MOVITEX (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

Registered No. 400458

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MOVITEX (UK) LIMITED
STRATEGIC REPORT

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

Business review and principal activities

The company's principal activity is home shopping retailing, trading under the brand name Daxon, and the provision of financial services to those retail customers. There have not been any significant changes in the company's principal activities during the year under review.

Ownership changes

At the prior year end of 31 December 2014, the company was owned by the French group Kering S.A.; on 14 January 2015, the UK company was bought by a new French company, Movitex Sharing S.A.S, a management buyout company.

2015 Financial review

In 2015 there were ongoing issues with the underperforming Balsamik collection still representing a significant proportion of the ladieswear offer. In addition, a lack of investment in new product and photography on the core classic offer lead to feedback from customers that the range had become tired. The impact of 2014's poor performance on the customer contact file was compounded in 2015 with reduced investment in recruitment of new customers and less mailed contacts.

The transitional service agreement established between LRUK (Retail) Limited (formerly known as Redcats (Brands) Limited) and the company to ensure continuity of the operational and support services has continued in operation during the year. The agreement is based on a "business as usual" principle and charges incurred by the company are mainly on a fixed cost basis with an additional 5% mark-up paid to LRUK (Retail) Limited on all services supplied.

Total sales declined by 13.9% to £17.7m. Sales turnover comprises merchandise sales and financial services, which reduced in the year by 13.4% and 16.0% respectively.

This sales decline was proportionately worse than the year-on-year decrease in the average numbers of customers on the contact database of only 7.5% (2014: 4.5%).

The year on year merchandise sales decrease of 13.4% was seen across both the Spring/Summer and Autumn/Winter seasons. After the poor customer reception to the new Balsamik collection in 2014, reactivating customers to make purchases was difficult. As a result of the lower sales volumes coupled with a highly inflexible cost base, activities on customer recruitment were reduced - as it is less profitable in the short term – in order to offset the lower profitability of the business. The mix of Balsamik product in the collection was reduced in the second half of 2015 to try and arrest some of the decline.

Financial review (continued)
The changes in product offers increased the average order price, a key performance measure, from £64 in 2014 to £65, a much lower increase seen than in the previous year, increasing the perceived value for money. Changes to the product offer also affected the returns rate, reducing it to 32% (2014: 33%), reducing the overall impact seen the year before.

Gross margin on combined turnover for merchandise and financial services has increased to 68.2% (2014: 67.5%). The gross margin for merchandise alone has increased to 61.3% (2014: 60.6%). Favourable exchange movements had a greater impact than the reduction in selling prices to the customers and additional discount incentives.

The business continues to be conducted through two main channels: paper and web. During the year under review, the continued development of the web platform and the special offers targeted at online customers resulted in a similar amount of web-based activity to the prior year's 21.0%.

The bad debt to sales ratio of 3.0% has slightly increased compared to last year (2014: 2.9%) reflecting the lower volume of sales and the delay in the debtor file reacting to this. The risk profiling undertaken prior to offering credit to customers remains effective in reducing the risk associated with credit accounts. 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 debt recovery procedures are initiated to reduce the risk of non-payment once customers have been accepted for credit.

The company's directors believe that further non-financial key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business.

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

Note 13 shows the effect of the change in accounting policies and on the restated result for the financial year ended 31 December 2014 under FRS 102, and also shows the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and now under the FRS 102.

Results and dividends

The results of the company are set out on page 9. The loss after tax for the year of £1.2m has been deducted from reserves (2014: loss of £0.5m deducted from reserves), resulting in a decrease in total equity shareholder's funds to £3.5m (2014: £4.8m). No dividend was paid or proposed in 2015 (2014: £nil).

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.

Operational gearing risk

The company has entered into a transitional services agreement (TSA) that is predominantly on a fixed cost basis. The company undertakes promotional activity to boost sales to cover the fixed cost of the agreement.

Cashflow risk:

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

Credit risk:

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

Liquidity risk:

In order to ensure that the company has sufficient funds for its ongoing operations and future developments, the company uses a mixture of short-term cash holdings and short term debt finance.

Post balance sheet event

After the 2015 year end, the French parent company announced that it intended to sell the UK business. In the period since that announcement, there have been no viable offers to buy the UK business. Consequently, the parent company has decided that the UK business will cease all operations on 31 December 2016

MOVITEX (UK) LIMITED

STRATEGIC REPORT
(continued)

Accounts prepared on a basis other than going concern
In assessing the basis for the preparation of the company's annual report and financial statements for the year ended 31 December 2015, the directors have considered the post balance sheet event referred to above, namely the decision to cease the business operations in the U.K. at the end of December 2016. Accordingly, the directors have prepared the company's annual report and financial statements on a basis other than going concern.

The company does not have a bank overdraft facility and instead operates using its available cash funds and the £2.75m short term loan from its parent company, Movitex S.A.. As at 31 December 2015, the company had cash reserves of £0.6m (2014: £0.9m).

After critically assessing the trading and cash forecasts and the funds available, the directors have formed a reasonable expectation that the funding available will be sufficient so that the company can continue in operational existence until the end of December 2016 at which point the company expects to cease trading.

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

K. Hazeldine
Director

29 September 2016
2 Holdsworth Street
Bradford
BD1 4AH

MOVITEX (UK) LIMITED

DIRECTORS' REPORT

Directors

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

Jean-Joel Huber

K. Hazeldine

Important events affecting the company since the end of the financial year

Attention is drawn to the statement on post balance sheet events on page 3.

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.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland." Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

MOVITEX (UK) LIMITED

DIRECTORS' REPORT
(continued)

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.

K. Hazeldine
Director

29 September 2016

2 Holdsworth Street,
Bradford
BD1 4AH

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MOVITEX (UK) LIMITED

We have audited the financial statements of Movitex (UK) Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Comprehensive Income, the Accounting Policies and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

MOVITEX (UK) LIMITED
(continued)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss 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.

Emphasis of matter – financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Accounting Policies, which explains that the financial statements have been prepared on a basis other than a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Matthew Hughes

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

30 September 2016

MOVITEX (UK) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Turnover	1	17,706	20,564
Cost of sales		(5,637)	(6,677)
Gross profit		12,069	13,887
Net operating expenses	2	(13,258)	(14,550)
Operating loss	2	(1,189)	(663)
Interest payable and similar charges	3	(48)	(23)
Loss on ordinary activities before taxation		(1,237)	(686)
Tax on loss on ordinary activities	5	4	160
Loss on ordinary activities after taxation		(1,233)	(526)

All results are derived from continuing operations.

MOVITEX (UK) LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2015

	Notes	2015 £'000	2014 £'000
Current assets			
Inventories	6	1,045	1,244
Debtors	7	7,642	9,428
Cash at bank and in hand	8	649	859
		9,336	11,531
Creditors: amounts falling due within one year	9	(5,816)	(6,767)
Net current assets and net assets		3,520	4,764
Capital and reserves			
Called-up share capital	12	1	1
Profit and loss account		3,519	4,752
Hedging reserve		-	11
Total equity shareholder's funds		3,520	4,764

The financial statements of Movitex (UK) Limited, registration number 400458, were approved by the board of directors and authorised for issue on 29 September 2016. They were signed on its behalf by:

K. Hazeldine
Director

MOVITEX (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Called-up share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
At 31 December 2013 as previously stated		1	-	5,273	5,274
Cash flow hedge - recognition on transition to FRS 102	13	-	(23)	-	(23)
Deferred tax on cash flow hedge - recognition on transition to FRS 102		-	-	5	5
		--------	--------	--------	--------
Balance as at 1 January 2014 as restated		**1**	**(23)**	**5,278**	**5,256**
Loss before cash flow hedge reclassification and tax for the year ended 31 December 2014 – restated on transition to FRS 102	13	-	-	(496)	(496)
Cash flow hedge – reclassification to profit and loss		-	23	(23)	-
Deferred tax on cash flow hedge – reversal		-	-	(5)	(5)
Cash flow hedge – initial recognition of value of hedging instrument	12	-	11	-	11
Deferred tax on cash flow hedge - origination		-	-	(2)	(2)
		--------	--------	--------	--------
Total comprehensive loss		-	34	(526)	(492)
		--------	--------	--------	--------
Balance as at 31 December 2014		**1**	**11**	**4,752**	**4,764**
		====	====	====	====
Balance as at 1 January 2015		1	11	4,752	4,764
Loss for the year before cash flow hedge reclassification and tax		-	-	(1,246)	(1,246)
Cash flow hedge – reclassification to profit and loss	12	-	(11)	11	-
Deferred tax on cash flow hedge – reversal		-	-	2	2
		--------	--------	--------	--------
Total comprehensive loss		-	(11)	(1,233)	(1,244)
		--------	--------	--------	--------
Balance as at 31 December 2015		**1**	**-**	**3,519**	**3,520**
		====	====	====	====

MOVITEX (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £'000	2014 (restated) £'000
Loss for the financial year		(1,233)	(526)
Other comprehensive income for the year:			
Cash flow hedge – reclassification to profit and loss account	13	(11)	23
		----------	----------
Total comprehensive loss for the year		(1,244)	(492)
		======	======

The prior year loss has been restated on transition to Financial Reporting Standard FRS 102 (note 13).

MOVITEX (UK) LIMITED

ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The company has transitioned to FRS 102 from previously extant UK Generally Accepted Accounting Practice for all years presented. The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 13.

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

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

b **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.

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

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

e **Foreign exchange**

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

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

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

f **Taxation**

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

g Financial instruments

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

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

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

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

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

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

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

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

h Equity instruments

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

i **Derivative financial instruments**

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

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

Fair value measurement.

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

Hedge accounting

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

At the inception of the hedge relationship, the company documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the company determines and documents causes for hedge ineffectiveness. Note 17 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

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

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

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

j Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) *Inventory provisioning*

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

ii) Impairment of debtors

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

iii) Returns reserve

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

k Going concern

As noted in the Strategic Report on page 3, the company will cease all operations on 31 December 2016. Accordingly, the directors have prepared the company's annual report and financial statements on a basis other than going concern.

MOVITEX (UK) LIMITED

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

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

1 Turnover

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

2. Operating loss

	2015 £'000	2014 £'000
Net operating expenses:		
Distribution costs	(9,545)	(11,194)
Administration expenses	(3,713)	(3,356)
Net operating expenses	(13,258)	(14,550)

	2015 £'000	2014 £'000
Auditor's remuneration		
Fees payable to the company's auditor for the audit of the company's financial statements	15	15
Total auditor's remuneration	15	15

3. Interest payable and similar charges

	2015 £'000	2014 £'000
Amounts payable to group companies	(48)	(23)

4. Staff costs

The directors received combined emoluments of £125,550 (2014: £152,000), of which £125,550 (2014: £152,000) related to the highest paid director.

Until May 2014, the company had no employees: the activities of the company were undertaken by staff employed by LRUK (Retail) Limited (formerly known as Redcats (Brands) Limited), the previous majority owner of the company. The costs of employment borne by LRUK (Retail) Limited were recharged to the company in full. In May 2014, the employees previously employed by LRUK (Retail) Limited transferred their employment contracts to Movitex (UK) Limited. The tables below reflect staff costs and staff numbers in full, whether in the employment of LRUK (Retail) Limited or Movitex (UK) Limited.

	2015	2014
	£'000	£'000
Staff costs including directors:		
Salaries and wages	528	495
Social security	55	46
Pension costs and life assurance	17	13
	600	554

	Number	Number
The average number of employees was:		
Sales and distribution	13	13
Administration	4	4
	17	17

Of these employees, 2 were part time (31 December 2014: 1 employee).

5. Tax on loss on ordinary activities

	2015	2014
	£'000	£'000
UK Corporation tax at 20.25% (2014: 21.50%)	-	(147)
Adjustment in respect of prior year:		
UK Corporation tax	(2)	(20)
	(2)	(167)
Deferred tax:		
Timing differences; origination and reversal	(2)	7
	(4)	(160)

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

	2015	2014
	£'000	£'000
Loss on ordinary activities before taxation	(1,237)	(686)
Tax credit at 20.25% thereon (2014: 21.50%):	(250)	(147)
Effects of:		
Unrelieved tax losses	250	-
Prior year adjustment	(2)	(7)
Difference in tax rates on losses carried back	-	(13)
Total current tax	(2)	(167)
Deferred tax		
Origination and reversal of timing differences	(2)	7
Total deferred tax	(2)	7
Total tax credit for the year	(4)	(160)

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

6. Inventories

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

7. Debtors

	2015 £'000	2014 £'000
Due within one year:		
Trade debtors	7,399	8,856
Amounts owed by parent company	-	226
Prepayments and accrued income	104	117
Other debtors	-	1
Corporation tax debtor	139	217
Derivative financial instruments	-	11
	7,642	9,428

8. Cash at bank and in hand

At the year end, the company had a cash position of £649,000 (2014: £859,000).

9. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	714	713
Amounts due to group undertakings	809	1,441
Short term loan from parent company	2,798	2,750
Other taxation and social security	76	73
Other creditors	453	493
Accruals and deferred income	966	1,295
Deferred tax liability	-	2
	5,816	6,767

The short term loan from the parent company is denominated in sterling and is repayable on 24 February 2016. The loan bears interest at the 1 year LIBOR rate plus a 1.0% margin. The effective rate for the year to 31 December 2015 was 1.91%.

10. **Deferred taxation**

The unprovided deferred tax assets are as follows:

	2015	2014
	£'000	£'000
Tax losses not utilised	253	-
Capital allowances in excess of depreciation	1	2
	254	2

The company has unprovided tax assets as there is insufficient certainty as to whether events will materialise to crystallise the deferred tax.

11. **Financial instruments**

	2015	2014
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost		
Trade receivables	7,399	8,856
Amounts owed by group undertakings	-	226
	7,399	9,082
Financial assets measured at fair value through profit or loss:		
Derivative financial instruments	-	11
Financial liabilities measured at amortised cost		
Trade creditors	714	713
Amounts owed to group undertakings	809	1,441
Short term loan from parent company	2,798	2,750
Other creditors	453	493
	4,774	5,397

11. Financial instruments (continued)

Derivative financial instruments

In the prior year, the company entered into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency payables.

At 31 December 2015, the company had no forward foreign commitments contracts in place (2014: commitment to buy US$ 200,000 and pay a fixed sterling amount).

The forward foreign currency contracts that were in place at 31 December 2014 all matured within 3 months of that date and had a fair value of £11,000 as at 31 December 2014.

The forward currency contracts 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 for GBP:USD.

12. Called-up share capital and reserves

	2015 £	2014 £
2,000 authorised shares of £1 each	2,000	2,000
600 ordinary shares of £1 each called-up, allotted and fully paid	600	600

	Hedging reserve £'000
At 1 January 2015	11
Cash flow hedge – reclassification to profit and loss account	(11)
At 31 December 2015	-

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

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

13. Transition to FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was therefore 1 January 2014. Set out below are the changes in accounting policies which reconcile the loss for the year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

		Hedging reserve 2014 £'000	Profit and loss account 2014 £'000	Total 2014 £'000
UK GAAP as previously reported		-	(519)	(519)
Recognition of cash flow hedge liability		(23)	23	-
Restated FRS 102 basis results		(23)	(496)	(519)
Cash flow hedge – reclassification to profit and loss in 2014	A	23	(23)	-
Deferred tax impact of cash flow hedge movements		-	(7)	(7)
Recognition of cash flow hedge asset	A	11	-	11
Total adjustment to loss for the financial year		34	(30)	4
Gain / (loss) for the financial year under FRS 102		11	(526)	(515)

Total equity		1 January 2014 £'000	31 December 2014 £'000
UK GAAP – As previously reported		5,274	4,755
Cash flow hedge – financial instruments	A	(23)	11
Deferred tax impact of cash flow hedge adjustments		5	(2)
FRS 102 basis		5,256	4,764

13. **Transition to FRS 102 (continued)**

A) Derivative financial instruments

FRS 102 requires derivative financial instruments to be recognised at fair value.

Previously under UK GAAP the company did not recognise these instruments in the financial statements. Accordingly, on transition to FRS 102, a liability of £23,000 was recognised on 1 January 2014 and an asset of £11,000 was recognised at 31 December 2014. A gain of £23,000 was recognised in the profit and loss account under FRS 102 for the year ended 31 December 2014.

14. **Cash flow statement**

The company has taken advantage of the exemption contained in FRS 102 not to publish its own cash flow statement as it was a wholly owned subsidiary of Movitex S.A. at the balance sheet date and its cash flows are dealt with in the consolidated cash flow statement of that company.

15. **Related party transactions**

At the balance sheet date, the company's immediate parent company was Movitex S.A., a company registered in France.

During the year under review, the company purchased stock and received services from subsidiaries of Movitex Sharing s.a.s. totalling £7.4m (2014: £9.5m).

16. ***Ultimate parent company***

The company's ultimate parent company and ultimate controlling party at the balance sheet date was Movitex Sharing s.a.s., which is incorporated in France.

17. **Post balance sheet event:**

The ultimate parent company Movitex Sharing s.a.s., has announced its intention to sell the UK operations. More details are provided on page 3 of the Strategic Report.