Foot Locker UK Limited

Annual report and consolidated financial statements

Registered number 2568406

For the year ended 31 December 2015

Contents

Strategic report

Business review

Turnover for the year was £113,655,000 *(2014: £101,816,000)* resulting in a profit before taxation of £3,308,000 *(2014: £2,819,000)*. The profit after taxation for the year was £2,082,000 *(2014: £1,915,000)*.

For the year the turnover increased by 11.6%. The growth is driven by an excellent performance of both purchasing and sales teams combined with positive trend in the fashion market towards athletic inspired shoes and apparel. We have also achieved our target operating margin for the year due to a successful control and reduction of our operating expenses across the business.

Financial Key Performance Indicators

	2015	2014	**%**
	£000	£000	**Change**
Turnover	**113,655**	101,816	**11.6%**
Revenue growth rate %	**11.6%**	6.3%	
Gross profit %	**3.8%**	3.7%	
Operating profit	**3,451**	2,949	**17.0%**
Profit before tax	**3,308**	2,819	**17.3%**
Net profit margin	**2.0%**	1.9%	
Current ratio	**1.47**	1.45	

Research and development

The Group is not involved in the research and development of new products. These services are purchased from an affiliated company.

Objectives and strategy

Objective is to continue to grow the Group's market share by "providing the most compelling sport performance and lifestyle fashion branded athletic footwear and apparel". This applies to both shorter and longer term and with the support of the Foot Locker worldwide brand.

Principal risks and uncertainties facing the business

The principal risks and uncertainties facing the Group are similar to those facing other companies in the industry sector, namely, revenue risk from competing businesses and the business risk posed by increasing costs. These risks are managed at a global and a European regional level, and are significantly mitigated by being part of a global clothing and footwear retail group, utilising its brand image to obtain market share.

Exchange rate fluctuations could distort reported profits as a result of the product sourcing being based in EURO. In order to manage the risk currency hedges are entered into to allow the exchange rate to be controlled and forecasted.

Strategic report *(continued)*

Outlook and future developments

For the year 2016, the Group is planning to maintain a similar level of its store base in the country and is anticipating an increase of sales for the existing stores (store-to-store basis). Expense control programs will be continued to allow the operating profit to be at desired levels.

By order of the board:

LP Kimble
Director

Sharon A McLaughlin

S A McLaughlin
Company Secretary

23 September 2016

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the Group during the year is the sale of sports and leisure clothing, footwear and accessories through retail outlets in the UK. Objective is to grow the Group's market share by "providing the most compelling sport performance and lifestyle fashion branded athletic footwear and apparel". This both for the shorter and longer term and with the support of the Foot Locker worldwide brand.

In accordance to the Companies Act 2006, a review providing an analysis of performance and position of the business, along with Key Performance Indicators, and a description of main risks and issues facing our business, is detailed in the Strategic Report.

The state of the Group'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.

Charitable and political contributions

No charitable contributions were made to the group during the year *(2014:Nil)*. No donations were made to EU political organisations (*2014: £Nil*).

Results and dividends

The directors do not recommend the payment of a dividend for the year (*2014: £Nil*).

Directors

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

LP Kimble	(American)	
JW Szumski	(American)	(resigned 1 March 2015)
JAM Van Der Staak	(American)	(appointed 1 March 2015)

Employees

The Group gives equal consideration to applications for employment from disabled people having regard to their particular aptitudes and abilities. It is group 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.

Disclosure of information to auditor

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

Directors report *(continued)*

Auditors

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

S A McLaughlin
Company Secretary

1st Floor
42 – 48 Great Portland Street
London
W1W 7NB

23 September 2016

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

The directors are responsible for preparing the Strategic report, 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) including *FRS 102 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 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 2015 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including *FRS 102 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 set out on page 5, 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 web-site 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 2015 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 Strategic report and Directors' 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 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

~~25~~ September 2016
27

Consolidated profit and loss account
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Turnover	*1*	**113,655**	101,816
Cost of sales		**(109,356)**	(98,025)
Gross profit		**4,299**	3,791
Administrative expenses		**(848)**	(842)
Operating profit		**3,451**	2,949
Interest receivable and similar income	*3*	**48**	31
Interest payable and similar charges	*4*	**(191)**	(161)
Profit on ordinary activities before taxation	*2*	**3,308**	2,819
Tax on profit on ordinary activities	*7*	**(1,226)**	(904)
Profit on ordinary activities after taxation and profit for the financial year		**2,082**	1,915

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 2015

	Note	2015 £000	£000	2014 £000	£000
Fixed assets					
Tangible assets	8		**9,073**		8,323
Current assets					
Stocks	10	**18,392**		17,284	
Debtors	11	**7,484**		8,265	
Cash at bank and in hand		**23,486**		20,791	
		49,362		46,340	
Creditors: amounts falling due within one year	12	**(33,650)**		(31,959)	
Net current assets			**15,712**		14,381
Total assets less current liabilities, being net assets			**24,785**		22,704
Capital and reserves					
Called up share capital	14		**14,912**		14,912
Profit and loss account			**9,873**		7,792
Shareholders' funds			**24,785**		22,704

The financial statements were approved by the board of directors on 23 September 2016 and were signed on its behalf by:

Sharon A McLaughlin

LP Kimble
Director

S A McLaughlin
Company Secretary

Company balance sheet
at 31 December 2015

	Note	**2015 £000**	**£000**	2014 £000	£000
Fixed assets					
Investments	*9*		**15,329**		15,329
Creditors: amounts falling due within one year	*12*	**(254)**		(253)	
Net current liabilities			**(254)**		(253)
Total assets less current liabilities being net assets			**15,075**		15,076
Capital and reserves					
Called up share capital	*14*		**14,912**		14,912
Profit and loss account			**163**		164
Shareholders' funds			**15,075**		15,076

These financial statements were approved by the board of directors on 23 September 2016 and were signed on its behalf by:

LP Kimble
Director

S A McLaughlin
Company Secretary

Registered number: 2568406

Consolidated Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	14,912	5,877	20,789
Total comprehensive income for the period			
Profit or loss	-	1,915	1,915
Total comprehensive income for the period	-	1,915	1,915
Balance at 31 December 2014	14,912	7,792	22,704
Balance at 1 January 2015	14,912	7,792	22,704
Total comprehensive income for the period			
Profit or loss	-	2,081	2,251
Total comprehensive income for the period	-	2,081	2,251
Balance at 31 December 2015	**14,912**	**9,873**	**24,955**

Company Statement of Changes in Equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	14,912	166	15,078
Total comprehensive income for the period			
Profit or loss	-	(2)	(2)
Total comprehensive income for the period	-	(2)	(2)
Balance at 31 December 2014	14,912	164	15,706
Balance at 1 January 2015	14,912	164	15,706
Total comprehensive income for the period			
Profit or loss	-	(1)	(1)
Total comprehensive income for the period	-	(1)	(1)
Balance at 31 December 2015	**14,912**	**163**	**15,075**

Consolidated statement of cash flows
for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Cash flows from operating activities			
Profit for the year		**3,451**	2,949
Adjustments for:			
Depreciation, amortisation and impairment		**3,355**	2,781
Interest receivable and similar income		**48**	31
Interest payable and similar charges		**(192)**	(161)
Taxation		**(1,226)**	(904)
(Increase)/decrease in trade and other debtors		**781**	465
(Increase)/decrease in stocks		**(1,108)**	(2,564)
(Decrease)/increase in trade and other creditors		**2,446**	11,736
(Decrease)/increase in provisions and employee benefits		**(755)**	(168)
Net cash from operating activities		**6,800**	14,165
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**194**	240
Acquisition of tangible fixed assets	*14*	**(4,299)**	(1,632)
Net cash from investing activities		**(4,105)**	(1,392)
Net increase/(decrease) in cash and cash equivalents		**2,695**	12,773
Cash and cash equivalents at 1 January		**20,791**	
Effect of exchange rate fluctuations on cash held		**2,695**	12,773
Cash and cash equivalents at 31 December	*20*	**23,486**	20,791

Notes
(forming part of the financial statements)

1 Accounting policies

Footlocker UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group and company have made no measurement and recognition adjustments.

The Company's ultimate parent undertaking, Foot Locker Inc includes the company in its consolidated financial statements. The consolidated financial statements of Foot Locker Inc are prepared in accordance with US GAAP and are available to the public and may be obtained from http://www.footlocker-inc.com. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Foot Locker Inc include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments;* and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the profit or loss.

1.2 Going concern

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.10 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

• short leasehold land and buildings	life of lease
• fixture and fittings: expenditure on the acquisition of leasehold premises	life of lease
• Other	20% per annum

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.8 Turnover

Turnover represents the amounts derived from the sales of goods to consumers during the year. The amount of net turnover has been determined on the basis of the sales lees value added tax and discounts.

Revenue is recognised when the Company has transferred to the buyer the significant risks and rewards of ownerships of the goods.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Expenses

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Profit on ordinary activities before taxation

Group

	2015 £000	2014 £000
Profit on ordinary activities before taxation is stated after charging		
Depreciation	**3,355**	2,781
Exchange (gains)/losses	**(355)**	(438)
Operating leases:		
Land and buildings	**16,015**	16,395
Other	**32**	52
Auditor's remuneration		
Audit of financial statements (home by other group undertakings)		
Amounts receivable by the auditors in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**9**	9

3 Interest receivable and similar income

	2015 £000	2014 £000
Bank interest	**48**	31

4 Interest payable and similar charges

	2015 £000	2014 £000
Bank interest	**7**	7
Intra-group interest	**185**	154
	192	161

Notes *(continued)*

5 Directors' remuneration

	2015	2014
	£000	£000
Directors' emoluments	**198**	169
Amounts receivable under long term incentive schemes	**96**	253
Company contributions to money purchase pension plans	-	-
Excess retirement benefits over original entitlement	-	-
Compensation for loss of office	-	-
Amounts paid to third parties in respect of directors' services	-	-
	294	422

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £96,083 *(2014:£238,521)*, and company pension contributions of £Nil *(2014:£Nil)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2015	2014
The number of directors who exercised share options was	**1**	2
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	**1**	2

Notes *(continued)*

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	
	2015	2014
Sales	**736**	729
Administration	**90**	88
	826	817

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**11,218**	10,418
Social security costs	**881**	820
	12,099	11,238

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

7 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2015		2014	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on income for the period	**1,093**		953	
Adjustments in respect of prior periods	**(4)**		12	
Total current tax		**1,089**		965
Deferred tax (see note 13)				
Origination of timing differences	**(82)**		(178)	
Effect of reduction in tax rate	**219**		117	
		137		(61)
		1,226		904

Notes *(continued)*

7 Tax on profit on ordinary activities *(continued)*

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

The tax charge *(2014: charge)* for the period is higher *(2014: higher)* than the standard rate of corporation tax in the UK of 20.25% *(2014: 21.5%)*. The differences are explained below:

	2015	2014
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**3,308**	2,819
Tax thereon at 20.25% *(2014: 21.5%)*	**670**	607
Effects of:		
Ineligible depreciation	**285**	125
Expenses not deductible for tax	**12**	12
Adjustments in respect of prior periods	**214**	129
Effect of UK tax rate changes	**45**	31
	1,226	904

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

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 December 2015 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge and reduce the deferred tax asset at 31 December 2015 accordingly.

Notes *(continued)*

8 Tangible fixed assets

Group

	Short leasehold property £000	Fixtures and fittings £000	Total £000
Cost			
At beginning of year	2,097	27,716	29,813
Additions	134	4,165	4,299
Disposals	(159)	(2,723)	(2,882)
At end of year	2,072	29,158	31,230
Depreciation			
At beginning of year	1,615	19,875	21,490
Charge for year	173	3,182	3,355
On disposals	(153)	(2,535)	(2,688)
At end of year	1,635	20,522	22,157
Net book value			
At 31 December 2015	**437**	**8,636**	**9,073**
At 31 December 2014	482	7,841	8,323

9 Investments

Company

	Shares in subsidiary undertaking £000
Cost	
At beginning and end of year	15,329
Provision	
At beginning and end of year	-
Net book value	
At 31 December 2015 and 31 December 2014	**15,329**

Subsidiary undertakings	Country of incorporation	Holding (ordinary shares)	Nature of business
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.

Notes *(continued)*

10 Stocks

Group

	2015	2014
	£000	£000
Finished goods and goods for resale	**18,392**	17,284

11 Debtors

	Group		**Company**	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Trade debtors	**138**	10	**-**	-
Amounts owed by group undertakings	**130**	-	**-**	-
Other debtors	**1,694**	1,777	**-**	-
Prepayments and accrued income	**5,129**	5,948	**-**	
Corporation tax debtor	**393**	530	**-**	-
	7,484	8,265	**-**	-

12 Creditors: amounts falling due within one year

	Group		**Company**	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Trade creditors	**512**	140	**-**	-
Amounts owed to group undertakings	**23,809**	21,524	**254**	253
Other taxation and social security	**3,150**	3,662	**-**	-
Accruals and deferred income	**6,179**	6,380	**-**	-
	33,650	31,706	**254**	253

13 Deferred taxation

	2015
	£000
At beginning of year	**(530)**
Credited to the profit and loss for the year	**137**
At the end of year (see note 11)	**(393)**

Amounts provided for deferred taxation are as follows:

	2015	2014
	£000	£000
Accelerated capital allowances	**(393)**	(530)

Notes *(continued)*

14 Called up share capital

Company

	2015	2014
	£000	£000
Authorised:		
18,450,462 *(2014: 18,450,462)* ordinary shares of £1 each	**18,450**	18,450
Allocated, called up and fully paid:		
14,911,645 *(2014: 14,911,845)* ordinary shares of £1 each	**14,912**	14,912

15 Reserves

	Profit and loss account	
	Group	**Company**
	£000	**£000**
At beginning of year	**7,792**	**164**
Profit for the financial year	**2,081**	**(1)**
At end of year	**9,873**	**163**

16 Commitments under operating leases

Group

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2015	2014
	£000	£000
Operating leases which expire:		
Within one year	**-**	-
Within two to five years	**9,157**	9,912
After five years	**6,711**	6,636
	15,868	16,548

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 2015 were £19,398,548 *(2014: £22,711,992)*.

Company

The Company had no commitments at 31 December 2015 *(2014: £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.

19 Accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not from readily apparent other sources. Actual results may differ from these estimates.

20 Related parties

Foot Locker UK Limited is a wholly owned subsidiary of Foot Locker Europe B.V. and ultimately Foot Locker Inc. The results of Foot Locker UK Limited are included in the consolidated financial statements of Foot Locker Inc. Consequently, the Group and Company are exempt under the terms of FRS102.33 'Related Party Disclosures' from disclosing details of transactions with Foot Locker Inc or other wholly owned entities that were members of the Foot Locker Inc group.