LRUK (RETAIL) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Registered No. 110433

LRUK (RETAIL) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are pleased to present the strategic report, the directors' report and the audited financial statements for the year ended 31 December 2018.

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 its customers to support those retail sales. The company is the operator of the 'La Redoute' brand in the UK.

The directors are not aware, at the date of this report, of any likely changes in the company's activities or scale of operations in the next year.

Financial review

Turnover for the 'La Redoute' brand has increased by 4.8%. This is primarily as a result of an increase in sales of home products and the expansion of new credit account customers; whilst the overall volume of new non-credit customers declined year-on-year, the interest-free offer proved attractive to new credit customers. The switch to sales of home products also meant lower return rates than sales of apparel attract. Financial services turnover reduced by 4.7% year-on-year as customers took up the interest-free offer.

The gross margin has deteriorated from 52.1% in the prior year to 51.2% in the current year. The main driver of this decrease is the adverse Euro exchange rate following the vote to leave the E.U. in June 2016: all goods are sourced from the French parent company and, on average, the hedged rate achieved for 2018 was 2.5% lower than in the prior year. In addition, 2018 saw higher discount rates offered to customers to incentivise sales in a highly competitive retail environment.

With the continuing adverse economic conditions in the UK, the bad debt to sales ratio has deteriorated year on year to 6.1% (2017: 4.4%). The continued shift in the customer profile to a greater proportion of sales made through the web carries a higher risk profile when shopping on credit but the company continues to maintain rigorous controls to ensure that credit is only offered to customers that pass pre-defined credit assessments. Customer 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.

Other operating income of £0.6m (2017: £1.1m) in the current year relates to commission earned on debts collected on behalf of Vertbaudet UK Limited and Movitex (UK) Limited, companies that were previously part of the LRUK group.

The company made an operating loss of £2.6m (2017: £0.9m loss) after exceptional costs of £2.7m (2017: £0.9m) related to an increase in provision for insurance policies (see below). The result before exceptional items is in line with the prior year: the £0.5m reduction in the commission earned on debt collection has been offset by a reduction in social media and contact centre operational costs (year on year saving £0.6m) but worsened by a £1.0m increase in bad debt costs. The latter was driven by an extension in sales on new credit accounts which bear a higher risk.

The net assets on the company's balance sheet have reduced from £47.8m at 31 December 2017 to £45.1m at 31 December 2018. The main reason for this reduction is the increase in the provision for insurance policies.

The company participates in two cash pooling arrangements with its related companies to manage the overall cash position effectively. As at 31 December 2018, the company's £36.2m (2017: £36.2m) cash balance on the Barclays cash pool arrangement was matched by an overdraft balance from another cash pool participant, leaving a net overdraft of £1,000 (2017: overdraft £1,000).

Financial review (continued)
Similarly, at 31 December 2018, the company held £0.7m (2017: £2.0m cash) on the HSBC cash pool and this was offset by overdraft balances from other HSBC cash pool participants. The net cash balance on the HSBC cash pool at 31 December 2018 was £0.7m (2017: £2.0m).

Neither the Barclays or the HSBC cash pool has intercompany interest applied. Surplus funds on the cash pools, above the immediate working capital requirements, are placed on the interest-earning current account held with the French parent company. Funds on this current account are repayable on demand.

Sale of insurance products
The directors of the company 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 increase the provision by £2.7m, with £4.0m utilised in the year to cover outgoing payments, leaving a provision of £3.0m (see notes 6 & 20). The primary reason for this increase is due to further guidance issued during the year by the Financial Conduct Authority (FCA) about the settlement of insurance related claims. The increased provision at the end of 2018 fully anticipates future claims and costs that are expected to be made in 2019.

The FCA has declared a deadline for all Payment Protection Insurance claims "PPI" to be submitted by 29 August 2019. Accordingly, the directors expect the risk on these claims to be resolved before the end of 2019.

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.

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

Liquidity risk:
The UK group, of which the company is a participant, operates cash pooling arrangements to ensure the efficient use of its funding sources. In order to ensure that the group has sufficient funds for ongoing operation and future developments the group uses a mixture of short-term and longer-term financing.

Operational gearing risk:
The company has a cost base, some of which is of a fixed nature. The cost base is aligned with providing operations facilities to the La Redoute brand and, to a lesser extent, debt collection services until the end of 2019 for the 'Daxon' and 'Vertbaudet' brands. The latter two brands are operated by third party companies, Movitex (UK) Limited and Vertbaudet UK Limited respectively.

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 increased the provision. More details are provided in the section on the sale of insurance products above.

Principal risks and uncertainties (continued)

Risks from leaving the E.U.

The group imports most of its products from its parent company based in France. The company has considered the risks posed by the U.K. leaving the E.U. which include: delays at borders; increased compliance costs; increased stock prices from the imposition of WTO tariffs and from a further degradation of the exchange rate; and adverse cash impact from holding more stock to reduce the impact of delays at ports. To the extent that new tariffs are imposed on the company's imports from its French parent company, the company would have to increase the price of the products it sells. The company plans to increase its stockholding prior to the planned exit date to reduce the risk of having insufficient stock arising from the expected importation delays at ports.

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 its UK parent and its immediate French parent company. Due to the collective nature of the LRUK group cash pools, in assessing the going concern of the company, the directors have also considered the trading and cash flow forecasts of the LRUK group cash pools participants. The directors have also considered the indications of financial support from the French parent company concerning the France-UK cash pool.

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 current uncertain economic climate. In particular, the directors have considered the forecast cash flows, the projected funding required, and available, and the continued support from its UK and French parents 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 and French 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 9. The loss after tax for the year ended 31 December 2018 is £2.7m (2017: £0.9m loss). The loss after tax for the year of £2.7m has been deducted from reserves (2017: £0.9m loss deducted from reserves).

No dividends were paid or proposed in the year (2017: nil).

Total equity shareholder's funds at 31 December 2018 were £45.1m (2017: £47.8m).
Approved by the Board of Directors and signed on behalf of the Board.

R. Burke
Director
23 July 2019

2 Holdsworth Street,
Bradford.
BD1 4AH

LRUK (RETAIL) LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018

Directors

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

R. Burke
P. Kenworthy
M.P. Truluck

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 provisions of s418 of the Companies Act 2006.

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

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414 c (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.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

Directors' responsibilities statement (continued)

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

23 July 2019

2 Holdsworth Street,
Bradford
BD1 4AH

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LRUK (RETAIL) LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of LRUK (Retail) Limited (the 'company') for the year ended 31 December 2018 which comprise:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of financial position;
- the cash flow statement; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF LRUK (RETAIL) LIMITED

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

25 July 2019

Paul Davies (Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
Leeds, United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

LRUK (RETAIL) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	46,008	43,899
Cost of sales		(22,452)	(21,041)
Gross profit		23,556	22,858
Distribution costs		(16,806)	(17,309)
Administrative expenses		(7,216)	(6,640)
Other operating income	5	556	1,113
Exceptional expenses	6	(2,725)	(939)
Operating loss	7	(2,635)	(917)
Interest receivable and similar income	11	13	13
Loss before taxation		(2,622)	(904)
Taxation	12	-	-
Loss for the financial year		(2,622)	(904)
Other comprehensive income net of taxation			
Cash flow hedges (loss)/gain arising in the year		(57)	226
Total comprehensive expenses for the year		(2,679)	(678)

All results derived from continuing operations.

LRUK (RETAIL) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Hedging reserve	Profit and loss reserves	Total
	£'000	£'000	£'000	£'000
Balance at 1 January 2017	45,000	(169)	3,669	48,500
Year ended 31 December 2017:				
Loss for the year	-	-	(904)	(904)
Other comprehensive income net of taxation:				
Cash flow hedge gains	-	226	-	226
Total comprehensive expense for the year	-	226	(904)	(678)
Balance at 31 December 2017	45,000	57	2,765	47,822
Year ended 31 December 2018:				
Loss for the year	-	-	(2,622)	(2,622)
Other comprehensive income net of taxation:				
Cash flow hedge losses	-	(57)	-	(57)
Total comprehensive expense for the year	-	(57)	(2,622)	(2,679)
Balance at 31 December 2018	45,000	-	143	45,143

LRUK (RETAIL) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		2018		2017	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Intangible fixed assets	**13**		454		712
Tangible fixed assets	**14**		160		240
			614		952
Current assets					
Stocks	**15**	1,945		1,419	
Debtors	**16**	19,862		19,599	
Cash at bank and in hand	**17**	38,268		44,064	
		60,075		65,082	
Creditors: amounts falling due within one year	**18**	(12,534)		(13,903)	
Net current assets			47,541		51,179
Total assets less current liabilities			48,155		52,131
Provisions for liabilities	**20**		(3,012)		(4,309)
Net assets			45,143		47,822
Capital and reserves					
Called up share capital	**22**		45,000		45,000
Hedging reserve	**23**		-		57
Profit and loss reserves	**24**		143		2,765
Total equity			45,143		47,822

The financial statements of LRUK (Retail) Limited, registered number 110433, were approved by the board of directors and authorised for issue on 23 July 2019 and are signed on its behalf by:

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P. Kenworthy
Director

LRUK (RETAIL) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flows from operating activities	**25**				
Cash (absorbed by)/generated from operations			(5,797)		5,421
Investing activities					
Purchase of tangible fixed assets		-		(46)	
Purchase of intangible fixed assets		(13)		(179)	
Net cash used in investing activities			(13)		(225)
Financing activities					
Interest received		13		13	
Net cash generated from financing activities			13		13
Net (decrease)/increase in cash and cash equivalents			(5,797)		5,209
Cash and cash equivalents at beginning of year			44,064		38,855
Cash and cash equivalents at end of year			38,267		44,064

LRUK (RETAIL) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

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 Strategic Report.

Accounting convention
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, with the exception of derivative assets and liabilities which are included at fair value, and in accordance with the Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council. 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 French parent, and separately with the UK parent, LRUK (Holdings) Limited, the latter grouping 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 the LRUK cash pool participants. The LRUK group's net cash pool position held with HSBC as 31 December 2018, which is covered by multi-lateral guarantees for all group companies, totalled £0.7m cash (2017: £2.0m). The LRUK group's net cash pool position held with Barclays at 31 December 2018, which is covered by multi-lateral guarantees for all group companies, totalled £1,000 overdraft (2017: £1,000 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, and making enquiries of the directors of the UK and French parent companies in respect of the continued availability of the cash pooling arrangements, 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.

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 between 12.5% and 25% per annum for Software.

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 between 10% and 50% per annum for Plant and equipment. 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.

1 Accounting policies (continued)

Impairment of fixed assets (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 at 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 company's past experience of collecting payments and observable changes in national and local economic conditions that could correlate with a default event.

Marketing costs
The costs of marketing 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 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.

1 Accounting policies (continued)

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.

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.

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 though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when, 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.

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.

1 Accounting policies (continued)

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.

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.

1 Accounting policies (continued)

Provisions (continued)
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 in 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 or 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.

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.

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.

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 the 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.

Provisions
The company has made provision for the risks identified from the sale of Total Cover and merchandise insurance products in previous years. The provision is based on the claims received to date from customers and then extrapolated forward for Total Cover insurance and expected remediation for merchandise protection insurance. The increased provision at the end of 2018 fully anticipates future claims and costs that are expected to be made in 2019. The risks on these sales are expected to be resolved before the end of 2019. See note 20.

3 Turnover

Analysis of the company's turnover is as follows:

	2018	2017
	£'000	£'000
Turnover analysed by class of business		
Retail sales	38,627	36,156
Financial services	7,381	7,743
	46,008	43,899

Turnover analysed by geographical market

	2018	2017
	£'000	£'000
United Kingdom	46,008	43,899

4 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 31 December 2018 have decreased by £466,000 (2017: £532,000). See also note 20.

5 Other operating income

Other operating income relates to commission earned on debts collected on behalf of Vertbaudet UK Limited and Movitex (UK) Limited, companies that were previously part of the LRUK group.

6 Exceptional expenses

	2018 £'000	2017 £'000
Total Cover and merchandise insurance provision	2,725	2,275
Contribution to merchandise insurance provision	-	(1,425)
Exceptional costs	-	89
	2,725	939

The increase in the insurance provision is driven by the additional guidance issued by the Financial Conduct Authority "FCA" during the year concerning redress for insurance products sold 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 increase the provision by £2.7m in 2018. See also note 20.

The Financial Conduct Authority "FCA", the regulator that oversees the financial services industry in which the company operates, has declared a deadline for all Payment Protection Insurance "PPI" claims to be submitted by 29 August 2019. The increased provision at the end of 2018 fully anticipates the future claims and costs that are expected to be made in 2019. The directors expect the risk on these claims to be resolved before the end of 2019.

The prior year contribution to the insurance provision of £1.4m was received from a third party for its share of the risks arising from the sale of insurance products that were sold on its behalf by the company in previous years.

The prior year exceptional costs of £89,000 relate to an employment related query by HMRC.

7 Operating loss

	2018	2017
	£'000	£'000
Operating loss for the year is stated after charging/(crediting):		
Exchange losses/(gains)	22	(8)
Depreciation of owned tangible fixed assets	80	86
Amortisation of intangible assets	271	341
Auditor's remuneration (see below)	36	39
Cost of stocks recognised as an expense	22,426	21,176
Impairment of stocks recognised or reversed	26	(135)
Operating lease charges	248	248

8 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and its associates:	£'000	£'000
For audit services		
Audit of the company's financial statements	36	39

9 Employees

	2018	2017
	Number	Number
Sales and distribution	28	27
Administration	45	48
	73	75

Of these employees, 11 were part time (2017: 12).

Their aggregate remuneration comprised:	2018	2017
	£'000	£'000
Wages and salaries	3,103	2,900
Social security costs	321	320
Pension costs	113	95
	3,537	3,315

No redundancy payments were paid in the year ended 31 December 2018 (2017: £48,000) and are excluded from the analysis above.

10 Directors' remuneration

	2018	2017
	£'000	£'000
Remuneration for qualifying services	527	503
Company pension contributions to defined contribution schemes	24	23
	551	526

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017: 3).

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

	2018	2017
	£'000	£'000
Remuneration for qualifying services	231	236
Company pension contributions to defined contribution schemes	11	11
	242	247

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

	2018	2017
	£'000	£'000
Interest income		
Interest on intercompany current account	13	13

12 Taxation

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

	2018 £'000	2017 £'000
Loss before taxation	(2,622)	(904)
Expected tax charge based on the average standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).	(498)	(174)
Unrelieved tax losses	736	-
Tax effect of utilisation of tax losses not previously recognised	-	(230)
Short term timing differences	(244)	435
Depreciation in excess of capital allowances	5	-
Capital allowances in excess of depreciation	-	(31)
Non-deductible expenses	1	-
Taxation for the year	-	-

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, included 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.

13 Intangible fixed assets

	Software
	£'000
Cost	
At 1 January 2018	4,611
Additions	13
At 31 December 2018	4,624
Amortisation	
At 1 January 2018	3,899
Amortisation charged for the year	271
At 31 December 2018	4,170
Carrying amount	
At 31 December 2018	454
At 31 December 2017	712

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

There are no contractual commitments to acquire intangible assets (2017 - £nil).

14 Tangible fixed assets

	Plant and equipment £'000
Cost	
At 1 January and 31 December 2018	1,852
Amortisation	
At 1 January 2018	1,612
Depreciation charged for the year	80
At 31 December 2018	1,692
Carrying amount	
At 31 December 2018	160
At 31 December 2017	240

15 Stocks

	2018 £'000	2017 £'000
Finished goods for resale	1,945	1,419

During the year, an impairment loss of £26,000 (2017: £135,000 gain) was recognised within cost of sales. No earlier stock write downs have been reversed during the current or preceding year.

16 Debtors

	2018	2017
Amounts falling due within one year:	**£'000**	**£'000**
Trade debtors (below)	19,324	19,222
Derivative financial instruments (note 19)	-	57
Other debtors	30	67
Prepayments and accrued income	508	253
	19,862	19,599

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

		2018		2017
	£'000	**£'000**	**£'000**	**£'000**
Gross trade debtors		33,248		31,767
Opening provision for doubtful debts	(12,545)		(11,043)	
Utilisation of provision	2,299		3,389	
Charge for doubtful debts	(3,678)		(4,891)	
Closing provision for doubtful debts		(13,924)		(12,545)
Net trade debtors after provision		19,324		19,222

Gross trade debtors includes £9,730,000 notional interest that would have been earned on accounts in debt recovery (2017: £8,920,000). Provision for doubtful debts includes an adjustment relating to this notional interest of £9,730,000 (2017: £8,920,000).

17 Cash at bank and in hand

Of the cash and bank balance of £38,268,000 held on 31 December 2018 (2017: £44,064,000), £1,083,000 (2017: £5,771,000) was on a current account repayable on demand held with the French intermediate 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 2018, which is covered by multi-lateral guarantees for all group companies, totalled £704,000 cash (2017: £1,988,000).

The overall UK group's net cash pool position held with Barclays Bank plc at 31 December 2018, which is covered by multi-lateral guarantees for all group companies, totalled £1,000 cash (2017: £1,000 overdraft).

18 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	1,318	1,601
Amounts due to group undertakings	6,221	6,471
Corporation tax	30	30
Other taxation and social security	754	1,114
Other creditors	1,687	1,789
Accruals and deferred income	2,524	2,898
	12,534	13,903

19 Financial instruments

	2018 £'000	2017 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost		
Trade receivables	19,324	19,222
Other debtors	30	65
	19,354	19,287
Instruments measured at fair value through profit or loss		
Derivative financial instruments	-	57
Carrying amount of financial liabilities		
Measured at amortised cost		
Trade creditors	1,318	1,601
Amounts owing to group undertakings	6,221	6,471
Other creditors	1,687	1,789
Accruals	2,525	2,898
	11,751	12,759

19 Financial instruments (continued)

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

	2018 £'000	2017 £'000
Income		
Total income for financial assets at amortised cost	7,381	7,743
Fair value gains and losses		
On derivative financial assets designated in an effective hedging relationship	-	57
Impairment losses		
On financial assets measured at amortised cost	1,379	1,502

Hedging arrangements

In the prior year, the company used derivatives to hedge its exposure in foreign currency exchange rates arising from foreign currency purchases. Responsibility for this hedging has passed to the parent company in France.

	Principal		Fair value	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Foreign exchange contracts	-	1,845	-	57
Options	-	888	-	-
	-	2,733	-	57

At 31 December 2018, the company had no forward foreign commitments contracts and no options in place (2017: forward foreign commitments contracts in place to buy €2.1m and a 'vanilla' option to buy a further €1.0m).

The foreign currency forward contracts and the 'vanilla' option that were in place at 31 December 2017 all matured within 1 month of that date.

The foreign currency forward and option contracts in place at 31 December 2017 are 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

	2018 £'000	2017 £'000
Total Cover and merchandise insurance provision	3,012	4,309

Movements on provisions:

	Total Cover & merchandise insurance provision £'000
At 1 January 2018	4,309
Additional provisions in the year	2,725
Utilisation of provision	(4,022)
At 31 December 2018	3,012

The Total Cover and merchandise insurance provision relates to the risks identified from the sale of 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 increase the provision by £2.7m in 2018 to reflect guidance issued in the year by the Financial Conduct Authority "FCA", the regulator that oversees the financial services industry in which the company operates. The FCA has declared a deadline for all Payment Protection Insurance claims "PPI" to be submitted by 29 August 2019. The increased provision at the end of 2018 fully anticipates the future claims and costs that are expected to be made in 2019. The directors expect the risk on these claims to be resolved before the end of 2019.

21 Retirement benefit schemes

Defined contribution schemes	2018 £'000	2017 £'000
Charge to profit or loss in respect of defined contribution schemes	113	95

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

	2018	2017
	£'000	£'000
Ordinary share capital		
Issued and fully paid		
45,000,100 Ordinary shares of £1 each	45,000	45,000

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

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 and loss, or when the hedging relationship ends.

See also note 19.

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

	Notes	2018 £'000	2017 £'000
Loss for the year after tax		(2,622)	(904)
Adjustments for:			
Interest receivable		(13)	(13)
Loss on disposal of tangible assets		-	1
Amortisation of intangible assets	13	271	341
Depreciation of tangible fixed assets	14	80	86
Utilisation of provisions	20	(4,022)	-
Increase in provisions	20	2,725	2,125
Movements in working capital:			
(Increase)/decrease in stocks		(526)	567
(Increase)/decrease in debtors		(321)	1,122
Decrease/(increase) in creditors		(1,369)	2,096
Cash (absorbed by)/generated from operations		(5,797)	5,421

26 Operating lease commitments

Leases
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:

	2018	2017
	£'000	£'000
Within one year	247	248
Between one and five years	964	972
In over five years	17,100	17,340
	18,311	18,560

The operating leases represent leases of a property, land and office equipment. The land and building leases are negotiated over terms of 77 years (2017: 78 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.

The prior year figures have been restated to correct for roundings that were incorrectly applied. The amounts payable between one and five years has increased by £2,000 and the amounts payable in over 5 years has reduced by £29,000.

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.

Balances:	Assets 2018 £'000	Assets 2017 £'000
Tax losses	730	75
Net book value less than written down value	153	149
Short term timing differences	512	732
	1,395	956

Factors that may affect future tax charges

The applicable tax rate changed to 19% from 1 April 2017. 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

During the year the company purchased stock and received services from subsidiaries of Motier s.a.s. totalling £28.6m (2017: £21.6m). The company made sales to those subsidiaries of £0.7m (2017: £1.1m)

At the respective year ends, the company was owed, and owed, the following balances

	2018 £'000	2017 £'000
Cash held by parent company (note 17)	1,083	5,771
Amounts due to group undertakings (note 18)	(6,221)	(6,471)

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 2018 was Motier s.a.s., which is registered in France. The company's ultimate parent company at 31 December 2017 was New R s.a.s., which is also registered in France.

LRUK (Holdings) Limited, the immediate parent of LRUK (Retail) Limited, is the smallest and largest company to prepare consolidated financial statements incorporating LRUK (Retail) Limited.