Foot Locker UK Limited

Annual report and consolidated financial statements

Registered number 2568406

For the year ended 31 December 2014

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Strategic report

Business review

Turnover for the year was £101,816,000 *(2013: £95,791,000)* resulting in a profit before taxation of £2,819,000 *(2013: £1,548,000)*. The profit after taxation for the year was £1,915,000 *(2013: £742,000)*.

For the year the turnover increased by 6.3%. 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

	2014 £000	2013 £000	% Change
Turnover	101,816	95,791	6.3%
Revenue growth rate %	6.3%	11.1%	4.8%
Gross profit %	3.7%	3.3%	
Operating profit	2,949	1,834	60.8%
Profit before tax	2,819	1,548	82.1%
Net profit margin	1.9%	0.8%	
Current ratio	1.45	1.54	

Research and development

Foot Locker UK Limited 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 company'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 World Wide brand.

Principal risks and uncertainties facing the business

The principal risks and uncertainties facing the Company 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 2015 the company 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:

Sharon A McLaughlin

J A M van der Staak
Director

S A McLaughlin
Company Secretary

28 September 2015

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Principal activities

The principal activity of the company during the year 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. 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 both for the shorter and longer term and with the support of the Foot Locker World Wide 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 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 (*2013: £Nil*).

Directors

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

LP Kimble	(American)
JW Szumski	(American)

Employees

The company gives 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.

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 company'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 company'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:

J A M van der Staak
Director

Sharon A McLaughlin

S A McLaughlin
Company Secretary

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

28 September 2015

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).

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 2014 set out on pages 8 to 19. 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 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 2014 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.

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.

G A Watts

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

28 September 2015

Consolidated profit and loss account
for the year ended 31 December 2014

	Note	**2014** **£000**	2013 £000
Turnover	*1*	**101,816**	95,791
Cost of sales		**(98,025)**	(92,669)
Gross profit		**3,791**	3,122
Administrative expenses		**(842)**	(1,288)
Operating profit		**2,949**	1,834
Interest receivable and similar income	*3*	**31**	30
Interest payable and similar charges	*4*	**(161)**	(316)
Profit on ordinary activities before taxation	*2*	**2,819**	1,548
Tax on profit on ordinary activities	*7*	**(904)**	(806)
Profit on ordinary activities after taxation and profit for the financial year	*15*	**1,915**	742

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 2014

	Note	2014 £000	£000	2013 £000	£000
Fixed assets					
Tangible assets	*8*		**8,323**		9,712
Current assets					
Stocks	*10*	**17,284**		14,720	
Debtors	*11*	**8,265**		8,730	
Cash at bank and in hand		**20,791**		8,018	
		46,340		31,468	
Creditors: amounts falling due within one year	*12*	**(31,959)**		(20,391)	
Net current assets			**14,381**		11,077
Total assets less current liabilities, being net assets			**22,704**		20,789
Capital and reserves					
Called up share capital	*14*		**14,912**		14,912
Profit and loss account	*15*		**7,792**		5,877
Shareholders' funds			**22,704**		20,789

The financial statements were approved by the board of directors on 29 September 2015 and were signed on its behalf by:

J A M van der Staak
Director

S A McLaughlin
Company Secretary

Company balance sheet
at 31 December 2014

	Note	2014 £000	£000	2013 £000	£000
Fixed assets					
Investments	*9*		**15,329**		15,329
Current assets					
Debtors	*11*	-		122	
Creditors: amounts falling due within one year	*12*	(253)		(373)	
Net current liabilities			**(253)**		(251)
Total assets less current liabilities being net assets			**15,076**		15,078
Capital and reserves					
Called up share capital	*14*		**14,912**		14,912
Profit and loss account	*15*		**164**		166
Shareholders' funds			**15,076**		15,078

These financial statements were approved by the board of directors on 28 September 2015 and were signed on its behalf by:

J A M van der Staak
Director

S A McLaughlin
Company Secretary

Registered number: 2568406

Reconciliations of movements in shareholders' funds
for the ended 31 December 2014

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Profit/(loss) for the financial year	**1,915**	742	**(4)**	(2)
Retained profit/(loss)	**1,915**	742	**(4)**	(2)
Net addition to/(reduction in)/ shareholders' funds	**1,915**	742	**(4)**	(2)
Shareholders' funds at beginning of year	**20,789**	20,047	**15,078**	15,080
Shareholders' funds at end of year	**22,704**	20,789	**15,076**	15,078

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 2014. 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

	2014	2013
	£000	£000
Profit on ordinary activities before taxation is stated after charging		
Depreciation	**2,781**	2,924
Exchange (gains)/losses	**(438)**	(154)
Operating leases:		
Land and buildings	**16,395**	16,090
Other	**52**	65
Amounts receivable by the auditor in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**9**	9

3 Interest receivable and similar income

	2014	2013
	£000	£000
Bank interest	**31**	30

4 Interest payable and similar charges

	2014	2013
	£000	£000
Bank interest	**7**	10
Amounts payable to group undertakings	**154**	306
	161	316

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	
	2014	2013
Sales	**729**	717
Administration	**88**	86
	817	803

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	**10,418**	10,255
Social security costs	**820**	833
	11,238	11,088

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.

7 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2014		2013	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax on income for the period	**953**		1,009	
Adjustments in respect of prior periods	**12**		157	
Total current tax		**965**		1,166
Deferred tax (see note 13)				
Origination of timing differences	**(178)**		(360)	
Effect of reduction in tax rate	**117**		-	
		(61)		(360)
		904		806

Notes *(continued)*

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

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

The current tax charge *(2013: charge)* for the period is higher *(2013: higher)* than the standard rate of corporation tax in the UK of 21.5% *(2013: 23.25%)*. The differences are explained below:

	2014	2013
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**2,819**	1,548
Tax thereon at 21.5% *(2013: 23.25%)*	**607**	360
Effects of:		
Capital allowances less than depreciation	**210**	498
Depreciation on ineligible assets	**125**	118
Expenses not deductible for tax purposes	**11**	33
Adjustments to tax charge in respect of prior periods	**12**	157
	965	1,166

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

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

8 Tangible fixed assets

Group

	Short leasehold property	Fixtures and fittings	Total
	£000	£000	£000
Cost			
At beginning of year	2,017	27,641	29,658
Additions	115	1,517	1,632
Disposals	(35)	(1,312)	(1,347)
Other	-	(130)	(130)
At end of year	2,097	27,716	29,813
Depreciation			
At beginning of year	1,490	18,456	19,946
Charge for year	158	2,623	2,781
On disposals	(33)	(1,144)	(1,177)
Other	-	(60)	(60)
At end of year	1,615	19,875	21,490
Net book value			
At 31 December 2014	**482**	**7,841**	**8,323**
At 31 December 2013	527	9,185	9,712

Notes *(continued)*

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 2014 and 31 December 2013	**15,329**

Subsidiary undertakings	**Country of incorporation**	**Holding (ordinary shares)**	**Nature of business**
Held directly			
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

	2014 £000	2013 £000
Finished goods and goods for resale	**17,284**	14,720

11 Debtors

	Group		**Company**	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Trade debtors	**10**	162	-	-
Amounts owed by group undertakings	-	1,682	-	122
Other debtors	**1,777**	242	-	-
Deferred taxation	**530**	469	-	-
Prepayments and accrued income	**5,948**	6,175		-
	8,265	8,730	-	122

Notes *(continued)*

12 Creditors: amounts falling due within one year

	Group		Company	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Trade creditors	**140**	261	**-**	-
Amounts owed to group undertakings	**21,777**	9,920	**253**	373
Other taxation and social security	**3,662**	3,317	**-**	-
Accruals and deferred income	**6,380**	6,893	**-**	-
	31,959	20,391	**253**	373

13 Deferred taxation

	2014
	£000
At beginning of year	**(469)**
Credited to the profit and loss for the year	**(61)**
At the end of year (see note 11)	**(530)**

Amounts provided for deferred taxation are as follows:

	2014	2013
	£000	£000
Accelerated capital allowances	**(530)**	(469)

14 Called up share capital

Company

	2014	2013
	£000	£000
Allotted, called up and fully paid:		
14,911,845 *(2013: 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	**5,877**	**168**
Profit for the financial year	**1,915**	(4)
At end of year	**7,792**	**164**

Notes *(continued)*

16 Commitments under operating leases

Group

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

	Land and buildings	
	2014	2013
	£000	£000
Operating leases which expire:		
Within one year	**-**	-
Within two to five years	**9,912**	9,940
After five years	**6,636**	6,988
	16,548	16,928

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 2014 were £22,711,992 *(2013: £26,584,842)*.

Company

The company had no commitments at 31 December 2014 *(2013: £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.