

Company Registration No. 06973805 (England and Wales)

LSE RETAIL GROUP LIMITED

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

LSE RETAIL GROUP LIMITED

COMPANY INFORMATION

Directors	B C Dixon D J R Gutfreund G J Payton I M Todd N Jeffrey S D Haughton P A Bates C A Hulme (Appointed 1 February 2020)
Company number	06973805
Registered office	Unit L1 Lyntown Trading Estate Eccles Manchester M30 9QG
Auditor	UHY Hacker Young Manchester LLP St James Building 79 Oxford Street Manchester M1 6HT
Business address	Unit L1 Lyntown Trading Estate Eccles Manchester M30 9QG
Bankers	HSBC Bank PLC 4 Hardman Square Spinningfields Manchester M3 3EB

LSE RETAIL GROUP LIMITED

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LSE RETAIL GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report and financial statements for the year ended 31 December 2019.

Review of the Business

Trading has continued to be tough in 2019, in line with other UK retailers, due to uncertain trading environment from Brexit and lower consumer confidence. Despite another year of revenue growth (to £23.7m) the volatility of the US\$ rate has increased input prices. Had the \$ rate been maintained throughout the year at opening rates of 1.34 rather than dropping down to 1.21 at times, our costs would have been £0.7m lower – an additional 3% on our gross margin.

Operating profit before exceptional items and US\$ fluctuations would have been £1.6m, 12% on prior year.

During 2019, we continued to invest in the infrastructure and operations of the business in order to support the anticipated continued top line growth. The completion of the restructure of our teams at Head Office lead to exceptional costs of £0.1m. We have also incurred £0.6m of systems development costs, including new websites.

Our balance sheet continues to be strong, even after the £1m dividend paid, with net current assets of £4.5m and cash reserves of £1m.

Principal Risks and Uncertainties

Due to the international nature of the business, we are at risk from adverse currency movements that are beyond our control. We do, however, mitigate this risk where possible through the hedging of appropriate currencies.

Maintaining tight financial controls and retaining visibility of sales margins by sales channel, by customer and by product range is a challenge. The company has successfully managed this risk to date and is in good shape to do so in the future.

Cashflow planning and cash management is an area that the Company considers vital and we continually review our current and future cash position. At year end, we had a very strong cash balance.

Key Performance Indicators

The business has a suite of key performance indicators that monitor trends on the key aspects of the business namely, sales, margins, operational efficiencies and working capital levels.

We closely monitor the breakdown of sales revenue (and sales margins) by customer channels, by individual customers and by product ranges.

We continually monitor our stock levels and our stock profile. We measure our 'stock days' performance by individual product to ensure that slower moving items are visible and we take appropriate action to manage those products. Stock days at the end of December 2019 were 209 days compared with 196 days at the end of 2018.

We continually monitor our trade debtors and 'debtor day' levels. Debtor day levels at the end of December 2019 were 29 days compared with 53 days at the end of 2018.

Future Developments

Against the continued background of uncertainty arising from Brexit, the company is well placed to maintain the current level of financial performance and to continue to develop selected market places.

On behalf of the board

D J R Gutfreund
Director
26 February 2020

LSE RETAIL GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of the retailing of electric light fittings and bulbs.

Directors

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

B C Dixon

D J R Gutfreund

G J Payton

I M Todd

I L Thomas

(Resigned 28 February 2019)

N Jeffrey

S D Haughton

P A Bates

C A Hulme

(Appointed 1 February 2020)

Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £1,000,000. The directors do not recommend payment of a further dividend.

Auditor

In accordance with the company's articles, a resolution proposing that UHY Hacker Young Manchester LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of directors' responsibilities

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). 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.

LSE RETAIL GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis are disclosed in Note 1.2 of the accounting policies

Financial instruments

The company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from its trading activities.

On behalf of the board

D J R Gutfreund

Director

26 February 2020

LSE RETAIL GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LSE RETAIL GROUP LIMITED

Opinion

We have audited the financial statements of LSE Retail Group Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

LSE RETAIL GROUP LIMITED

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

Matters on which we are required to report by exception

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

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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://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.

Paul Daly BEng FCA (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young Manchester LLP

26 February 2020

Chartered Accountants
Statutory Auditor

St James Building
79 Oxford Street
Manchester
M1 6HT

LSE RETAIL GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	Notes	£	£
Turnover	3	23,678,704	20,603,349
Cost of sales		(12,718,718)	(9,233,673)
Gross profit		10,959,986	11,369,676
Distribution costs		(4,523,403)	(4,533,517)
Administrative expenses		(5,574,989)	(5,418,957)
Profit before restructuring and development costs		861,594	1,417,202
Restructuring costs	4	(115,338)	(311,037)
Development costs	4	(659,176)	-
Operating profit	5	87,080	1,106,165
Interest receivable and similar income	8	2,220	2,925
Interest payable and similar expenses	9	(34,137)	(14,000)
Profit before taxation		55,163	1,095,090
Tax on profit	10	645,733	(213,551)
Profit for the financial year		700,896	881,539

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

LSE RETAIL GROUP LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	12		-		173,891
Tangible assets	13		133,596		213,280
			<u>133,596</u>		<u>387,171</u>
Current assets					
Stocks	14	7,287,300		4,972,000	
Debtors	15	1,472,218		1,210,803	
Cash at bank and in hand		983,325		2,853,876	
		<u>9,742,843</u>		<u>9,036,679</u>	
Creditors: amounts falling due within one year	16	<u>(5,145,816)</u>		<u>(4,289,732)</u>	
Net current assets			<u>4,597,027</u>		<u>4,746,947</u>
Total assets less current liabilities			<u>4,730,623</u>		<u>5,134,118</u>
Provisions for liabilities	19		-		(21,016)
Net assets			<u><u>4,730,623</u></u>		<u><u>5,113,102</u></u>
Capital and reserves					
Called up share capital	21		100		100
Hedging reserve	22		(83,375)		-
Profit and loss reserves	23		<u>4,813,898</u>		<u>5,113,002</u>
Total equity			<u><u>4,730,623</u></u>		<u><u>5,113,102</u></u>

The financial statements were approved by the board of directors and authorised for issue on 26 February 2020 and are signed on its behalf by:

D J R Gutfreund
Director

Company Registration No. 06973805

LSE RETAIL GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		Share capital	Hedging reserve	Profit and loss reserves	Total
		£	£	£	£
Balance at 1 January 2018		100	(94,128)	6,231,463	6,137,435
Period ended 31 December 2018:					
Profit and total comprehensive income for the year		-	-	881,539	881,539
Dividends	11	-	-	(2,000,000)	(2,000,000)
Other		-	94,128	-	94,128
Balance at 31 December 2018		100	-	5,113,002	5,113,102
Period ended 31 December 2019:					
Profit and total comprehensive income for the year		-	-	700,896	700,896
Dividends	11	-	-	(1,000,000)	(1,000,000)
Other		-	(83,375)	-	(83,375)
Balance at 31 December 2019		100	(83,375)	4,813,898	4,730,623

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

LSE Retail Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Unit L1, Lyntown Trading Estate, Eccles, Manchester, M30 9QG.

1.1 Accounting convention

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

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

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with FRS 102 issued by the Financial Reporting Council.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of LSE Group Holdings Limited. These consolidated financial statements are available from its registered office, Unit L1, Lyntown Trading Estate, Eccles, Manchester, M30 9QG.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover 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, VAT and other sales related taxes.

Turnover from the sale of goods is recognised when the goods have been dispatched to the customer.

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.4 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33.3% straight line
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1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures, fittings & equipment	25% straight line
Computer equipment	25% straight line
Motor vehicles	50% straight line
Website development	33.3% straight line

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.

1.6 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value after making allowance for obsolete and slow moving stock lines. Stock cost comprises the finished goods purchase price and element of carriage and duty attributable to each item of stock in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets 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. Bank overdrafts are shown within borrowings in current liabilities.

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.9 Financial assets

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

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at cost, less any 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.

1.10 Financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

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

1.11 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end 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.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

The company designates certain hedging instruments, which include derivatives, as cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the relationship between the hedging instrument and the hedged item is documented, along with the risk management objectives and strategy underlying the utilisation of hedging transactions. At the inception of the hedge and on an ongoing basis the effectiveness with which the hedging instrument offsets changes in cash flows of the hedged item is assessed, to ensure the instrument remains highly effective and thus satisfies the criteria to apply hedge accounting under FRS102.

The effective portion of changes in the fair value of derivatives that are designated as cash flow hedges is recognised in other comprehensive income, with the gain or loss on the ineffective portion being recognised immediately through the profit and loss account.

Amounts previously recognised in other comprehensive income are reclassified to the profit and loss account in the period when the hedged item is recognised in the profit and loss account.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 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.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

2 Critical accounting estimates and judgements

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.

Slow moving and obsolete stock provision

The demand for the company's products can be strongly influenced by fashion trends and/or technical innovations. In addition, there is a risk that overall consumer demand could fall as a result of changes in the economic environment arising from Brexit.

Against this background, the Directors have reviewed the profile of the stockholding at year-end on a product by product basis and made an assessment of the provision required in respect of slow moving and obsolete products. The Directors have taken a prudent view and have made additional provisions where necessary. The Directors have concluded that stock is being properly valued at the lower of cost and net realisable value (see Note 1.7 for the definition of 'net realisable value').

3 Turnover

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

	2019 £	2018 £
Turnover		
Sale of goods	23,678,704	20,603,349
	<u>23,678,704</u>	<u>20,603,349</u>
Turnover analysed by geographical market		
	2019 £	2018 £
United Kingdom	23,254,010	20,341,875
Europe	424,694	261,474
	<u>23,678,704</u>	<u>20,603,349</u>

4 Restructuring and development costs

During 2018, the company restructured a component of its UK operations, incurring redundancy, contract termination and stock write down costs of £311,037.

During 2019, there were further redundancy costs of £115,338, systems development costs, including new websites of £562,849 and costs relating to professional tax advice of £96,327.

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5	Operating profit	2019	2018
		£	£
	Operating profit for the year is stated after charging:		
	Fees payable to the company's auditors for the audit of the company's financial statements	15,800	15,000
	Depreciation of owned tangible fixed assets	99,704	206,545
	Amortisation of intangible assets	173,891	157,663
	Operating lease charges	408,561	229,325
		<u> </u>	<u> </u>

6 Employees

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

	2019	2018
	Number	Number
Distribution	31	28
Sales	30	35
Administration	27	35
	<u> </u>	<u> </u>
	88	98
	<u> </u>	<u> </u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	3,395,365	3,796,009
Social security costs	280,667	310,266
Pension costs	68,700	111,384
	<u> </u>	<u> </u>
	3,744,732	4,217,659
	<u> </u>	<u> </u>

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

7 Directors' remuneration

Directors' remuneration also represents the remuneration of key management personnel.

	2019 £	2018 £
Remuneration for qualifying services	631,689	686,680
Company pension contributions to defined contribution schemes	13,507	68,931
	<u>645,196</u>	<u>755,611</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2018 - 7).

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

Remuneration for qualifying services	119,092	109,460
Company pension contributions to defined contribution schemes	3,081	22,872
	<u>122,173</u>	<u>132,332</u>

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	2,220	2,925
	<u>2,220</u>	<u>2,925</u>

9 Interest payable and similar expenses

	2019 £	2018 £
Other interest on financial liabilities	34,137	14,000
	<u>34,137</u>	<u>14,000</u>

10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	(239,409)	234,584
Adjustments in respect of prior periods	(385,308)	1,385
Total current tax	<u>(624,717)</u>	<u>235,969</u>
Deferred tax		
Origination and reversal of timing differences	(21,016)	(22,418)
	<u>(21,016)</u>	<u>(22,418)</u>
Total tax (credit)/charge	<u>(645,733)</u>	<u>213,551</u>

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Taxation

(Continued)

The actual (credit)/charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	55,163	1,095,090
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	10,481	208,067
Tax effect of expenses that are not deductible in determining taxable profit	2,993	2,824
Other non-reversing timing differences	1,037	-
Other permanent differences	641	-
Adjust deferred tax to average rate 19%	2,918	2,660
Additional deduction for R&D expenditure	(340,519)	-
Adjustments to tax charge in respect of previous periods	(390,679)	-
Surrender of tax losses for R&D tax credit refund	66,858	-
Fixed asset differences	537	-
Taxation (credit)/charge for the year	(645,733)	213,551

11 Dividends

	2019 £	2018 £
Final paid	1,000,000	2,000,000

12 Intangible fixed assets

	Software £
Cost	
At 1 January 2019 and 31 December 2019	454,501
Amortisation and impairment	
At 1 January 2019	280,610
Amortisation charged for the year	173,891
At 31 December 2019	454,501
Carrying amount	
At 31 December 2019	-
At 31 December 2018	173,891

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

13 Tangible fixed assets

	Fixtures, fittings & equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2019	851,329	265,106	13,950	1,130,385
Additions	22,102	-	-	22,102
Disposals	-	-	(13,950)	(13,950)
At 31 December 2019	873,431	265,106	-	1,138,537
Depreciation and impairment				
At 1 January 2019	747,641	158,420	11,044	917,105
Depreciation charged in the year	85,023	13,857	824	99,704
Eliminated in respect of disposals	-	-	(11,868)	(11,868)
At 31 December 2019	832,664	172,277	-	1,004,941
Carrying amount				
At 31 December 2019	40,767	92,829	-	133,596
At 31 December 2018	103,688	106,686	2,906	213,280

14 Stocks

	2019 £	2018 £
Finished goods and goods for resale	7,287,300	4,972,000

15 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	554,935	937,138
Corporation tax recoverable	623,470	20,090
Amounts owed by group undertakings	5,054	4,911
Other debtors	6,616	16,507
Prepayments and accrued income	282,143	232,157
	1,472,218	1,210,803

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

16 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Other borrowings	17	100,000	100,000
Trade creditors		2,403,709	1,100,041
Amounts owed to group undertakings		1,329,506	687,477
Taxation and social security		603,839	107,909
Derivative financial instruments		83,375	-
Other creditors		40,896	75,649
Accruals and deferred income		584,491	2,218,656
		<u>5,145,816</u>	<u>4,289,732</u>

17 Loans and overdrafts

	2019 £	2018 £
Other loans	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Payable within one year	100,000	100,000
	<u>100,000</u>	<u>100,000</u>

Other loans comprise £100,000 (2018 : £100,000) due to D J R Gutfreund, director and controlling party. This loan does not attract interest, has no fixed repayment term and is secured by way of a first legal mortgage and a fixed charge over certain current and future assets.

18 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2019 £	Liabilities 2018 £
Balances:		
Accelerated capital allowances	-	21,016
	<u>-</u>	<u>21,016</u>
Movements in the year:		2019 £
Liability at 1 January 2019		21,016
Credit to profit and loss		(21,016)
Liability at 31 December 2019		<u>-</u>

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

19	Provisions for liabilities	Notes	2019 £	2018 £
	Deferred tax liabilities	18	-	21,016
			-	21,016

20	Retirement benefit schemes	2019 £	2018 £
	Defined contribution schemes		
	Charge to profit or loss in respect of defined contribution schemes	68,700	111,384

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

21	Share capital	2019 £	2018 £
	Ordinary share capital		
	Issued and fully paid		
	80 A Ordinary shares of £1 each	80	80
	20 B Ordinary shares of £1 each	20	20
		100	100

22	Hedging reserve	2019 £	2018 £
	At the beginning of the year	-	(94,128)
	Other transfers	(83,375)	94,128
	At the end of the year	(83,375)	-

During 2019 the company entered into cash flow hedges to mitigate foreign exchange risk on firm commitments payable in US Dollars, by committing to buy US Dollars over the period 13 September 2019 to 15 April 2020 at a range of pre-determined exchange rates.

At December 2019, the fair value of hedging instrument was a liability of £83,375.

LSE RETAIL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

23 Profit and loss reserves

	2019 £	2018 £
At the beginning of the year	5,113,002	6,231,463
Profit for the year	700,896	881,539
Dividends declared and paid in the year	(1,000,000)	(2,000,000)
At the end of the year	<u>4,813,898</u>	<u>5,113,002</u>

24 Operating lease commitments

Total commitments under operating leases amounted to £742,140.

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:

	2019 £	2018 £
Within one year	312,669	283,190
Between two and five years	429,471	627,128
	<u>742,140</u>	<u>910,318</u>

25 Ultimate controlling party

The immediate and ultimate parent company is LSE Group Holdings Limited, a company registered in England and Wales.

The ultimate controlling party is D J R Gutfreund, by virtue of his shareholding in the immediate and ultimate parent company.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.