LRUK (RETAIL) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

Registered No. 110433

LRUK (RETAIL) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are pleased to present the strategic report, the directors' report and the audited financial statements for the year ended 31 December 2020.

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.

Going concern and Covid-19

In common with businesses around the world, La Redoute UK has had to make significant and rapid changes to its operations to ensure that it can continue to provide its customers with its wide product range and support services, and at the same time ensure that its staff and suppliers can work in a safe way in the face of the global Covid-19 pandemic. To this end, prior to the first Government announcement for a nationwide lockdown, the directors took the decision that all UK staff should work from home with effect from Wednesday 18th March 2020, and work was rapidly undertaken to ensure suitable connectivity for all La Redoute UK team members. The directors also worked with the outsourced suppliers of the warehouse fulfilment and the customer contact centre, and other key suppliers to ensure that customer service levels were maintained as much as possible, despite the exceptional changes that had to be made.

At the onset of the Covid-19 crisis, the expectation was that the market for all the company's products would see a significant reduction in demand. With this in mind, the decision was taken to cut back on the marketing activities, and when the UK Government announced the furlough scheme, the business took the difficult decision to furlough 12 members of staff, mainly from the marketing department, with effect from the start of April 2020. The company also took the opportunity to preserve cash by deferring VAT payments until March 2021.

Despite the reduction in marketing activities, the business has however seen an increase in demand for its products, particularly across its home furniture lines, as customers took to making home improvements whilst spending more time at their homes. Additionally this increase in demand has meant that less discounts have needed to be offered on these La Redoute purchases.

As an online-only operator, La Redoute UK has therefore seen year-on-year sales growth in April through to December 2020 of over 50%. This growth has been surpassed in the first 2 months of 2021 due to the online-only nature of the La Redoute UK business, combined with the desirable product ranges. La Redoute UK expects to continue to see sales growth for the remainder of 2021 although lower than experienced to date with the lockdown restrictions being relaxed as announced on 22nd February 2021.

The combined effect of the increased sales, lower marketing discounts and reduced advertising spend has meant that the business has exceeded its budgeted profit in each month of April through to December 2020, and generated cash reserves to support its continued trading for the rest of the year. The business does not have borrowing facilities with its banks and instead uses cash pooling facilities with its parent company, La Redoute s.a.s. in France, either to deposit surplus cash or temporarily draw down cash as required. The company expects to have surplus funds for the rest of 2021 and throughout 2022 and does not expect to need to borrow from its parent company.

Going concern and Covid-19 (continued)

The directors have prepared financial projections for the period of twelve months from the date of issue of these financial statements. These projections have been analysed based on various levels of revenue and assessed against the available cash resources. Even with a hypothetical, significant reduction in sales, the forecasts show that there are sufficient cash resources within the UK business for the next 12 months to continue as a going concern.

As a retail business, the company has a large number of customers to whom it makes its sales: this dilutes the risk of the loss of sales from reliance on only a small number of key customers. In addition, for those customers that have made purchases through their Redoute credit account, the cash collection of the debtor book has continued to hold up, meaning that a bad debt risk has not materialised at the time of writing.

The directors have also considered other factors that might affect the going concern status of the business arising from the impact of Covid-19, and these are set out below.

The business is dependent on its French parent company for the supply of the fashion and home furniture product lines, the ongoing provision of the website platform, and the provision of other critical IT infrastructure. The French parent company initially saw a decline in sales with the closure of some distribution networks in France at the early stages of the pandemic, however from May 2020 onwards returned to a double-digit growth and during this period the commercial margin of their business was much stronger; this growth has continued into 2021.

Because the UK business is dependent on the supplies of its product lines from its French parent company, La Redoute UK remains exposed to the risk of disruption of the supply chains, both between the UK business and its parent in France, and also between the suppliers to the French parent and the French parent itself.

Despite these complex factors and the critical dependency on the supply chains with the parent company, La Redoute UK has had strong sales in 2020, and continuing into 2021, and the directors assess that the going concern assumption remains appropriate for the UK business.

Accordingly, the directors have prepared the Annual Report and Accounts on a going concern basis, whilst acknowledging the risks that are explained in this statement, and referenced in the principal risks and uncertainties, the directors' report and in the financial statements disclosure note 1.

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

Financial review

Turnover for the 'La Redoute' brand has increased by 35.5% in the year ended 31 December 2020. This was primarily driven by an increase in the homes product range by adding complimentary products not available to the UK from its French parent direct from other suppliers and the positive impact of the pandemic for online retailers. This has led to an increase in new customers and a higher average spend of all customers. The switch to sales of home products also meant lower return rates than sales of apparel attract. Financial services turnover decreased by 9.3% year-on-year as a less risky profile credit customer was recruited through the year and the increase in Homes sales where credit penetration is lower.

The gross margin has increased by 2.4% points to 53.6%. The Euro exchange rate improved slightly with an increase in rate of 2.0% in the rate achieved; most goods are sourced from the French parent. 2020 saw a reduction in pricing and a move to lower margin products supplied direct from retailers but this was more than offset by a significant reduction in the average discount given of 6.6% points.

Despite the continuing adverse economic conditions in the UK, the bad debt to sales ratio has improved year on year to 4.7% (2019: 7.0%). The continued shift in the customer profile to a greater proportion of sales made on Homes product carries lower intrinsic risk when purchased on credit and a higher proportion of customers prefer to fund the purchase independently or pay cash, reducing the proportion of demand on credit overall from 48.9% in 2019 to 41.8% in 2020. In addition the company took steps through the pandemic to restrict lending to high-risk customers with lower credit limit increases and credit risk cut-off decisions. 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 £0.2m (2019: £0.3m) 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 profit of £6.4m (2019: £0.1m loss) after an exceptional gain of £0.8m related to a release of provision for Total Cover Insurance (2019: £0.1m). The result before exceptional items is £5.8m higher than the prior year: the increase in turnover, improvement in margin, lower bad debt and improved efficiency of distribution costs related to the increase in sales volumes have all contributed to this improvement.

The net assets on the company's balance sheet have increased from £45.0m at 31 December 2019 to £51.5m at 31 December 2020 as a result of the strong profit in the year.

The company participates in two cash pooling arrangements with its related companies to manage the overall cash position effectively. As at 31 December 2020, the company's £36.2m (2019: £36.2m) cash balance on the Barclays cash pool arrangement was matched by an overdraft balance from another cash pool participant, leaving £5,000 net cash (2019: £4,000 cash).

At 31 December 2020, the company held £2.1m cash (2019: £0.8m cash) on the HSBC cash pool. The overall net cash balance on the HSBC cash pool at 31 December 2020 was £2.2m cash (2019: £0.8m cash).

Neither the Barclays nor 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 that the current level of provision was too high with £0.1m utilised in the year to cover outgoing payments. The closing provision has been reduced by £0.8m, leaving a provision of £0.6m (see notes 6 & 20).

The Financial Conduct Authority (FCA) had declared a deadline for all Payment Protection Insurance claims "PPI" to be submitted by 29 August 2019. There has been some movement in the industry for customers to seek compensation through the courts; the company continues to rigorously defend these claims.

Principal risks and uncertainties

Covid-19 pandemic

As noted above in the section 'Going concern and Covid-19', the company is exposed to the risks of severe interruption to its inwards and outwards supply chains, staffing shortages through illness, and loss of demand for its products in a recessionary environment.

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 2020 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 is satisfied that the provision held as at the end of the year is appropriate. 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 company 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 import of goods in free circulation in the EU but sourced outside the EU; 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 has had to increase the price of the products it sells. To date no severe impacts have been seen in receiving goods from the EU and processes are in place to make customs declarations.

Section 172 statement

Section 172 of the Companies Act 2006 requires directors of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;
b) the interests of the company's employees;
c) the need to foster the company's business relationships with suppliers, customers and others;
d) the impact of the company's operations on the community and the environment;
e) the desirability of the company maintaining a reputation for high standards of business conduct; and
f) the need to act fairly as between members of the company.

The business relationships with key stakeholders such as employees, customers and suppliers are considered in more detail in the Directors' report on pages 7 and 8.

Long term development of La Redoute UK

LRUK (Retail) Limited is the UK subsidiary of the La Redoute group which operates across Europe through its country-specific subsidiaries. Each subsidiary's activities are supported through a common website platform, through a state-of-the-art warehouse located in France, and through other group-level purchasing and support services. As such, some strategic decisions are taken at a group level, for the benefit of all the subsidiaries, for example the development of the new warehouse. Other longer-term decisions are taken at a country level, an example of which is the extension of the UK product range through commercial arrangements with UK-based 3rd party suppliers of lighting, rugs and garden furniture.

Environment

La Redoute group is committed to responsible retailing and its environmental commitments are set out more fully on the webpage https://www.laredoute.co.uk/csr.aspx

Some examples of these group-wide environmental commitments are summarised below:

- Production: our commitment to comply with international labour standards as a member of the Initiative for Compliance and Sustainability
- Materials: responsible sourcing of materials such as cotton, wood and the use of natural materials such as hemp and flax fibres with low water consumption and reduced pesticide requirements
- Transport and Air Quality: the use of commercial transport by train and boat, reducing our CO_2 emissions and our impact on the environment
- Recycling: 100% of our plastic industrial waste, cardboard and paper are recycled

Section 172 statement (continued)

High standards of business conduct

The directors ensure that processes are in place to ensure that customers, suppliers and other stakeholders are treated fairly. Examples for customers and suppliers are contained in the Directors' report on pages 7 and 8. The company ensures that new legislation is implemented effectively and promptly: in recent years this has seen the implementation of procedures to ensure compliance with the General Data Protection Regulations (GDPR) in 2018, and the Modern Slavery Act requirements in 2019: https://www.laredoute.co.uk/modern-slavery-statement.aspx In addition, the company ensures that it follows the Financial Conduct Authority ethos of 'treating customers fairly.'

Acting fairly between members

As directors of a subsidiary company, the UK directors ensure that all commercial plans are agreed with the parent company in advance through the budgetary cycle and performance against these plans is explained in monthly business reviews. Additional significant matters are highlighted promptly through weekly update calls with the parent company senior management team.

Results and dividends

The results of the company are set out on page 14. The profit after tax for the year ended 31 December 2020 is £6.5m (2019: £0.1m loss). The profit after tax for the year of £6.5m has been added to reserves (2019: £0.1m loss deducted from reserves).

No dividends were paid or proposed in the year (2019: nil).

Total equity shareholder's funds at 31 December 2020 were £51.5m (2019: £45.0m).

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

R. Burke
Director
30th March 2021

2 Holdsworth Street,
Bradford.
BD1 4AH

LRUK (RETAIL) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

Section 172 statement

As noted in the Strategic Report, under Section 172 of the Companies Act 2006, the directors have a duty to promote the success of the company having regard to, *inter alia*, the interests of employees, and its business relationships with suppliers and customers. These matters are reported here within the Directors' report; other section 172 matters of a strategic nature are reported in the Strategic report on pages 5 and 6.

Employees

The directors ensure that the interests of employees are understood through regular meetings where full participation is actively encouraged. The company holds weekly performance updates, 'huddles', for all LRUK team members where there is the opportunity to ask questions directly to any of the company directors. This is supplemented by frequent news updates from the parent company, and quarterly La Redoute Group webinar updates, again with the opportunity to ask questions to the directors. When it is safe to do so, the company intends to resume its quarterly "away-days" where all employees take part in cross-department team-building exercises as well as ways to further improve the company's performance. Through the pandemic, the company has added daily online team 'huddles' to ensure everyone is updated and to help address the feeling of isolation with remote working. In addition, virtual coffee meetings with senior UK management have been introduced to give informal updates and discussions.

Suppliers

Before contracts are signed with new suppliers, credit rating reviews are undertaken to ensure that the supplier has appropriate financial backing to fulfil customer orders, and ancillary checks are undertaken for any other concerns. Once a trading relationship has started, processes are in place to ensure that all invoices are paid according to the commercially negotiated terms. If problems do arise, disputed invoices are investigated and resolved in a timely manner.

Customers

The company continually looks to improve its customer service and makes extensive use of customer-centric measures such as Net Promoter Score 'NPS' and speed-of-delivery measures to assess customer satisfaction levels and ensure that customers' needs are met. Customer service is discussed at the weekly trading meeting and La Redoute is working constantly to improve the level of service with its partners and implementing new ways to shop, receive goods and the methods of communication used. The website design and mobile app are continually developed and, before full implementation, A-B sample testing undertaken to ensure its effectiveness with the customer base. For customers with a La Redoute credit account, a monthly Credit and Compliance review of customer complaints is undertaken by senior management to ensure that customers have been treated fairly, and recommendations for any remedial action are implemented.

LRUK (RETAIL) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Streamlined Energy and Carbon Reporting (SECR)

Streamlined Energy and Carbon Reporting (SECR) came into force on 1st April 2019 as part of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. SECR requires quoted companies, large unquoted companies and large limited liability partnerships (LLPs) to disclose greenhouse gas (GHG) emissions and energy use, record energy efficiency actions and report against at least one intensity ratio.

The company's use of electricity and gas for the year ended 31 December 2020 are shown in the table below. The energy usage in kilowatt hours (kWh) has been converted into tonnes of carbon dioxide (TCO_2e) emissions using standard conversion factors published on the Government's webpages for Greenhouse Gas reporting.

	Energy usage (kilowatt hours) kWh	**Carbon Dioxide emissions (Tonnes) TCO_2e** Scope 1 (Direct emissions)	**Carbon Dioxide emissions (Tonnes) TCO_2e** Scope 2 (Indirect emissions)
Electricity	186,020	3.7	43.4
Gas	210,379	-	42.9
Total	396,399	3.7	86.3

Energy usage intensity ratio

The SECR legislation allows companies to select an intensity measure appropriate to each company's circumstances. As an online-only retailer, the company has chosen to use energy usage as a percentage of sales. Using the 396,399 kWh above and total sales of £66.6m, the intensity ratio is 5,956 kWh/£m of sales.

Energy efficiency/ greenhouse gas reduction initiatives

The company has replaced all its employees' computers in recent years to more energy efficient models. Although the various lockdowns and working-from-home initiatives have currently superseded this, the company continues to encourage the uptake of the Cycle-To-Work scheme to reduce commuting.

The company is currently working with its French parent company to assess whether putting non-palletised, loose-load items on the trailers carrying goods from the French central warehouse to the UK warehouse can improve the load-efficiency of each trailer and so reduce the number of daily trailers required.

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.

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.

Events after the reporting period

There have been no significant events affecting the company since the year end.

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

R. Burke
Director

30th March 2021

2 Holdsworth Street,
Bradford
BD1 4AH

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

Opinion on the 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 2020 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.

We have audited the financial statements of LRUK (Retail) Limited ("the Company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and 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).

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
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Directors' Report and Financial Statements other than the financial statements and our auditor's report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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 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, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LRUK (RETAIL) LIMITED - (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements including, but not limited to, UK company law, UK tax legislation and the regulated nature of the company's activities, and we considered the extent to which non-compliance might have a material effect on the financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statement disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. We also addressed the risk of management override of internal controls, including testing journal entries processed and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://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

Paul Davies (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds, UK
Date: 31 March 2021

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 2020

	Notes	2020 £'000	2019 £'000
Turnover	3	66,559	49,106
Cost of sales		(30,861)	(23,968)
Gross profit		35,698	25,138
Distribution costs		(21,693)	(17,017)
Administrative expenses		(8,572)	(8,575)
Other operating income	5	167	271
Exceptional income	6	760	73
Operating profit/(loss)	7	6,360	(110)
Interest receivable and similar income	11	4	5
Interest payable	11	(1)	(5)
Profit/(loss) before taxation		6,363	(110)
Taxation	12	114	-
Profit/(loss) for the financial year		6,477	(110)
Total comprehensive income/(expense) for the year		6,477	(110)

All results are derived from continuing operations.
Notes 1 to 30 form part of these financial statements.

LRUK (RETAIL) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital	Profit and loss reserves	Total
	£'000	£'000	£'000
Balance at 1 January 2019	45,000	143	45,143
Year ended 31 December 2019:			
Loss for the year	-	(110)	(110)
Total comprehensive expense for the year	-	(110)	(110)
Balance at 31 December 2019	45,000	33	45,033
Year ended 31 December 2020:			
Profit for the year	-	6,477	6,477
Total comprehensive revenue for the year	-	6,477	6,477
Balance at 31 December 2020	45,000	6,510	51,510

Notes 1 to 30 form part of these financial statements.

LRUK (RETAIL) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Intangible fixed assets	**13**		145		278
Tangible fixed assets	**14**		133		124
			278		402
Current assets					
Stocks	**15**	1,602		1,466	
Debtors	**16**	20,418		20,217	
Cash at bank and in hand	**17**	49,134		37,834	
		71,154		59,517	
Creditors: amounts falling due within one year	**18**	(19,335)		(13,412)	
Net current assets			51,819		46,105
Total assets less current liabilities			52,097		46,507
Provisions for liabilities	**20**		(587)		(1,474)
Net assets			51,510		45,033
Capital and reserves					
Called up share capital	**22**		45,000		45,000
Profit and loss reserves	**23**		6,510		33
Total equity			51,510		45,033

The financial statements of LRUK (Retail) Limited, registered number 110433, were approved by the board of directors and authorised for issue on 30 March 2021 and are signed on its behalf by:

....

P. Kenworthy
Director

Notes 1 to 30 form part of these financial statements.

LRUK (RETAIL) LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities	**24**				
Cash generated from/(absorbed by) operations			11,375		(433)
Investing activities					
Purchase of tangible fixed assets		(49)		-	
Purchase of intangible fixed assets		(29)		-	
Net cash used in investing activities			(78)		-
Financing activities					
Interest received		4		5	
Interest payable		(1)		(5)	
Net cash generated from financing activities			3		-
Net increase/(decrease) in cash and cash equivalents			11,300		(433)
Cash and cash equivalents at beginning of year			37,834		38,267
Cash and cash equivalents at end of year			49,134		37,834

Notes 1 to 30 form part of these financial statements.

LRUK (RETAIL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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

Further detail around the risks of Covid-19 and its potential impact on going concern are addressed extensively in the "Going Concern and Covid-19" section of the Strategic report on page 1. Despite the risks arising from the pandemic, the parental supply network has been resilient and the UK company's trading in 2020 has been strong. The directors have reasonable expectations for this sales growth to continue and therefore they continue to prepare the financial statements on a going concern basis.

In undertaking their review, the directors have prepared financial projections for the period of twelve months from the date of issue of these financial statements and into the following financial year. These projections have been sensitised based on various levels of revenue and assessed against the available cash headroom. Contingency plans for various scenarios have been considered to preserve financial resources. The company also has access to support from the French parent through the cash pooling arrangements should this be required.

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. The company did not contract for any derivatives in the current or financial year and had no open positions at the end of either the current or prior year.

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.

The company did not contract for any hedging arrangements in the current or prior financial year and had no open positions at the end of either the current or prior year.

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 provision carried forward at the end of 2020 fully anticipates future claims and costs that are expected to be made in 2021. See note 20.

3 Turnover

Analysis of the company's turnover is as follows:

	2020	2019
	£'000	£'000
Turnover analysed by class of business		
Retail sales	59,737	41,583
Financial services	6,822	7,523
	66,559	49,106

Turnover analysed by geographical market

	2020	2019
	£'000	£'000
United Kingdom	66,559	49,106

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 2020 have decreased by £367,000 (2019: £434,000 decrease).

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 income

	2020	2019
	£'000	£'000
Exceptional income	760	73

The £760,000 exceptional income in the current year relates to the release of part of the brought forward insurance provision. The directors of the business reviewed the remaining balance on the provision for the risk of customer remediation and decided to release £760,000 of the provision to align the carry forward balance with the risks of legal claims that might arise from the sale of insurance products in previous years. The company continues to work on resolving the claims received, either by settlement where appropriate or robustly defending against the claim. See also note 20.

The exceptional income of £73,000 in the prior year relates to the release of an accrual for costs arising from an employment related query by HMRC. The accrual was released as unused after the conclusion of the HMRC review.

7 Operating Result

	2020	2019
	£'000	£'000
Operating result for the year is stated after charging/(crediting):		
Exchange losses	7	6
Depreciation of owned tangible fixed assets	40	36
Amortisation of intangible assets	162	176
Auditor's remuneration (see below)	38	36
Cost of stocks recognised as an expense	30,923	24,114
Impairment of stocks reversed	(62)	(146)
Operating lease charges		
- plant and machinery	4	7
- land and buildings	240	240

8 Auditor's remuneration

	2020	2019
Fees payable to the company's auditor and its associates:	£'000	£'000
For audit services		
Audit of the company's financial statements	38	36

9 Employees

	2020 Number	2019 Number
Sales and distribution	30	28
Administration	46	45
	76	73

Of these employees, 14 were part time (2019: 14).

Their aggregate remuneration comprised:	2020 £'000	2019 £'000
Wages and salaries	3,487	3,091
Social security costs	338	317
Pension costs	139	129
	3,964	3,537

No redundancy payments were paid in the year ended 31 December 2020 (2019: £nil).

10 Directors' remuneration

	2020 £'000	2019 £'000
Remuneration for qualifying services	576	512
Company pension contributions to defined contribution schemes	24	24
	600	536

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2019: 3).

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

	2020 £'000	2019 £'000
Remuneration for qualifying services	269	217
Company pension contributions to defined contribution schemes	11	11
	280	228

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, and interest payable

	2020	2019
	£'000	£'000
Interest income		
Interest on intercompany current account	4	5
Interest expense		
Interest on intercompany current account	(1)	(5)

12 Taxation

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

	2020	2019
	£'000	£'000
Profit/(loss) before taxation	6,363	(110)
Expected tax charge based on the average standard rate of corporation tax in the UK of 19.00% (2019: 19.00%).	1,209	(21)
Utilised tax losses	(1,036)	-
Unrelieved tax losses	-	331
Short term timing differences	(168)	(290)
Capital allowances in excess of depreciation	(5)	(20)
Current tax for the year	-	-
Deferred tax credit - recognition of deferred tax asset - note 26	(114)	-
Tax credit for the year	(114)	-

Details of provided and unprovided deferred tax assets are shown in note 26.

UK corporation tax is calculated at 19.0% (2019: 19.0%). A reduction in the corporation tax rate from 19.0% to 17.0% with effect from 1 April 2020 was substantively enacted on 6 September 2016 but this reduction was reversed in the Finance Bill 2020.

As the 19.0% rate has been substantially enacted in tax legislation, deferred tax balances have been calculated at 19.0% in line with the expected period of reversal of the deferred tax balances.

13 Intangible fixed assets

	Software £'000
Cost	
At 1 January 2020	1,849
Additions	29
At 31 December 2020	1,878
Amortisation	
At 1 January 2020	1,571
Amortisation charged for the year	162
At 31 December 2020	1,733
Carrying amount	
At 31 December 2020	145
At 31 December 2019	278

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

There are no contractual commitments to acquire intangible assets (2019 - £nil).

14 Tangible fixed assets

	Plant and equipment £'000
Cost	
At 1 January 2020	1,109
Additions	49
At 31 December 2020	1,158
Amortisation	
At 1 January 2020	985
Depreciation charged for the year	40
At 31 December 2020	1,025
Carrying amount	
At 31 December 2020	133
At 31 December 2019	124

15 Stocks

	2020 £'000	2019 £'000
Finished goods for resale	1,602	1,466

During the year, an impairment gain of £62,000 (2019: £146,000 gain) was recognised within cost of sales. No earlier stock write downs have been reversed during the current or preceding year.

16 Debtors

Amounts falling due within one year:	2020 £'000	2019 £'000
Trade debtors (below)	19,945	19,844
Other debtors	1	96
Deferred tax asset - note 26	114	-
Prepayments and accrued income	358	277
	20,418	20,217

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

	£'000	2020 £'000	£'000	2019 £'000
Gross trade debtors		38,191		35,404
Opening provision for doubtful debts	(15,560)		-	
Utilisation of provision	2,636		(10,702)	
Charge for doubtful debts	(5,322)		(4,858)	
Closing provision for doubtful debts		(18,246)		(15,560)
Net trade debtors after provision		19,945		19,844

Gross trade debtors includes £13,352,000 notional interest that would have been earned on accounts in debt recovery (2019: £11,134,000). The provision for doubtful debts includes an adjustment relating to this notional interest of £13,352,000 (2019: £11,134,000).

17 Cash and cash equivalents

Of the cash and bank balance of £49,134,000 held on 31 December 2020 (2019: £37,834,000), £10,287,000 (2019: £484,000) 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 its immediate parent company, LRUK (Holdings) Limited.

The overall UK group's cash pool position held with HSBC Bank plc at 31 December 2020 totalled £2,154,000 cash (2019: £806,000 cash).

The overall UK group's net cash pool position held with Barclays Bank plc at 31 December 2020, which is covered by multi-lateral guarantees for all group companies, totalled £5,000 cash (2019: £4,000 cash).

18 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	2,307	1,447
Amounts due to group undertakings	7,446	6,833
Accruals and deferred income	3,446	2,313
Other creditors	3,701	1,953
Other taxation and social security	2,405	836
Corporation tax	30	30
	19,335	13,412

19 Financial instruments

	2020 £'000	2019 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost		
Trade receivables	19,945	19,844
Other debtors	1	96
	19,946	19,940
Carrying amount of financial liabilities		
Measured at amortised cost		
Trade creditors	2,307	1,447
Amounts owing to group undertakings	7,446	6,833
Other creditors	3,701	1,953
Accruals	3,446	2,313
	16,900	12,546

Financial instruments

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

	2020 £'000	2019 £'000
Income		
Total income for financial assets at amortised cost	6,822	7,523
Impairment losses		
On financial assets measured at amortised cost	2,686	1,636

20 Provisions for liabilities

	2020 £'000	2019 £'000
Total Cover and merchandise insurance provision	587	1,474

Movements on provisions:

	Total Cover & merchandise insurance provision £'000
At 1 January 2020	1,474
Release of provisions in the year	(760)
Utilisation of provision	(127)
At 31 December 2020	587

The Total Cover and merchandise insurance provision relates to the risks identified from the sale of insurance products in previous years. The directors reviewed the remaining balance on the provision for the risk of customer remediation and decided to release £760,000 of the provision to align the carry forward balance with the risks of legal claims that might arise from the sale of insurance products in previous years. The company continues to work on resolving the claims received, either by settlement where appropriate or robustly defending against the claim. See also note 6.

21 Pension commitments

Defined contribution schemes	2020 £'000	2019 £'000
Charge to profit or loss in respect of defined contribution schemes	139	129

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.

Contributions totalling £24,000 (2019 - £20,000) were payable to the fund at the reporting date and are included in creditors.

22 Called up share capital

	2020	2019
	£'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 Profit and loss reserves

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

24 Cash generated from/(absorbed by) operations

	Notes	2020	2019
		£'000	£'000
Profit/(loss) for the year after tax		6,477	(110)
Adjustments for:			
Interest receivable		(4)	(5)
Interest Payable		1	5
Amortisation of intangible assets	13	162	176
Depreciation of tangible fixed assets	14	40	36
Release of provisions	20	(887)	(1,538)
Taxation		(114)	-
Movements in working capital:			
(Increase)/decrease in stocks		(136)	480
(Increase) in debtors		(87)	(355)
Increase in creditors		5,923	878
Cash generated from/(absorbed by) operations		11,375	(433)

25 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:

	2020	2019
	£'000	£'000
Within one year	240	244
Between one and five years	960	960
In over five years	16,620	16,860
	17,820	18,064

The operating leases represent leases of a property, land and office equipment. The land and building leases are negotiated over terms of 75 years (2019: 76 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.

26 Deferred taxation

As at 31 December 2020, it is management's expectation that sufficient taxable profits will arise in future periods to enable carry forward trading losses to be used in full. Accordingly the company has recognised a deferred tax asset of £114,000 in relation to these trading losses. The company has not recognised deferred tax assets on capital losses, capital allowances or provisions as the timing of when these might become tax deductible is not sufficiently clear.

Balances:	Assets (Provided) 2020 £'000	Assets (Unprovided) 2020 £'000	Assets (Unprovided) 2019 £'000
Tax losses - trading	114	-	985
Tax losses - capital	-	12	-
Net book value less than written down value	-	157	145
Short term timing differences	-	111	250
	114	280	1,380

The deferred tax asset of £114,000 is included in debtors note 16.

Factors that may affect future tax charges

UK corporation tax is calculated at 19.0% (2019: 19.0%). A reduction in the corporation tax rate from 19.0% to 17.0% with effect from 1 April 2020 was substantively enacted on 6 September 2016 but this reduction was reversed in the Finance Bill 2020.

As the 19.0% rate has been substantially enacted in tax legislation, deferred tax balances have been calculated at 19.0% in line with the expected period of reversal of the deferred tax balances.

27 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 £35.9m (2019: £28.6m). The company made sales to those subsidiaries of £0.6m (2019: £0.7m)

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

	2020 £'000	2019 £'000
Cash held by parent company (note 17)	10,287	484
Amounts due to group undertakings (note 18)	(7,446)	(6,833)

28 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 2020 was Motier s.a.s., which is registered in France. In the opinion of the directors Motier s.a.s. is considered to be the ultimate controlling party.

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.

Copies of the consolidated accounts of LRUK (Holdings) Limited may be obtained from Companies House, Cardiff, CF14 3UZ.

29 Contingent liabilities

The company has provided a guarantee of £240,000 in favour of HMRC in relation to import duties and VAT, and a guarantee of £285,000 to the company's card processing supplier to cover them for the risk of non-fulfilment of an order where a card payment has been taken.

30 Events after the reporting period

For further details on how the ongoing Covid-19 pandemic has affected the company's going concern assessment, see the Strategic Report as well as note 1 of the financial statements.

There have been no other significant events affecting the company since the year end.