

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
Registered No. 110433



LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)

STRATEGIC REPORT

The directors are pleased to present the strategic report, the directors' report and the audited financial statements for the year ended 31 December 2015.

Change of name

On 13 January 2016 the company changed its name to LRUk (Retail) Limited.

Business review and principal activities

The company's principal activity continues to be home shopping retailing in the UK and the provision of financial services to our customers to support those retail sales. The company operates the 'La Redoute' brand within the UK.

The company is a wholly owned subsidiary of LRUk (Holdings) Limited, a wholly owned subsidiary of a French company, New R s.a.s.. This latter company was established in 2014 as a management buy-out vehicle by two former senior executives of Redcats S.A. to buy the 'La Redoute' brand from Redcats S.A. and Kering S.A. Group.

Financial review

The company's turnover has declined by 0.4% from £38.4m in 2014 to £38.2m. Within this, La Redoute's product sales have increased by 3.0% (2014: decrease 15.6%) due to an increase in the number of customers shopping with La Redoute, driven by marketing promotions. By contrast, on a like for like basis, the financial services turnover has declined by 11.3% as those new customers have paid for goods immediately rather than spreading the cost with a credit account.

The prior year figures for Cost of sales, Selling and Distribution and Administrative Expenses have been restated as follows:

- £0.6m of costs related to stock purchases from group companies have been treated as cost of sales: these had previously been included within selling and distribution and administration costs;
- £0.9m of costs previously attributed as administration expenses have been included in selling and distribution costs.
- Administration expenses have reduced by a corresponding £1.5m.

There has been no effect on overall loss.

The gross margin for continuing operations has decreased from 62.9% (restated) in 2014 to 59.6% in 2015. Excluding the margin generated from financial services, the gross margin on continuing activities has decreased to 48.7% (2014: 51.6%) as a result of higher value discounting to drive product sales.

The numbers of customers on the marketing databases ("quantity") and the customer's propensity for repeat purchases ("quality") are key determinants of trading performance. The number of customers on La Redoute's customer database declined in the year by 11.9% (2014: decline of 9.9%), however, on average they are spending 6% more, driven by a combination of increased numbers of customers ordering and repeat orders received from those customers, resulting in an overall decline in sales of 6% from existing customers.

**LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)**

**STRATEGIC REPORT
(continued)**

Financial review (continued)

The main success of the year, particularly in the second half, was an increase in customers shopping for the first time with La Redoute, +51% in volume, +69% in sales. This change has been driven mainly by the web channel.

The business is conducted through two main channels: paper and web. During the year under review, the proportion of La Redoute sales made through the web has increased to 79.1% (2014: 74.6%).

Despite the continuing adverse economic conditions in the UK, the bad debt to sales ratio of 4.5% (2014: 5.7%) has remained within acceptable tolerances in the year. The shift in the customer profile to a greater proportion of sales made through the web and paid for at point of order has reduced the risk profile. Notwithstanding this, the company continues to maintain rigorous controls to ensure that credit is only offered to customers that pass pre-defined credit assessments. Customer credit account activity is monitored and escalating levels of debt recovery procedures are initiated to reduce the risk of non-payment once customers have been accepted for credit. Fraud prevention techniques are continually updated to mitigate the ever-present risk of online fraud.

In 2015, the company made an operating profit of £1.0m with no exceptional costs (2014: £2.6m loss after taking into account £2.9m of exceptional costs) on continuing activities; operating margin improved to 2.7% from 0.8% in 2014, before exceptional items.

The balance on the opening provision for the risk of customer remediation that might arise from the sale of Total Cover insurance in previous years has been maintained at the same level of £2.1m through 2015.

Despite the current challenging economic conditions and the impact of exceptional costs in light of the end of the Transitional Service Agreements with Vertbaudet UK Limited and Movitex UK Limited – *see note on 'Post balance sheet event' below* - the directors expect the positive trading results of the company to be similar in 2016.

Transition to FRS 102

This is the first year that the company has presented its results under the new Financial Reporting Standard, FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014.

Note 18 shows the effect of the change in accounting policies and on the restated result for the financial year ended 31 December 2014 under FRS 102, and also shows the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and now under the FRS 102.

**LRUK (RETAIL) LIMITED
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**STRATEGIC REPORT
(continued)**

Post balance sheet event

During 2015, the company continued to provide services under two separate Transitional Services Agreements to two former fellow subsidiaries of the LRUk group, Movitex (UK) Limited and Vertbaudet UK Limited. These agreements both had expiry dates of 31 December 2016.

After the 2015 year end, Vertbaudet UK Limited and Movitex (UK) Limited have notified the company that they will not continue with the Transitional Service Agreements beyond the end of December 2016. These agreements distributed some of the fixed cost base borne by the company across these two former subsidiaries. The cessation of the Transitional Service Agreements will mean that the LRUk group must make significant reductions in the level of its cost base to align its costs with the future activity levels of solely LRUk (Retail) Limited.

To this end, on 14 July 2016, LRUk (Retail) Limited announced a restructuring programme to its employees, the effect of which is to reduce the number of employees from 235 to a proposed 65 employees. Within this reduction, approximately 90 employees transferred to a third party on 29 July 2016 under a T.U.P.E. arrangement. As at the date of this strategic report, the consultations on the proposed reduction in staffing levels are ongoing. With these proposed changes, the directors realistically envisage that the LRUk group will remain a viable going concern.

Principal risks and uncertainties

Competitive environment:

Competitive pressure in the UK is a continuing risk for the company, from a multi-channel perspective. The company manages this risk through implementation of competitive and efficient promotional activity.

Currency risk:

The company hedges foreign exchange risk by taking out forward contracts and options. The company does not use derivative financial instruments for speculative purposes.

Credit risk:

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The trade debtor exposure is spread over a large number of customers.

Liquidity risk:

The LRUk group, of which the company is a participant, operates a cash pooling arrangement. In order to ensure that the group has sufficient funds for on-going operation and future developments the group uses a mixture of short-term and longer-term financing.

Operational gearing risk:

The company has a fixed cost base in line with providing operational support to the Redoute brand and the former sister subsidiaries, Movitex (UK) Limited, operator of the Daxon brand, and Vertbaudet UK Limited, operator of the Vertbaudet brand. These support services are provided through two separate Transitional Services Agreements.

As identified above, in the notes of a post balance sheet event, Movitex (UK) Limited and Vertbaudet UK Limited have notified the company that they will not continue with the Transitional Services Agreements after December 2016.

**LRUK (RETAIL) LIMITED
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**STRATEGIC REPORT
(continued)**

Going concern

In assessing whether the company's financial statements can be prepared on a going concern basis, the directors have taken into account the fact that the company participates in cash pooling arrangements in conjunction with the fellow UK subsidiary companies of LRUUK (Holdings) Limited (formerly known as Redcats (UK) Limited). Due to the collective nature of the LRUUK cash pools, in assessing the going concern of the company, the directors have also considered the trading and cash flow forecasts of all of the LRUUK cash pools participants. The UK group's net cash pool position held with HSBC at 31 December 2015, which is covered by multi-lateral guarantees for all group companies, totalled £518,000 cash (31 December 2014: £853,000 cash). The UK group's net cash pool position held with Barclays at 31 December 2015, which is covered by multi-lateral guarantees for all group companies, totalled £36,000 overdraft (31 December 2014: £39,000 overdraft).

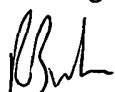
The directors have reviewed the forecasts of both the company and the LRUUK group and have taken due consideration of the sensitivity to trading conditions in the current uncertain economic climate. In particular, the directors have considered the forecast cash flows, the projected funding required, and available, for the twelve months from the date of approval of the annual report and financial statements.

After critically assessing these reviews, the directors have formed a reasonable expectation that the combined funding available from the LRUUK cash pool sources will be sufficient so that the company can continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the company's annual report and financial statements.

Results and dividends

The results of the company are set out on page 10. The profit after tax for the year of £1.0m has been added to reserves (2014: loss £2.1m deducted from reserves), which together with an £0.3m increase (2014: £nil) in the fair value of hedging instruments, has resulted in an increase in total equity shareholder's funds to £48.9m (2014: £47.6m). No dividends have been paid or proposed in the year (2014: £nil paid or proposed).

Approved by the Board of Directors
and signed on behalf of the Board.



R. Burke
Director

29 September 2016
2 Holdsworth Street
Bradford
BD1 4AH

**LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)**

DIRECTORS' REPORT

Directors

The directors who served during the year and subsequently are shown below:

M.P. Truluck

P. Kenworthy

R. Burke appointed 16 April 2015

S. Gallouj resigned 31 March 2015

N. Balla resigned 7 May 2015

Post balance sheet event

Attention is drawn to the note on a post balance sheet event on page 4 of the Strategic Report.

Employee involvement

The framework of company-wide and departmental consultative and bargaining arrangements, which has been developed in previous years, continues to operate. In a year of significant challenge, change, and opportunity for the company, it provides an essential basis for the maintenance of good industrial relations and for developing a deeper understanding of the needs of the business, its employees and its customers.

Disabled persons

The company offers appropriate employment, training and promotion to disabled people where the disability does not materially affect work-performance. Should it become necessary, every effort would be made in accordance with this policy to continue the employment of anyone becoming disabled whilst in the service of the company.

Auditor

Each of the persons who is 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/she ought to have taken as a director in order to make himself/herself 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 provision of section 418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

LRUK (RETAIL) LIMITED
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DIRECTORS' REPORT
(continued)

Directors' responsibilities statement

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

The directors confirm that the above requirements have been complied with in the financial statements.

Approved by the Board of Directors
and signed on behalf of the Board.



R. Burke
Director

29 September 2016
2 Holdsworth Street
Bradford
BD1 4AH

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)**

We have audited the financial statements of LRUK (Retail) Limited (formerly known as Redcats (Brands) Limited) for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Statement of Changes in Equity, the Statement of Comprehensive Income, the Balance Sheet, the Accounting Policies 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

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 auditors' 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 implication for our report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
(continued)**

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 December 2015 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 Directors' Report and the Strategic 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.



Matthew Hughes BSC (Hons) ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom



2016

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Turnover	2	38,226	38,383
Cost of sales		(15,432)	(14,231)
		-----	-----
Gross profit		22,794	24,152
Net operating expenses:			
Net exceptional costs		-	(2,867)
Other net operating expenses		(21,762)	(23,831)
		-----	-----
Total net operating expenses	2	(21,762)	(26,698)
		-----	-----
Operating profit / (loss)	2	1,032	(2,546)
Profit on sale of tangible fixed assets	2	-	477
		-----	-----
Profit / (loss) on ordinary activities before taxation		1,032	(2,069)
Taxation on profit / (loss) on ordinary activities	4	-	-
		-----	-----
Profit / (loss) on ordinary activities after taxation		1,032	(2,069)
		=====	=====

All results are derived from continuing operations.

LRUK (RETAIL) LIMITED
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Called-up share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity shareholder's funds £'000
At 31 December 2013 as previously stated		45,000	-	4,634	49,634
Changes on transition to FRS 102 (note 18)		-	-	(5)	(5)
		-----	-----	-----	-----
Balance as at 1 January 2014 as restated		45,000	-	4,629	49,629
Loss for the year ended 31 December 2014 (restated on transition to FRS 102)	18	-	-	(2,069)	(2,069)
		-----	-----	-----	-----
Balance as at 31 December 2014		45,000	-	2,560	47,560
		=====	=====	=====	=====
Balance as at 1 January 2015		45,000	-	2,560	47,560
Profit for the year ended 31 December 2015		-	-	1,032	1,032
Cash flow hedge - increase in fair value of hedging instrument	17	-	280	-	280
		-----	-----	-----	-----
Balance as at 31 December 2015		45,000	280	3,592	48,872
		=====	=====	=====	=====

LRUK (RETAIL) LIMITED
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 (restated) £'000
Profit / (loss) for the financial year		1,032	(2,069)
Other comprehensive income for the year:			
Cash flow hedge increase in fair value of hedging instrument	17	280	-
		-----	-----
Total comprehensive income / (loss) for the year		1,312	(2,069)
		=====	=====


The prior year loss has been restated on transition to Financial Reporting Standard FRS 102 (note 18).

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	5	1,256	1,636
Tangible assets	5	277	389
		-----	-----
		1,533	2,025
Current assets			
Stocks	6	1,360	1,489
Debtors	7	23,556	26,108
Cash at bank and in hand	8,14	40,474	59,037
		-----	-----
		65,390	86,634
Creditors:			
Amounts falling due within one year	9	(15,915)	(38,963)
		-----	-----
Net current assets		49,475	47,671
		-----	-----
Total assets less current liabilities		51,008	49,696
Provisions for liabilities	10	(2,136)	(2,136)
		-----	-----
Net assets		48,872	47,560
		=====	=====
Capital and reserves			
Called-up share capital	12	45,000	45,000
Profit and loss account		3,592	2,560
Hedging reserve	12	280	-
		-----	-----
Total equity shareholder's funds		48,872	47,560
		=====	=====

The financial statements of LRUk (Retail) Limited, registration number 110433, were approved by the Board of directors and authorised for issue on 29 September 2016. They were signed on its behalf by:


P. Kenworthy
Director

LRUK (RETAIL) LIMITED
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CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	31 December 2015 £'000	31 December 2014 £'000
Reconciliation of operating profit / (loss) to operating cash flows			
Operating profit / (loss)		1,032	(2,546)
Depreciation	5	498	606
Impairment provision		-	1,149
Profit on sale of tangible fixed assets	2	-	477
Change in cash flow hedge liability		-	(5)
Decrease in stocks		129	65
Decrease in debtors	7	2,832	1,791
Increase / (decrease) in trade payables	9	5,530	(1,401)
Increase in provisions	10	-	1,718
		-----	-----
Net cash inflow from operating activities		10,021	1,854
		=====	=====
Capital expenditure and financial investment	15	(6)	157
		-----	-----
Increase in cash in the year	14	10,015	2,011
		=====	=====

LRUK (RETAIL) LIMITED
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ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2015

The principal accounting policies adopted by the company are described below. They have all been applied consistently throughout the current year and preceding year.

General information and basis of preparation

The company is a company incorporated in the United Kingdom under the Companies Act. The company is a private company limited by shares and is registered in England and Wales. The address of the company's registered office is 2 Holdsworth Street, Bradford, West Yorkshire, United Kingdom, BD1 4AH.

The nature of the company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The company has transitioned to FRS 102 from previously extant UK Generally Accepted Accounting Practice for all years presented. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 18.

The functional currency and presentational currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

a Intangible fixed assets

Intangible fixed assets are stated at cost, net of amortisation and any provision for impairment.

Amortisation is provided to write off the cost less estimated residual value in equal instalments over the estimated useful economic lives of the assets.

The rates of amortisation are as follows:

- Software between 12.5% and 25% per annum

b Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided to write off the cost less estimated residual value in equal instalments over the estimated useful economic lives of the assets.

The rates of depreciation are as follows:

Plant and equipment between 10% and 50% per annum

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ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

c 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 by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the years 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 is measured on a non-discounted basis.

d Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is valued at actual purchase price. Net realisable value represents estimated selling price less all costs incurred in selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

e Catalogue costs

The costs of catalogue production and printing are charged to the profit and loss account as they are incurred.

f Leases

Operating lease rentals are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

g Pension costs

The amount charged to the profit and loss account in respect of pension costs is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

LRUK (RETAIL) LIMITED
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ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

h Foreign exchange

The functional currency of the company is pounds sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

i Turnover

Turnover consists of the invoiced value of goods and services sold and delivered during the year stated net of value added tax. Services include the provision of financial services to the retail customers, including service charges for providing credit facilities, fees for arrears letters and the sale of insurance products.

j Going concern

In assessing whether the company's financial statements can be prepared on a going concern basis, the directors have taken into account the fact that the company participates in cash pooling arrangements in conjunction with the fellow UK subsidiary companies of LRUUK (Holdings) Limited (formerly known as Redcats (UK) Limited). Due to the collective nature of the LRUUK cash pools, in assessing the going concern of the company, the directors have also considered the trading and cash flow forecasts of all of the LRUUK cash pools participants. The UK group's net cash pool position held with HSBC at 31 December 2015, which is covered by multi-lateral guarantees for all group companies, totalled £518,000 cash (31 December 2014: £853,000 cash). The UK group's net cash pool position held with Barclays at 31 December 2015, which is covered by multi-lateral guarantees for all group companies, totalled £36,000 overdraft (31 December 2014: £39,000 overdraft).

The directors have reviewed the forecasts of both the company and the LRUUK group and have taken due consideration of the sensitivity to trading conditions in the current uncertain economic climate. In particular, the directors have considered the forecast cash flows, the projected funding required, and available, for the twelve months from the date of approval of the annual report and financial statements.

After critically assessing these reviews, the directors have formed a reasonable expectation that the combined funding available from the LRUUK cash pool sources will be sufficient so that the company can continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the company's annual report and financial statements.

LRUK (RETAIL) LIMITED
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ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

k Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Financial assets are derecognised when, and only when,:

- a) the contractual rights to the cash flows from the financial asset expire or are settled,
- b) the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- c) the company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

l Equity instruments

Equity instruments issued by the company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

k Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Fair value measurement.

Fair value is measured by reference to a quoted price for an identical asset in an active market

Hedge accounting

The company designates certain derivatives as hedging instruments in cash flow hedges.

At the inception of the hedge relationship, the company documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the company determines and documents causes for hedge ineffectiveness.

Note 17 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Lruk (Retail) Limited
(Formerly known as Redcats (Brands) Limited)

Accounting Policies
For the year ended 31 December 2015
(continued)

m 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. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

n Critical accounting 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 amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Inventory provisioning

The company sells clothing and household items which are subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of stocks and the associated provisioning required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around the anticipated saleability of stock.

ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade debtors. When assessing the impairment of trade debtors, management considers factors including the ageing profile of debtors, the payment behaviour of these debtors and the recent historical experience of recoverability for similar bands of customers. See note 7 for the net carrying amount of trade debtors.

LRUK (RETAIL) LIMITED
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ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

n Critical accounting judgements and key sources of estimation uncertainty (continued)

iii) Returns reserve

The company makes an estimate of the amount of items sold as at the balance sheet date that will be returned after the balance sheet date. This returns reserve is contained within the other creditors balance in note 9. The estimate is based on the recent historical experience of sales return rates. This return rate is then applied to the product sales in the period immediately prior to the balance sheet date: a reserve is made for the difference between the calculated levels of expected returns as compared to the actual returns.

Key source of estimation uncertainty

iv) Provisions

The company has made provision for the risks identified from the sale of Total Cover insurance products in previous years. The provision is based on the claims received to date from customers and then extrapolated forward. The risks on these sales are expected to be resolved by 2018.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

1. Turnover

All turnover was generated in the United Kingdom from home shopping retailing and the provision of financial services to support those retail sales.

2. Operating profit / (loss) and exceptional items

	2015	2014 (restated)
	£'000	£'000
Selling and distribution costs	(24,006)	(25,694)
Administration expenses - other	(7,278)	(8,101)
Exceptional costs – impairment of fixed assets	-	(1,149)
Exceptional costs – financial provision (note 10)	-	(1,718)
	-----	-----
Total operating expenses	(31,284)	(36,662)
	-----	-----
Other operating income: recharges to entities previously within La Redoute group	9,522	9,964
	-----	-----
Total net operating expenses	(21,762)	(26,698)
	=====	=====

The prior year figures have been restated as follows:

- £615,000 of costs related to stock purchases from group companies have been treated as cost of sales: these had previously been included within selling and distribution and administration costs;
- £887,000 of costs previously attributed as administration expenses have been included in selling and distribution costs.
- Administration expenses have reduced by a corresponding £1,502,000.

There has been no effect on overall loss.

The prior year exceptional impairment provision of £1.1m includes £1.0m to write down the value of the software used for managing the customer database and order fulfilment, following the exit of the Vertbaudet and Movitex brands from the LRUk group; the balance of £0.1m is for the write down of plant and equipment with no remaining economic value.

The exceptional financial provision in the prior year is to provide for the risk of costs arising from the sale of insurance products (note 10).

The exceptional amounts have not been treated as deductible for corporation tax.

An adjustment of £5,000 has also been made to administration expenses in relation to the transition to Financial Reporting Standard FRS 102. More detail of this is set out in note 18.

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

2. Operating profit / (loss) and exceptional items (continued)

Other operating income relates to Transitional Services Arrangements with Vertbaudet UK Limited and Movitex (UK) Limited: the income arises on recharges of centralised costs incurred by the company and recharged to Vertbaudet and Movitex that were previously part of the LRUK group.

	2015 £'000	2014 £'000
Operating profit /(loss) is stated after charging:		
Depreciation of tangible fixed assets	117	216
Amortisation of intangible fixed assets	381	390
Profit on sale of tangible fixed assets	-	477
Auditor's remuneration (see below)	56	55
Foreign exchange differences – charges	70	259
Operating lease charges		
- plant and machinery	-	14
- land and buildings	240	293

The profit of £477,000 on the sale of tangible fixed assets in the prior year arose from the sale of the warehouse operations to a third party.

	2015 £'000	2014 £'000
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's financial statements	35	33
	=====	=====
Tax services	21	22
	-----	-----
Total non-audit fees	21	22
	===	===
Total auditor's remuneration	56	55
	=====	=====

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

3. Staff costs

	2015 £'000	2014 £'000
Staff costs during the year including directors:		
Salaries and wages	5,717	7,647
Social security	474	615
Pension costs and life assurance	171	202
	-----	-----
	6,362	8,464
	=====	=====

Redundancy payments paid in the year ended 31 December 2015 totalled £nil (2014: £123,000) and are excluded from the analysis above.

	Number	Number
The average number of employees was:		
Sales and distribution	117	249
Administration	128	147
	-----	-----
	245	396
	=====	=====

Of these employees, 76 were part time (2014: 91).

	2015 £'000	2014 £'000
Directors' emoluments during the year		
Directors' remuneration	430	273
Company contributions to defined contribution pension schemes	18	10
Remuneration of the highest paid director:		
Emoluments excluding pension contributions	241	212
Company contributions to defined contribution pension schemes	9	9

Three directors are members of the defined contribution pension scheme (2014: two).

Directors' remuneration has been borne by LRUk (Retail) Limited for the services provided by the directors of all subsidiaries in the LRUk group.

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

3. Staff costs (continued)

Defined contribution pension scheme

The company operates a defined contribution scheme for which the pension cost charge for the year amounted to £171,000 (2014: £202,000).

4. Tax on profit / (loss) on ordinary activities

	2015 £'000	2014 £'000
Current tax:		
UK Corporation tax at 20.25% (2014: 21.50%)	-	-
	-----	-----
	-	-
Deferred tax:		
Timing differences; origination and reversal	-	-
	-----	-----
	-	-
	=====	=====

The total tax position for the year differs from that resulting from applying the average standard rate of corporation tax in the UK of 20.25% (2014: 21.50%). The differences are explained below :

	2015 £'000	2014 £'000
Profit / (loss) on ordinary activities before taxation	1,032	(2,069)
	=====	=====
Tax at 20.25% (2014: 21.50%) thereon:	209	(445)
Effects of:		
Unrelieved tax losses	-	(109)
Utilised tax losses	(209)	-
Short term timing differences	-	453
Expenses not deductible for tax purposes	10	249
Capital allowances in excess of depreciation	(10)	(148)
	-----	-----
Total tax position for the year	-	-
	=====	=====

The applicable tax rate changed to 20% from 1 April 2015. Finance Act No2 2015 was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. As these rates have been substantially enacted in tax legislation, deferred tax balances have been calculated with reference to these rates in line with the expected period of reversal of the deferred tax balances.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

5. Fixed assets – Intangible and Tangible

	Tangible Plant and equipment £'000	Intangible Software £'000	Total £'000
Cost			
At 1 January 2015	4,877	5,475	10,352
Additions	6	-	6
Disposals	(9)	-	(9)
	-----	-----	-----
At 31 December 2015	4,874	5,475	10,349
	-----	-----	-----
Accumulated depreciation			
At 1 January 2015	4,488	3,839	8,327
Charge for the year	117	381	498
Disposals	(9)	-	(9)
	-----	-----	-----
At 31 December 2015	4,596	4,220	8,816
	-----	-----	-----
 Net book value at 31 December 2015	 277	 1,256	 1,533
	=====	=====	=====
 Net book value at 31 December 2014	 389	 1,636	 2,025
	=====	=====	=====

6. Stocks

Stocks comprise of goods for resale. The directors consider that the replacement cost of stock is not significantly different from the value shown in the balance sheet.

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NOTES TO THE FINANCIAL STATEMENTS
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(continued)

7. Debtors

	2015 £'000	2014 £'000
Due within one year:		
Trade debtors	21,873	24,084
Prepayments	682	803
Other debtors	721	1,221
Derivative financial instruments (note 17)	280	-
	-----	-----
	23,556	26,108
	=====	=====

8. Cash at bank and in hand

The company participates in cash pooling arrangements in conjunction with the fellow UK subsidiary companies of its parent company, LRUUK (Holdings) Limited (formerly known as Redcats (UK) Limited).

The overall UK group's net cash pool position held with HSBC at 31 December 2015, which is covered by multi-lateral guarantees for all group companies, totalled £518,000 cash (2014: £853,000 cash).

The overall UK group's net cash pool position held with Barclays at 31 December 2015, which is covered by multi-lateral guarantees for all group companies, totalled £36,000 overdraft (2014: £39,000 overdraft).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

9. Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Trade creditors	2,018	1,748
Amounts due to group undertakings	7,374	3,158
Accruals and deferred income	3,446	3,257
Other creditors	2,242	1,480
Other taxation and social security	805	712
Corporation tax	30	30
Bank overdraft	-	28,578
	-----	-----
	15,915	38,963
	=====	=====

The balance of £7,374,000 (2014: £3,158,000) includes an intercompany account balance owed to the immediate parent company, LRUUK (Holdings) Limited, and a trading balance owed to the intermediate parent company, La Redoute s.a.s.. Interest is not charged on these balances. No security has been given by the company on these balances.

10. Provisions for liabilities

	2015	2014
	£'000	£'000
At beginning of year	2,136	418
Charged to profit and loss account	-	1,718
	-----	-----
At end of year	2,136	2,136
	=====	=====

The provision relates to the risks identified from the sale of Total Cover insurance products in previous years. The risks on these sales are expected to be resolved by 2018.

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

11. Deferred tax

The company has unprovided deferred tax assets as they are not sufficiently certain to be recoverable within one year of the balance sheet date.

	Assets	
	2015	2014
	£'000	£'000
Deferred taxation assets not provided:		
Losses	334	514
Net book value less than tax written down value	206	326
Short term timing differences	427	427
	-----	-----
	967	1,267
	=====	=====

Factors that may affect future tax charges

The applicable tax rate changed to 20% from 1 April 2015. Finance Act No2 2015 was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. As these rates have been substantially enacted in tax legislation, deferred tax balances have been calculated with reference to these rates in line with the expected period of reversal of the deferred tax balances.

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NOTES TO THE FINANCIAL STATEMENTS
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(continued)

12. Called-up share capital and reserves

	2015 £'000	2014 £'000
45,000,100 authorised shares of £1 each (2014: 45,000,100 shares)	45,000 =====	45,000 =====
45,000,100 ordinary shares of £1 each called-up, allotted and fully paid (2014: 45,000,100 shares)	45,000 =====	45,000 =====
		Hedging reserve £'000
At 1 January 2015		-
Cash flow hedge - increase in fair value of hedging instrument		280 -----
At 31 December 2015		280 =====

The hedging reserve is used to record transactions arising from the company's cash flow hedging arrangements. Amounts accumulating in this reserve are reclassified to profit and loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

13. Operating leases

At 31 December 2015 the company was committed to making the following total payments in respect of operating leases:

	Land & buildings 2015 £'000	2014 £'000
Leases which expire:		
In one year or less	240	240
Between two and five years	962	962
In five years or more	17,850 -----	18,090 -----
	19,052 =====	19,292 =====

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

14. Cash flow statement

a) Reconciliation of net cash flow to movement in net cash

	2015 £'000	2014 £'000
Increase in cash in the year	10,015	2,011
	-----	-----
Change in net cash resulting from cash flows	10,015	2,011
	=====	=====
 Movement in net cash in the year	 10,015	 2,011
Net cash at 1 January	30,459	28,448
	-----	-----
Net cash at 31 December	40,474	30,459
	=====	=====

b) Analysis of net cash/(debt)

	1 January 2015 £'000	Cash flow £'000	31 December 2015 £'000
Cash within Barclays cash pool	59,030	(18,879)	40,151
Cash in hand	7	4	11
Bank borrowings / cash: (overdraft) / cash within HSBC cash pool	(28,578)	28,890	312
	-----	-----	-----
Net cash	30,459	10,015	40,474
	=====	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
(continued)

15. Analysis of cash flows

	2015 £'000	2014 £'000
Capital expenditure and financial investment		
Sale of property, plant and equipment	-	188
Purchase of fixed assets	(6)	(31)
	-----	-----
Net cash (outflow) / inflow	(6)	157
	=====	=====

Lruk (Retail) Limited
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Notes to the Financial Statements
For the Year ended 31 December 2015
(continued)

16. Financial instruments

	2015 £'000	2014 £'000
Financial assets that are debt instruments measured at amortised cost		
Trade receivables	21,873	24,084
	=====	=====
Financial assets measured at fair value through profit or loss:		
Derivative financial instruments	280	-
	=====	=====
Financial liabilities measured at amortised cost		
Trade creditors	2,018	1,748
Amounts owed to group undertakings	7,374	3,158
Other creditors	2,242	1,480
	-----	-----
	11,634	6,386
	=====	=====

17. Derivative financial instruments

The company uses derivatives to hedge its exposure in foreign currency exchange rates arising from foreign currency purchases.

	Principal		Fair value	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Forward foreign exchange contracts	7,435	-	253	-
Option	1,666	-	27	-
	-----	-----	-----	-----
Total	9,101	-	280	-
	=====	=====	=====	=====

At 31 December 2015, the company had forward foreign commitments contracts in place to buy 10.0m Euros and two 'vanilla' options to buy a further 2.3m Euros (2014: no commitments to buy or sell foreign currency).

The foreign currency forward contracts and the two 'vanilla' options that were in place at 31 December 2015 all matured within 7 months of that date.

The foreign currency forward and option contracts are all measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:EUR and the interest rate.

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NOTES TO THE FINANCIAL STATEMENTS
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18. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014.

Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

				2014 £'000
Loss for the financial year				
UK GAAP – As previously reported				(2,074)
Derivative financial instruments	A			6
Deferred tax impact on derivative financial instruments				(1)

Total adjustment to loss for the financial year				5

Loss for the financial year under FRS 102				(2,069)
				=====
		1 January	Loss for the	31 December
Total equity		2014	financial year	2014
		£'000	£'000	£'000
UK GAAP – As previously reported		49,634	(2,074)	47,560
Derivative financial instruments	A	(6)	6	-
Deferred tax impact of adjustments				
Derivative financial instruments		1	(1)	-
		-----	-----	-----
FRS 102		49,629	(2,069)	47,560
		=====	=====	=====

A) Derivative financial instruments

Financial Reporting Standard FRS 102 requires derivative financial instruments to be recognised at fair value. Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly, on transition to FRS 102, a liability of £6,000 was recognised on 1 January 2014. A gain of £6,000 was recognised in the profit and loss account under FRS 102 for the year ended 31 December 2014.

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NOTES TO THE FINANCIAL STATEMENTS
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19. Related party transactions

The immediate parent of the company is Redoute S.A., which is registered in France. The parent of Redoute S.A. is New R s.a.s., also registered in France.

During the year the company purchased stock and received services from subsidiaries of New R s.a.s. totalling £19.0m (2014: £11.2m).

20. Ultimate parent company

The company is a wholly owned subsidiary of LRUK (Holdings) Limited (formerly known as Redcats (UK) Limited), which is registered in England and Wales.

The company's ultimate parent company and ultimate controlling party at the balance sheet date was New R s.a.s., which is registered in France.