500,043	735,123	1,235,166
Total comprehensive income for the year			
Profit or loss	-	205,317,080	205,317,080
Transactions with owners, recorded directly in equity			
Deferred tax on share based payments	-	2,963	2,963
Dividends paid	-	(205,316,191)	(205,316,191)
		(205,313,228)	(205,313,228)
At 31 January 2015	500,043	738,975	1,239,018
Total comprehensive income for the year			
Profit or loss	-	22,107,234	22,107,234
Transactions with owners, recorded directly in equity			
Capital reduction	(500,041)	500,041	-
Dividends paid	-	(23,346,250)	(23,346,250)
	(500,041)	(22,846,209)	(23,346,250)
At 31 January 2016	**2**	**-**	**2**

Notes to the financial statements

1 Accounting policies

Basis of preparation

Heavy Distance Limited (the 'Company') is a company limited by shares and incorporated and domiciled in the UK. The Company is a wholly owned subsidiary within the Group controlled by Card Factory plc, a company incorporated in the UK.

These financial statements 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 Financial Reporting Standards as adopted by the EU ('EU IFRS'), but makes amendments in accordance with FRS 101 to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements are presented in Sterling (£).

The financial statements have been prepared on a going concern basis under the historical cost convention.

In these financial statements, the Company has adopted FRS 101 for the first time. The date of transition is 1 February 2014. In the transition to FRS 101, the Company has applied IFRS 1 in accordance with FRS 101. FRS 101 does not require presentation of an opening balance sheet at the date of transition. There have been no adjustments to the opening balance sheet at transition date, the prior period balance sheet or the prior period profit and loss account as a result of the transition to FRS 101 (see note 16).

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- investments in subsidiaries – carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at transition based on the previous GAAP carrying amount.

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 transactions with wholly owned members of the Card Factory plc Group;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of key management personnel.

The Company's ultimate parent undertaking, Card Factory plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Card Factory plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU ('EU IFRS') and can be obtained from its registered office at Century House, Wakefield 41 Industrial Estate, Wakefield, WF2 0XG or from the website www.cardfactoryinvestors.com. As the consolidated financial statements of Card Factory plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Principal accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 31 January 2014 for the purposes of the transition to FRS 101.

Notes to the financial statements (continued)

Turnover
Turnover represents the total amount receivable in respect of management charges to subsidiary undertakings.

Dividends
Dividends are recognised as a liability in the period in which they are approved such that the Company is obliged to pay the dividend.

Taxation
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or through other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Investments
Investments in subsidiary undertakings are held at cost less any provision for impairment. The carrying values of investments are reviewed for impairment where there is an indication of impairment. If an impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the impairment loss is recognised in the profit and loss account.

Share based payments
The fair value of employee services received in exchange for the grant of share awards under the equity-settled long term incentive plan or the save as you earn scheme of the ultimate parent company, Card Factory plc, is recognised as an expense in profit or loss over the vesting period of the award, with a corresponding amount treated as a capital contribution from Card Factory plc immediately reimbursed and recognised within debtors as due to Card Factory plc. The total cost of the awards is based on the estimated number of share awards that will eventually vest in accordance with the vesting conditions. The awards do not include market-based vesting conditions. At each balance sheet date, the estimated number of awards that are expected to vest is revised. Any revision to estimates is recognised in profit or loss.

During the year the employees of the Company were transferred to Sportswift Limited, a fellow Group company, as part of a Group reorganisation.

Investments
Investments in subsidiary undertakings are held at cost less any provision for impairment. The carrying values of investments are reviewed for impairment where there is an indication of impairment. If an impairment loss arises, the asset value is adjusted to its estimated recoverable amount and the impairment loss is recognised in the income statement.

Notes to the financial statements (continued)

Financial instruments

Financial assets
The Company classifies all its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company has no intention of trading these loans and receivables. Subsequent to initial recognition at fair value less transaction costs, these assets are carried at amortised cost using the effective interest method, subject to impairment.

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

Non derivative financial liabilities are initially recognised at fair value, less any transaction costs and subsequently stated at amortised cost using the effective interest method except for derivatives and contingent consideration.

The financial assets and liabilities of the Company at 31 January 2015 relating to amounts due to or from Group undertakings were repayable on demand and settled in the year ended 31 January 2016.

Intra-Group guarantees

Where the Company enters into contracts to guarantee the indebtedness of other companies within the Group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

2 Turnover

Turnover represents management charges receivable from Group undertakings.

	2016	2015
	£	£
United Kingdom	**575,286**	4,796,370

3 Operating profit

Operating profit is stated after charging:

	2016	2015
	£	£
Auditor's remuneration:		
Audit fees	-	1,000

Total fees payable by the Company to KPMG LLP and their associates during the period was £nil (2015: £1,000). Audit fees of £1,000 in respect of the year were borne by a fellow Group undertaking.

Notes to the financial statements (continued)

4 Directors and employees

Staff costs during the year were as follows:

	2016 £	2015 £
Wages and salaries	**490,343**	1,332,491
Share based payments	**-**	2,866,667
Social security costs	**61,770**	574,574
Pension costs	**303**	796
	552,417	4,774,528

The average number of employees of the Company during the year was as follows:

	2016 No.	2015 No.
Management	**2**	6

The emoluments of Directors in respect of services provided to the Company and fellow Group entities totalled £2,242,000 (2015: £8,082,000) for the year, including £nil (2015: £5,600,000) in relation to residual management equity share awards as detailed in the Card Factory plc IPO prospectus dated 15 May 2014. Directors' remuneration in respect of the Company totalled £491,000 (2015: £4,120,000). Directors' remuneration in respect of services provided to fellow Group undertakings is charged to those companies by way of a management charge. The emoluments of Directors under service contracts with fellow Group undertakings are borne by those companies.

Card Factory plc, the ultimate parent company, granted awards of 575,260 shares (2015: 710,000) to Directors under the terms of the long term incentive plan ('LTIP') and 10,550 share options (2015: nil) under the terms of the save as you earn ('SAYE') scheme (see note 11 for details of the LTIP and SAYE schemes). No awards had vested at the Balance Sheet date and no awards (2015: nil) were forfeited during the year.

Disclosures in respect of the highest paid Director are included in the Directors' Remuneration Report on pages 50 to 66 of the Card Factory plc Annual Report and Accounts for the year ended 31 January 2016.

Notes to the financial statements (continued)

5 Taxation

Recognised in the profit and loss account

	2016 £	2015 £
Current tax		
Current tax on income for the period	**(1,283)**	17,134
Deferred tax		
Origination and reversal of timing differences	-	(16,613)
Effect of decreased tax rate	-	1,031
	-	(15,582)
Total tax (credit)/charge	**(1,283)**	1,552

Reconciliation of effective tax rate

	2016 £	2015 £
Profit on ordinary activities before taxation	**22,105,951**	205,318,632
Profit on ordinary activities multiplied by standard rate of tax of 20.16% (2015: 21.32%)	**4,456,913**	43,780,667
Non taxable Group income	**(4,458,196)**	(43,780,146)
Effect of decreased tax rate	-	1,031
Total tax (credit)/charge	**(1,283)**	1,552

There was £nil (2015: £nil) taxation recognised in other comprehensive income and £nil (2015: £2,963) taxation recognised directly in equity.

6 Investments

Shares in Group undertakings	£
Cost and net book value	
At 1 February 2015	25,019,894
Disposals	(25,019,894)
At 31 January 2016	-

During the year the Company sold its 100% shareholding in Sportswift Limited to CF Bidco Limited, a fellow Group company, for consideration of £47,132,207 resulting in a profit on disposal of £22,112,313.

Notes to the financial statements (continued)

7 Debtors

	2016 £	2015 £
Prepayments and accrued income	-	16,082
Amounts owed by Group undertakings	2	2,773,485
Deferred taxation (note 10)	-	18,545
	2	2,808,112

8 Creditors

	2016 £	2015 £
Amounts due to Group undertakings	-	26,349,804
Accruals and deferred income	-	239,617
	-	26,589,421

9 Share capital

Allotted, called up and fully paid

	Ordinary shares of £ 1		A Ordinary shares of £1 (2015: 1p)	
	Number	£	Number	£
At 31 January 2015	500,000	500,000	4,368	43.68
Share consolidation	(499,999)	-	(4,367)	43.68
Capital reduction	-	(499,999)	-	(42.68)
At 31 January 2016	**1**	**1**	**1**	**1**

During the year the share capital was consolidated into one ordinary share of £500,000 and one A ordinary share of £43.68. A reduction of capital subsequently reduced the value of the ordinary share to £1 and the A ordinary share to £1.

Notes to the financial statements (continued)

10 Deferred tax

Deferred tax balances in respect of:

	Share based payments £
At 1 February 2014	-
Credit to profit and loss	15,582
Recognised directly in equity	2,963
At 31 January 2015	18,545
Group employee transfer	(18,545)
At 31 January 2016	**-**

During the year the employees of the Company were transferred to Sportswift Limited, a fellow Group company, as part of a Group reorganisation. Deferred tax balances in respect of Group share schemes were transferred to Sportswift Limited at book value.

Reductions in the corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 26 October 2015. Deferred tax assets in respect of timing differences are expected to be recoverable against future taxable profits and are recognised according to the rate when the timing differences are expected to reverse.

11 Equity settled share based payments

Card Factory long term incentive plan ('LTIP')
Card Factory plc grants awards of shares to employees of the Company under the terms of the LTIP. The award comprises a right to receive free shares or nil cost options. The grants awarded are subject to a three year vesting period. Grants awarded to members of the senior management team are also subject to performance conditions and a two year holding period as disclosed in the Card Factory plc Annual Report and Accounts. The shares will be issued within 30 days, or as soon as practicable, after the vesting date.

Reconciliation of outstanding LTIP awards	Number of options	Weighted average exercise price
Outstanding at 1 February 2014	-	-
Granted during the year	200,000	£0.00
Forfeited during the year	(66,667)	£0.00
Outstanding at 31 January 2015	133,333	£0.00
Group employee transfers *	(133,333)	£0.00
Outstanding at 31 January 2016	**-**	**-**

* All employee contracts were transferred to Sportswift Limited, a fellow Group company, during the year.

Notes to the financial statements (continued)

11 Equity settled share based payments (continued)

Awards in the year under the Card Factory SAYE scheme are recognised in the financial statements of Sportswift Limited following the transfer of employee contracts.

Further details on the LTIP and SAYE schemes are provided in the annual report of Card Factory plc, the ultimate parent company.

12 Pensions

The Company made employer contributions to defined contribution pension schemes totalling £303 in the year (2015: £796).

13 Contingent liabilities

The Company is a co-borrower of a bank facility with CF Bidco Limited, a fellow Group entity. The unsecured facility is subject to a cross-guarantee between Group entities.

14 Capital commitments

There were no capital commitments at 31 January 2016 or 31 January 2015.

15 Controlling related party and related party transactions

The Directors consider that the ultimate controlling party of the Company is Card Factory plc, a public limited company incorporated in the UK.

Copies of the financial statements of Card Factory plc can be obtained from its registered office at Century House, Wakefield 41 Industrial Estate, Wakefield, WF2 0XG or from the website www.cardfactoryinvestors.com.

As detailed in note 1 the Company has taken the exemption under FRS 101 to not disclose related party transactions with other wholly owned members of the Card Factory plc Group. There were no other related party transactions in the year.

16 Explanation of transition to FRS 101

As stated in the principle accounting policies, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 January 2016 and the comparative information presented the comparative information presented in these financial statements for the year ended 31 January 2015 and in the preparation of an opening FRS 101 balance sheet at 1 February 2014.

In preparing its FRS 101 balance sheet, there have been no adjustments to amounts reported previously in financial statements prepared in accordance with the previous basis of accounting (old UK GAAP).