

Foot Locker UK Limited

**Directors' report and consolidated
financial statements**

Registered number 2568406

For the year ended 31 December 2012

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2012

Principal activities and business review

The principal activity of the company is that of a holding company for a group engaged in the sale of sports and leisure clothing, footwear and accessories through retail outlets in the UK. The main objective is to grow the company's market share by "providing the most compelling sport performance and lifestyle fashion branded athletic footwear and apparel". This is both for the shorter and longer term and with the support of the Foot Locker world wide brand.

During the year the company closed six and opened 5 stores. For the year the turnover increased by 6.8% compared to 2011. The targeted operating margin was not achieved as a result of the expense challenges faced.

For the year 2013 the company is planning to net increase the store base by 2 and is anticipating a sales gain of 0.6% for the existing stores. Expense control programs will be continued to allow the operating profit to be at the targeted rate under the Limited Risk Distribution agreement signed with Foot Locker Europe B.V.

Exchange rate fluctuations could distort reported profits as a result of the product sourcing being based in euros. In order to manage the risk, currency hedges are entered into to allow the exchange rate to be controlled and forecasted. These are held at group level. Furthermore, the directors do not perceive there to be a significant credit risk due to the nature of the sales transactions, and liquidity risk is low as the group operates through intercompany funding agreements.

The state of the company's affairs and its result for the year are as shown in the accompanying financial statements. Future developments are likely to be in the same field for the retail outlets.

Results and dividends

The directors do not recommend the payment of a dividend for the year (2011 £Nil).

Directors

The directors who held office during the year were as follows:

LP Kimble	(American)
RM van der Hoeven	(Dutch) (resigned 1 April 2012)
JW Szumski	(American)

Employees

The company and group give equal consideration to applications for employment from disabled people having regard to their particular aptitudes and abilities. It is group and company policy wherever practicable to continue to employ, train and promote the career development of existing employees who become disabled.

Employee participation and involvement in matters which affect their interest continues to be developed through regular communications and meetings.

Charitable and political donations

During the year, no charitable or political donations were made by the Company (2011 £Nil).

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office

On behalf of the board



LP Kimble
Director

25 North Row
London
W1K 6DJ

3 September 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period

In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 group and the parent company continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities



KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Foot Locker UK Limited

We have audited the financial statements of Foot Locker UK Limited for the year ended 31 December 2012 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 set out on page 3, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Foot Locker UK Limited *(continued)*

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 parent company 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



Greg Watts (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

10th September 2013

Consolidated profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	<i>1</i>	86,208	80,726
Cost of sales		(84,060)	(76,990)
		<hr/>	<hr/>
Gross profit		2,148	3,736
Administrative expenses		(1,341)	(1,025)
		<hr/>	<hr/>
Operating profit		807	2,711
Interest receivable and similar income	<i>3</i>	14	15
Interest payable and similar charges	<i>4</i>	(330)	(481)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	491	2,245
Tax on profit on ordinary activities	<i>7</i>	(159)	(616)
		<hr/>	<hr/>
Profit on ordinary activities after taxation and profit for the financial year	<i>15</i>	332	1,629
		<hr/> <hr/>	<hr/> <hr/>

The group has no recognised gains or losses other than those reflected in its consolidated profit and loss account for either the current or preceding financial year

There is no difference between the results as disclosed and the results on an unmodified historical cost basis

Turnover and operating profit are derived solely from continuing operations

Consolidated balance sheet
at 31 December 2012

	<i>Note</i>	2012 £000	2011 £000	2011 £000	2010 £000
Fixed assets					
Tangible assets	8		10,699		8,057
Current assets					
Stocks	10	14,733		12,644	
Debtors	11	7,893		11,561	
Cash at bank and in hand		9,958		6,787	
		<u>32,584</u>		<u>30,992</u>	
Creditors amounts falling due within one year	12	<u>(23,236)</u>		<u>(19,133)</u>	
Net current assets			<u>9,348</u>		<u>11,859</u>
Total assets less current liabilities			<u>20,047</u>		<u>19,916</u>
Provisions for liabilities and charges	13		-		(201)
Net assets			<u>20,047</u>		<u>19,715</u>
Capital and reserves					
Called up share capital	14		14,912		14,912
Profit and loss account	15		5,135		4,803
Shareholders' funds			<u>20,047</u>		<u>19,715</u>

The financial statements were approved by the board of directors on 3 September 2013 and were signed on its behalf by



LP Kimble
Director

Company balance sheet
at 31 December 2012

	<i>Note</i>	2012 £000	£000	2011 £000	£000
Fixed assets					
Investments	<i>9</i>		15,329		15,329
Current assets					
Debtors	<i>11</i>	122		122	
Creditors amounts falling due within one year	<i>12</i>	(371)		(368)	
Net current liabilities			<u>(249)</u>		<u>(246)</u>
Total assets less current liabilities being net assets			<u>15,080</u>		<u>15,083</u>
Capital and reserves					
Called up share capital	<i>14</i>		14,912		14,912
Profit and loss account	<i>15</i>		168		171
Shareholders' funds			<u>15,080</u>		<u>15,083</u>

These financial statements were approved by the board of directors on *3 September* 2013 and were signed on its behalf by



LP Kimble
Director

Registered number 2568406

Reconciliations of movements in shareholders' funds
for the ended 31 December 2012

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Profit/(loss) for the financial year	<u>332</u>	<u>1,629</u>	<u>(3)</u>	<u>(2)</u>
Retained profit	<u>332</u>	<u>1,629</u>	<u>(3)</u>	<u>(2)</u>
Net addition to/(reduction in)/ shareholders' funds	<u>332</u>	<u>1,629</u>	<u>(3)</u>	<u>(2)</u>
Shareholders' funds at beginning of year	<u>19,715</u>	<u>18,086</u>	<u>15,083</u>	<u>15,085</u>
Shareholders' funds at end of year	<u><u>20,047</u></u>	<u><u>19,715</u></u>	<u><u>15,080</u></u>	<u><u>15,083</u></u>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Standards

As the company is a wholly-owned subsidiary of Footlocker Inc the company has taken advantage of the exemption contained in FRS 8 and has, therefore, not disclosed transactions or balances with wholly-owned subsidiaries which form part of the group

The company is exempt from the requirement of Financial Reporting Statement 1 (Revised) to prepare a cash flow statement as 90% or more of the voting rights of the company's shares are controlled by other group companies. The consolidated financial statements of the ultimate holding company, Foot Locker Inc, which include the company, are publicly available

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 2012. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertaking are included in the consolidated profit and loss account from the date of acquisition up to the date of disposal.

Under Section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services through retail operations to customers wholly within the UK during the year

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Fixed assets and depreciation

Depreciation is provided on the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Short leasehold land and buildings	- life of lease
Fixtures and fittings	
Expenditure on the acquisition of leasehold premises	- life of lease
Other	- 20% per annum

Investments

Investments are stated at cost together with any incremental costs of acquisition. Provision is made against the cost of investments where, in the opinion of the directors, there is an impairment in the value of the individual investment

Leases

Operating leases costs are charged to the profit and loss account on a straight line basis over the lease term. Premiums paid to take on certain leases are capitalised and written off over the term of the lease on a straight line basis

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.

Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged in the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Employees may make contributions into the scheme. Under the terms of the scheme, the company does not make any contributions.

2 Profit on ordinary activities before taxation

Group

	2012	2011
	£000	£000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	2,557	1,909
Exchange losses	164	103
Operating leases		
Land and buildings	13,482	13,836
Other	75	52
	9	9
Amounts receivable by the auditor in respect of Audit of financial statements of subsidiaries pursuant to legislation	9	9
	9	9

3 Interest receivable and similar income

	2012	2011
	£000	£000
Bank interest	14	15
	14	15

4 Interest payable and similar charges

	2012	2011
	£000	£000
Bank interest	4	1
Amounts payable to group undertakings	326	480
	330	481
	330	481

Notes *(continued)*

5 Directors' remuneration

No director received any remuneration in respect of his services to the company in either the current or preceding financial year

6 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2012	2011
Sales	711	723
Administration	80	83
	791	806
	791	806

The aggregate payroll costs of these persons were as follows

	£000	£000
Wages and salaries	9,557	9,308
Social security costs	690	759
	10,247	10,067
	10,247	10,067

The company operates a defined contribution scheme into which employees may make contributions. Under the terms of the scheme the company does not make any contributions.

The directors' pension schemes are funded by fellow members of the Foot Locker Group.

Notes (continued)

7 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2012 £000	£000	2011 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	451		861	
Adjustments in respect of prior periods	18		56	
	<hr/>		<hr/>	
Total current tax		469		917
<i>Deferred tax (see note 13)</i>				
Origination of timing differences	(225)		(115)	
Effect of reduction in tax rate	(85)		(175)	
Adjustments in respect of prior years	-		(10)	
	<hr/>		<hr/>	
		(310)		(300)
		<hr/>		<hr/>
		159		617
		<hr/> <hr/>		<hr/> <hr/>

(b) Factors affecting the tax charge for the current period

The current tax charge (2011 charge) for the period is higher (2011 higher) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	491	2,245
	<hr/>	<hr/>
Tax thereon at 24.5% (2011 26.5%)	120	596
<i>Effects of</i>		
Capital allowances less than depreciation	225	116
Depreciation on ineligible assets	91	138
Expenses not deductible for tax purposes	14	11
Utilisation of previously unrecognised capital losses	-	56
Adjustments to tax charge in respect of prior periods	18	-
	<hr/>	<hr/>
	469	917
	<hr/> <hr/>	<hr/> <hr/>

(c) Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 December 2012 (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date).

Notes *(continued)*

8 Tangible fixed assets

Group	Short leasehold property £000	Fixtures and fittings £000	Total £000
<i>Cost</i>			
At beginning of year	2,185	24,959	27,144
Additions	175	5,163	5,338
Disposals	(227)	(2,068)	(2,295)
	<hr/>	<hr/>	<hr/>
At end of year	2,133	28,054	30,187
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>			
At beginning of year	1,496	17,591	19,087
Charge for year	152	2,405	2,557
On disposals	(225)	(1,931)	(2 156)
	<hr/>	<hr/>	<hr/>
At end of year	1,423	18,065	19,488
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 December 2012	710	9,989	10,699
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2011	689	7,368	8,057
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 Investments

Company	Shares in subsidiary undertaking £000
<i>Cost</i>	
At beginning and end of year	18,479
	<hr/>
<i>Provision</i>	
At beginning and end of year	(3,150)
	<hr/>
<i>Net book value</i>	
At 31 December 2012 and 31 December 2011	15,329
	<hr/> <hr/>

Notes (continued)

9 Investments (continued)

Subsidiary undertakings	Country of incorporation	Holding (ordinary shares)	Nature of business
<i>Held directly</i>			
Freedom Sportsline Limited	Great Britain	100%	Sale of sports and leisure clothing footwear and accessories

The above subsidiary is included in these consolidated financial statements

10 Stocks

Group

	2012 £000	2011 £000
Finished goods and goods for resale	14,733	12,644

11 Debtors

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade debtors	222	316	-	-
Amounts owed by group undertakings	2,532	5,663	122	122
Other debtors	93	521	-	-
Deferred taxation	109	-	-	-
Prepayments and accrued income	4,937	5,061	-	-
	<u>7,893</u>	<u>11,561</u>	<u>122</u>	<u>122</u>

12 Creditors: amounts falling due within one year

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade creditors	454	142	-	-
Amounts owed to group undertakings	15,852	13,413	371	368
Other taxation and social security	2,133	2,885	-	-
Accruals and deferred income	4,797	2,693	-	-
	<u>23,236</u>	<u>19,133</u>	<u>371</u>	<u>368</u>

Notes *(continued)*

13 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	201
Credited to the profit and loss for the year	(225)
Adjustment to tax charge in respect of previous periods	(85)
	(109)
At the end of year (see note 11)	(109)

Amounts provided for deferred taxation are as follows

	2012 £000	2011 £000
Accelerated capital allowances	(109)	201
	(109)	201

14 Called up share capital

Company

	2012 £000	2011 £000
<i>Allotted, called up and fully paid.</i>		
14,911,845 (2011 14,911,845) ordinary shares of £1 each	14,912	14,912
	14,912	14,912

15 Reserves

	Profit and loss account	
	Group £000	Company £000
At beginning of year	4,803	171
Profit for the financial year	332	(3)
	5,135	168

16 Commitments under operating leases

Group

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	
	2012 £000	2011 £000
Operating leases which expire		
Within one year	-	1,447
Within two to five years	7,977	5,005
After five years	8,012	7,968
	15,989	14,420

Notes *(continued)*

17 Contingent liability

The group has guaranteed certain lease commitments for stores owned by fellow Foot Locker Inc group companies
The total lease commitments at 31 December 2012 were £29,533,457 (2011 £31,869,179)

Company

The company had no commitments at 31 December 2012 (2011 £Nil)

18 Parent undertakings

The immediate parent company is Foot Locker Europe B V , a company incorporated in the Netherlands

The company's ultimate parent undertaking and ultimate controlling party is Foot Locker Inc, a company incorporated in the USA Copies of the group financial statements are available from

112 West 34th Street
New York
NY 10120
USA

The group financial statements are also available on www.footlocker.com