

Company Registration No. 00110433 (England and Wales)

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016



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

Directors	R Burke P Kenworthy M Truluck
Company number	00110433
Registered office	2 Holdsworth Street Bradford West Yorkshire BD1 4AH
Auditor	Deloitte LLP 1 City Square Leeds LS1 2AL

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present the strategic report for the year ended 31 December 2016.

Fair review of the business

The company's turnover has increased by 13.4% from £38.5m in 2015 to £43.7m. Within this uplift, La Redoute's product sales have increased by 19.7% (2015: increase 2.8%) due to an increase in the number of customers shopping with La Redoute, driven by web based marketing activity. By contrast, the financial services turnover has declined by 8.9% (2015: decrease 7.6%) as those new customers have paid for goods immediately rather than spreading the cost with a credit account.

The gross margin has decreased to 54.0% in 2016 from 59.4% in 2015. Excluding the margin generated from financial services, the gross margin has decreased to 45.0% (2015: 48.8%) 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 increased in the year by 14.0% (2015: decline of 11.9%). The sales growth in 2016 has been driven by the increase in new customers and by strong incremental sales from a new product line, Home Furniture. The overall average order value increased by 1.0% (2015: decrease 4.0%).

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 87.1% (2015: 79.1%).

Despite the continuing adverse economic conditions in the UK, the bad debt to sales ratio has remained within acceptable tolerances in the year at 3.1% of total sales (2015: 3.7%). These ratios are before the inclusion of FRS102 notional interest in turnover of £0.2m (2015: £0.3m) and its full provisioning in cost of sales. The shift in the customer profile to a greater proportion of sales made through the web paid for at the point of order ("cash customers") 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 2016, the company made an operating profit on continuing activities of £2.0m before taking into account £1.5m of exceptional costs (2015: £1.1m profit with no exceptional costs); operating margin improved to 4.6% from 2.9% in 2015, before exceptional items.

Application of UK Accounting Standard FRS102 to the company's financial instruments (trade debtors)

As a result of applying the requirements of the UK accounting standard FRS102, the gross trade debtors figure of £30.3m (2015: £31.8m) (note 15) and the closing provision of £11.0m (2015: £10.3m) include cumulative notional interest receivable of £8.2m (2015: £7.3m).

This notional interest has been calculated using the original interest rate applicable to that customer's credit agreement before the customer defaulted on their agreement. This notional interest has then been compounded with additional notional interest for each year that the underlying customer balance remained on the debtor book.

From a commercial perspective, this notional interest has not been charged to customers' accounts: the underlying customers are in default of their credit agreement, have been placed into debt recovery procedures and there is no realistic prospect of recovering this additional notional interest. A full provision has been made against this notional interest receivable. Movements in the notional interest, and full provision against this notional interest, have been credited and charged to the profit and loss account as follows:

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £'000	2015 £'000
FRS 102 notional interest on trade debtor accounts in debt recovery included in turnover	248	286
FRS 102 notional interest on trade debtor accounts in debt recovery included in cost of sales	(248)	(286)
Effect on gross profit	-	-

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. As identified below in the section on exceptional restructuring costs, the company has reorganised its operations to align the cost base with projected sales income.

Regulatory risk:

The company operates in the financial services sector and is subject to the regulatory supervision of the Financial Conduct Authority (FCA). The potential adverse impacts arising from operating in a regulated sector are the increased operational costs and potential of fines or reputational damage. The company mitigates against these risks by ensuring processes are compliant with regulatory requirements and appropriately monitored. The company has received full FCA authorisation to continue its credit operations.

Risk from sale of insurance products:

The company has previously sold insurance products that may require customer remediation. The company has reviewed the level of customer redress required and has maintained a provision of £2.1m. More details are provided in the section on the sale of insurance products below.

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

Exceptional restructuring costs from cessation of Transitional Services Agreements

During 2016, 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.

Movitex (UK) Limited decided to cease all trading operations in the UK by the end of 2016. Separately, Vertbaudet UK Limited decided to fulfil its UK sales directly from France. Consequently, both 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 meant that the LRUk group had to 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 was to reduce the number of employees from 235 to 65 employees. Within this reduction, 90 employees transferred to a third party on 29 July 2016 under a T.U.P.E. arrangement.

A provision of £1.5m (note 5) was made in 2016 to cover for the costs of restructuring; £1.4m of this was paid during the year, leaving £48,000 remaining at the end of the year. This is expected to be paid within 9 months of the year end.

Sale of insurance products

The directors of the business have reviewed the balance on the opening provision for the risk of customer remediation that might arise from the sale of insurance products in previous years, and have decided to maintain the provision at the same level of £2.1m through 2016 (note 19). The Financial Conduct Authority "FCA", the conduct regulator that oversees the financial services industry in which the company operates, has declared a deadline for all Payment Protection Insurance claims "PPI" to be submitted by 29th August 2019. Accordingly, the directors expect the risk on these claims to be resolved by 2020.

Going concern

As explained in more detail in note 1 'Going concern', the directors have considered the trading and cash flow forecasts and the projected funding required, and available, for the foreseeable future. With the restructuring changes noted above, the directors realistically envisage that the company will remain a viable going concern.

On behalf of the board



M Truluck

Director

28th July 2017

**LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their annual report and financial statements for the year ended 31 December 2016.

Change of name

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

Principal activities

The company's principal activity continues to be home shopping retailing in the UK and the provision of financial services to its 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..

Directors

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

R Burke
P Kenworthy
M Truluck

Results and dividends

The results for the year are set out on page 8. The profit after tax for the year of £0.5m has been added to reserves (2015: £1.1m added to reserves), which combined with an £0.4m decrease (2015: £0.3m increase) in the fair value of hedging instruments, has resulted in an increase in total equity shareholder's funds to £48.5m (2015: £48.4m).

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

Auditor

In accordance with section 485 of the Companies Act 2006, appropriate arrangements have been put in place for Deloitte LLP to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Strategic report

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

On behalf of the board



M Truluck

Director

28th July 2017

**LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors are responsible for preparing the Strategic Report and 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 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 period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 29. 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 FRS102 "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 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 (APB'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 31 December 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 matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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

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
Statutory Auditor
Leeds, United Kingdom
LS1 2AL

31 July 2017

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Notes	£'000	as restated £'000
Turnover	3, 4	43,682	38,512
Cost of sales	3	(20,073)	(15,648)
Gross profit		23,609	22,864
Distribution costs		(22,596)	(24,006)
Administrative expenses		(7,247)	(7,278)
Other operating income	5	8,234	9,522
Exceptional expenses	5	(1,471)	-
Operating profit	7	529	1,102
Interest receivable and similar income	11	5	-
Profit before taxation		534	1,102
Taxation	12	-	-
Profit for the financial year		534	1,102
Other comprehensive (expense)/income net of taxation			
Cash flow hedges (loss)/gain arising in the year		(449)	280
Total comprehensive income for the year		85	1,382

All results are derived from continuing operations.

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		2016		2015 as restated	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	13		874		1,255
Tangible assets	14		281		278
			<u>1,155</u>		<u>1,533</u>
Current assets					
Stocks	15	1,986		1,360	
Debtors	16	20,729		23,099	
Cash at bank and in hand		38,855		40,474	
		<u>61,570</u>		<u>64,933</u>	
Creditors: amounts falling due within one year	18	(12,041)		(15,915)	
Net current assets			<u>49,529</u>		<u>49,018</u>
Total assets less current liabilities			<u>50,684</u>		<u>50,551</u>
Provisions for liabilities	20		(2,184)		(2,136)
Net assets			<u><u>48,500</u></u>		<u><u>48,415</u></u>
Capital and reserves					
Called up share capital	22		45,000		45,000
Hedging reserve	23		(169)		280
Profit and loss reserves	24		3,669		3,135
Total equity			<u><u>48,500</u></u>		<u><u>48,415</u></u>

The financial statements were approved by the board of directors and authorised for issue on 28th July 2017 and are signed on its behalf by:



M Truluck
Director

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £'000	Hedging reserve £'000	Profit and loss reserves £'000	Total £'000
Balance at 1 January 2015 (as restated)	45,000	-	2,033	47,033
Year ended 31 December 2015 (as restated):				
Profit for the year	-	-	1,102	1,102
Other comprehensive income net of taxation:				
Cash flow hedges gains	-	280	-	280
Total comprehensive income for the year	-	280	1,102	1,382
Balance at 31 December 2015 (as restated)	45,000	280	3,135	48,415
Year ended 31 December 2016:				
Profit for the year	-	-	534	534
Other comprehensive expense net of taxation:				
Cash flow hedges losses	-	(449)	-	(449)
Total comprehensive income for the year	-	(449)	534	85
Balance at 31 December 2016	45,000	(169)	3,669	48,500

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

		2016		2015	
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	25		(1,483)		10,021
Investing activities					
Purchase of tangible fixed assets		(142)		(6)	
Proceeds on disposal of tangible fixed assets		1		-	
Net cash used in investing activities			(141)		(6)
Financing activities					
Interest received		5		-	
Net cash generated from financing activities			5		-
Net (decrease)/increase in cash and cash equivalents			(1,619)		10,015
Cash and cash equivalents at beginning of year			40,474		30,459
Cash and cash equivalents at end of year			38,855		40,474

**LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 Accounting policies

Company information

LRUK (Retail) Limited is a private company limited by shares incorporated in England and Wales. The registered office is 2 Holdsworth Street, Bradford, West Yorkshire, BD1 4AH.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

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

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

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

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 LRUK (Holdings) Limited, henceforth known as "LRUK group". Due to the collective nature of the LRUK group cash pool, in assessing the going concern of the company, the directors have also considered the trading and cash flow forecasts of all of the LRUK cash pool participants. The LRUK group's net cash pool position held with HSBC as 31 December 2016, which is covered by multi-lateral guarantees for all group companies, totalled £689,000 cash (31 December 2015 - £518,000 cash). The LRUK group's net cash pool position held with Barclays at 31 December 2016, which is covered by multi-lateral guarantees for all group companies, totalled £6,000 overdraft (31 December 2015 - £36,000 overdraft).

The directors have reviewed the forecasts of both the company and the LRUK group and have taken due consideration of the sensitivity to trading conditions in the uncertain economic climate. In particular, the directors have considered the forecasted 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 LRUK group's 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
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Revenue recognition

Product revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when goods are despatched and the risks and rewards of ownership have transferred to the buyer. Sales returns in the period are recognised as a deduction to revenue as incurred. Provision is made for outstanding returns not yet made at the period end. Accumulated experience (including historical returns rates) is used to estimate and provide for such returns. The provision is recorded as a reduction in revenue with a corresponding entry to accruals.

Financial services revenue includes service charges for providing credit facilities, fees for arrears letters and the sale of insurance products. Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount. Revenue from non-interest related financial income is recognised when the services have been performed.

Intangible fixed assets other than goodwill

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
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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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Assets in the course of construction are not depreciated.

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

Impairment of fixed assets

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

**LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 Accounting policies (Continued)

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

Trade receivables

Trade receivables are measured amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired based on specific customer patterns of behaviour which may be affected by external economic conditions. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Trade receivables are assessed for impairment on a collective basis. Objective evidence of impairment could include the Group's past experience of collecting payments and observable changes in national and local economic conditions that could correlate with a default event.

Catalogue costs

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

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

Financial instruments

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

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

**LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 Accounting policies (Continued)

Other financial assets

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

Impairment of financial assets

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

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts due to group undertakings are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

**Lruk (Retail) Limited
(Formerly known as Redcats (Brands) Limited)
Notes to the Financial Statements (Continued)
For the year ended 31 December 2016**

1 Accounting policies (Continued)

Other financial liabilities

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

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

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

Derivatives

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

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies (Continued)

Hedge accounting

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

At 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 19 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 values of derivative 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 the statement of comprehensive income.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss within the statement of comprehensive income 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 exercises, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time 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.

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.

**LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 Accounting policies (Continued)

Provisions

Provisions are recognised when the company has a legal or constructive present obligation 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 reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

Retirement benefits

The amount charged to the statement of comprehensive income 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 statement of financial position.

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.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the company and which individually, or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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, as per note 15.

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 behaviours of this debtors and the recent historical experience of recoverability for similar bands of customers. See note 16 for the net carrying amount of trade debtors.

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 18. The estimate is based on the recent historical experience of sales return rates. The 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 sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

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 2020. The company has also provided for the costs of redundancy following the cessation of the two Transitional Services Agreements. At the year end a provision was carried for amounts expected to be paid within 9 months of the year end. See note 20 for the carrying amount of provisions.

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

3 Prior year adjustment

Notional interest receivable

The profit and loss account for the year ended 31 December 2015 has been restated to reflect notional interest receivable from trade debtors. This notional interest has been calculated using the original interest rate applicable to that customer's credit agreement before the customer defaulted on their agreement. This notional interest has then been compounded with additional notional interest for each year that the underlying customer balance remained on the debtor book.

Movements in the notional interest, and full provision against this notional interest, have resulted in a restatement of sales and cost of sales for the year ended 31 December 2015, both increasing by £286,000. There has been no effect on profit for the year or equity at 31 December 2015.

Discounting of bad debt provision

The directors deem that the company should discount the provision in relation to its customers that are in default at the market rate. As a result, both retained earnings and net trade debtors at 1 January 2015 have decreased by £527,000. The recognition of the revenue, unwinding of the discounting and the original discounting applied to the impaired receivable combined have resulted in an increase to sales for the year ended 31 December 2015 of £286,000 and an increase to cost of sales of £216,000. The overall net impact on both retained earnings and trade debtors at 31 December 2015 is therefore an increase of £457,000.

4 Turnover

An analysis of the company's turnover is as follows:

	2016	2015
		as restated
	£'000	£'000
Turnover analysed by class of business		
Retail sales	35,979	30,055
Financial services	7,703	8,457
	<u>43,682</u>	<u>38,512</u>
	<u><u>43,682</u></u>	<u><u>38,512</u></u>
Turnover analysed by geographical market		
	2016	2015
		as restated
	£'000	£'000
United Kingdom	43,682	38,512
	<u>43,682</u>	<u>38,512</u>
	<u><u>43,682</u></u>	<u><u>38,512</u></u>

5 Other operating income

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 UK Limited and Movitex (UK) Limited that were previously part of the LRUk group.

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

6 Exceptional expenses

	2016	2015
	£'000	£'000
Restructuring costs (note 19)	1,405	-
Disposal of fixed assets:		
Intangible fixed assets (note 12)	22	-
Tangible fixed assets (note 13)	44	-
	<u>1,471</u>	<u>-</u>

The company recognised restructuring costs of £1,405,000 following the cessation of the Transitional Service Agreements with Vertbaudet UK Limited and Movitex (UK) Limited. To the extent that employees could not be redeployed, redundancy terms were agreed. The impairment of fixed assets arose from the writedowns necessary on the cessation of the Transitional Service Agreements.

7 Operating profit

	2016	2015
	£'000	£'000
Operating profit for the year is stated after charging:		
Exchange losses	46	70
Depreciation of owned tangible fixed assets	95	117
Loss on disposal of tangible fixed assets	44	-
Amortisation of intangible assets	359	381
Loss on disposal of intangible assets	22	-
Cost of stocks recognised as an expense	19,752	15,966
Impairment of stocks recognised or reversed	321	(318)
Operating lease charges	258	240
	<u></u>	<u></u>

8 Auditor's remuneration

	2016	2015
	£'000	£'000
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	48	35
	<u></u>	<u></u>
For other services		
Taxation compliance services	-	21
	<u></u>	<u></u>

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
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9 Employees

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

	2016	2015
	Number	Number
Sales and distribution	73	117
Administration	106	128
	<u>179</u>	<u>245</u>

Of these employees, 52 were part time (2015 - 76).

Their aggregate remuneration comprised:

	2016	2015
	£'000	£'000
Wages and salaries	5,861	6,147
Social security costs	474	474
Pension costs	157	171
	<u>6,492</u>	<u>6,792</u>

Redundancy payments paid in the year ended 31 December 2016 totalled £1,008,000 (2015 - £nil) and are excluded from the analysis above.

10 Directors' remuneration

	2016	2015
	£'000	£'000
Remuneration for qualifying services	454	430
Company pension contributions to defined contribution schemes	21	18
	<u>475</u>	<u>448</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2015 - 3).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2016	2015
	£'000	£'000
Remuneration for qualifying services	210	241
Company pension contributions to defined contribution schemes	9	9
	<u>219</u>	<u>250</u>

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

10 Directors' remuneration (Continued)

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

11 Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest income		
Interest on intercompany current account	5	-
	<u>5</u>	<u>-</u>

12 Taxation

The total tax result for the year included in the statement of comprehensive income can be reconciled to the profit before tax multiplied by the average standard rate of tax as follows:

	2016	2015
	£'000	£'000
Profit before taxation	534	1,102
	<u>534</u>	<u>1,102</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	107	223
Tax effect of expenses that are not deductible in determining taxable profit	7	10
Tax effect of utilisation of tax losses not previously recognised	(110)	(223)
Permanent capital allowances in excess of depreciation	(4)	(10)
	<u>-</u>	<u>-</u>
Taxation for the year	-	-
	<u>-</u>	<u>-</u>

There is no provided deferred tax in the current or prior year. Details of unprovided deferred tax assets are shown in note 27.

The applicable tax rate changed to 20% on 1 April 2015. Finance Act No2 2015, which 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. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. 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.

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

13 Intangible fixed assets

	Software £'000
Cost	
At 1 January 2016	5,475
Disposals	(317)
	<u>5,158</u>
At 31 December 2016	5,158
Amortisation and impairment	
At 1 January 2016	4,220
Amortisation charged for the year	359
Disposals	(295)
	<u>4,284</u>
At 31 December 2016	4,284
Carrying amount	
At 31 December 2016	874
	<u><u>1,255</u></u>
At 31 December 2015	<u><u>1,255</u></u>

The amortisation charge for the year is recognised within administrative expenses.

There are no contractual commitments to acquire intangible assets (2015 - £nil).

14 Tangible fixed assets

	Assets under construction £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2016	-	4,874	4,874
Additions	142	-	142
Disposals	-	(1,170)	(1,170)
	<u>142</u>	<u>3,704</u>	<u>3,846</u>
At 31 December 2016	142	3,704	3,846
Depreciation and impairment			
At 1 January 2016	-	4,596	4,596
Depreciation charged in the year	-	95	95
Eliminated in respect of disposals	-	(1,126)	(1,126)
	<u>-</u>	<u>3,565</u>	<u>3,565</u>
At 31 December 2016	-	3,565	3,565
Carrying amount			
At 31 December 2016	142	139	281
	<u><u>142</u></u>	<u><u>139</u></u>	<u><u>281</u></u>
At 31 December 2015	-	278	278
	<u><u>-</u></u>	<u><u>278</u></u>	<u><u>278</u></u>

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

15 Stocks

	2016	2015
	£'000	£'000
Finished goods and goods for resale	1,986	1,360

During the year, an impairment loss on finished goods of £202,000 (2015 - £13,000) was recognised within cost of sales. No earlier stock write downs have been reversed during the current, or preceding, year.

16 Debtors

	2016	2015
	£'000	as restated £'000
Amounts falling due within one year:		
Trade debtors (below)	19,229	21,416
Derivative financial instruments (note 19)	65	280
Other debtors	860	721
Prepayments and accrued income	575	682
	<u>20,729</u>	<u>23,099</u>

The movements on the provisions for doubtful debts are set out below:

	2016	2015
	£'000	as restated £'000
Gross trade debtors	30,272	31,760
Opening provision for doubtful debts	(10,344)	(9,281)
Utilisation of provision	2,887	2,440
Charge for doubtful debts	(3,586)	(3,503)
Closing provision for doubtful debts	<u>(11,043)</u>	<u>(10,344)</u>
Net trade debtors after provision	<u>19,229</u>	<u>21,416</u>

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

17 Cash at bank and in hand

Of the cash and bank balance of £38,855,000 held on 31 December 2016 (31 December 2015: £40,474,000), £2,308,000 (31 December 2015: £4,388,000) was on a current account repayable on demand held with the immediate parent company La Redoute s.a.s..

The company participates in cash pooling arrangements in conjunction with the fellow UK subsidiary companies of its parent company, LRUK (Holdings) Limited.

The overall UK group's net cash pool position held with HSBC Bank plc at 31 December 2016, which is covered by multi-lateral guarantees for all group companies, totalled £689,000 cash (2015 - £518,000 cash).

The overall UK group's net cash pool position held with Barclays Bank plc at 31 December 2016, which is covered by multi-lateral guarantees for all group companies, totalled £6,000 overdraft (2015 - £36,000 overdraft).

18 Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	2,377	2,018
Amounts due to group undertakings	3,944	7,374
Corporation tax	30	30
Other taxation and social security	920	805
Derivative financial instruments (note 19)	234	-
Other creditors	1,580	2,242
Accruals and deferred income	2,956	3,446
	<u>12,041</u>	<u>15,915</u>

LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

19 Financial instruments

	2016	2015
	£'000	as restated £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost		
Trade receivables	19,229	21,416
	<u> </u>	<u> </u>
Instruments measured at fair value through profit or loss		
Derivative financial instruments	65	280
	<u> </u>	<u> </u>
Carrying amount of financial liabilities		
Measured at amortised cost		
Trade creditors	2,377	2,018
Amounts owed to group undertakings	3,944	7,374
Other creditors	1,580	2,242
	<u> </u>	<u> </u>
	7,901	11,634
	<u> </u>	<u> </u>
Measured at fair value through profit or loss		
Derivative financial instruments	234	-
	<u> </u>	<u> </u>

The company's income, expenses, gains and losses in respect of financial instruments are summarised below:

	2016	2015
	£'000	£'000
Income		
Total income for financial assets at amortised cost	7,703	8,457
Fair value gains and losses		
On derivative financial assets designated in an effective hedging relationship	65	280
On derivative financial liabilities designated in an effective hedging relationship	(234)	-
Impairment losses		
On financial assets measured at amortised cost	(699)	(1,063)
	<u> </u>	<u> </u>

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

19 Financial instruments (Continued)

Hedging arrangements

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

	Principal		Fair value	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Forward foreign exchange contracts	10,658	7,435	(198)	253
Options	1,710	1,666	29	27
	<u>12,368</u>	<u>9,101</u>	<u>(169)</u>	<u>280</u>

At 31 December 2016, the company had forward foreign commitments contracts in place to buy €12.4m and two 'vanilla' options to buy a further €2.0m (2015 - forward foreign commitments contracts in place to buy €10.0m and two 'vanilla' options to buy a further €2.3m).

The foreign currency forward contracts and the two 'vanilla' options that were in place at 31 December 2016 will all mature 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 and the interest rate.

20 Provisions for liabilities

	2016	2015
	£'000	£'000
Total Cover insurance provision	2,136	2,136
Provision for reorganisation costs	48	-
	<u>2,184</u>	<u>2,136</u>

Movements on provisions:

	Total Cover insurance provision	Provision for reorganisation costs	Total
	£'000	£'000	£'000
At 1 January 2016	2,136	-	2,136
Additional provisions in the year	-	1,405	1,405
Utilisation of provision	-	(1,357)	(1,357)
At 31 December 2016	<u>2,136</u>	<u>48</u>	<u>2,184</u>

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

20 Provisions for liabilities (Continued)

The Total Cover insurance provision relates to the risks identified from the sale of Total Cover insurance products in previous years. The directors of the business have reviewed the balance on the opening provision for the risk of customer remediation that might arise from the sale of insurance products in previous years, and have decided to maintain the provision at the same level of £2.1m through 2016. The Financial Conduct Authority "FCA", the conduct regulator that oversees the financial services industry in which the company operates, has declared a deadline for all Payment Protection Insurance claims "PPI" to be submitted by 29th August 2019. Accordingly, the directors expect the risk on these claims to be resolved by 2020.

The provision for reorganisation costs is for the costs of redundancy arising from the cessation of the Transactional Services Agreement with Movitex (UK) Limited and Vertbaudet UK Limited. The balance at 31 December 2016 is expected to be paid within 9 months of the year end.

21 Retirement benefit schemes

	2016	2015
	£'000	£'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	157	171
	<u> </u>	<u> </u>

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

22 Called up share capital

	2016	2015
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
45,000,100 Ordinary shares of £1 each	45,000	45,000
	<u> </u>	<u> </u>

All shares have equal voting rights, carry no right to fixed income and rank pari passu.

LRUK (RETAIL) LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

23 Hedging reserve

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.

24 Profit and loss reserves

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

25 Cash generated from operations

	2016	2015
	£'000	as restated £'000
Profit for the year after tax	534	1,102
Adjustments for:		
Interest receivable	(5)	-
Loss on disposal of tangible fixed assets	44	-
Loss on disposal of intangible assets	22	-
Amortisation and impairment of intangible assets	359	381
Depreciation and impairment of tangible fixed assets	95	117
Increase in provisions	48	-
Movements in working capital:		
(Increase)/decrease in stocks	(626)	129
Decrease in debtors	2,155	2,762
(Decrease)/increase in creditors	(4,109)	5,530
Cash (absorbed by)/generated from operations	(1,483)	10,021

26 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016	2015
	£'000	£'000
Within one year	243	240
Between one and five years	968	962
In over five years	17,609	17,850
	18,820	19,052

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

26 Operating lease commitments (Continued)

The operating leases represent leases of a property, land and office equipment. The land and building leases are negotiated over terms of 79 years (2015 – 80 years) and rentals are fixed for the term of the lease. There are no options in place for either party to extend the lease terms.

27 Deferred taxation

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 2016 £'000	Assets 2015 £'000
Balances:		
Tax losses	281	403
Net book value less than tax written down value	203	206
Short term timing differences	406	427
	<u>890</u>	<u>1,036</u>

Factors that may affect future tax charges

The applicable tax rate changed to 20% from 1 April 2015. Finance Act No 2 2015, which 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. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. 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.

28 Related party transactions

Transactions with related parties

The ultimate parent company of LRUK (Retail) Limited is New R s.a.s., which is registered in France.

During the year the company purchased stock and received services from subsidiaries of New R s.a.s. totalling £22.1m (2015 - £19.0m).

At the respective year ends, the company was owed, and owed, the following balances from/to related parties:

	2016 £'000	2015 £'000
Cash held by parent company (note 17)	2,308	4,388
Amounts due to group undertakings (note 18)	(3,944)	(7,374)

**LRUK (RETAIL) LIMITED
(FORMERLY KNOWN AS REDCATS (BRANDS) LIMITED)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

29 Ultimate controlling party

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

The company's ultimate parent company at 31 December 2016 was New R s.a.s., which is registered in France.

New R s.a.s. is the ultimate parent company, and is the smallest and largest company to consolidate these financial statements.