

**Foot Locker UK Limited**

**Directors' report and consolidated  
financial statements**

**Registered number 2568406**

**31 December 2000**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

### Principal activities

The company holds an investment in, and provides management services to, Freedom Sportsline Limited. Freedom Sportsline Limited sells sport and leisure clothing, footwear and accessories through retail outlets.

### Business review

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.

### Results and dividends

The consolidated results for the year are set out on page 5.

The directors do not recommend the payment of a dividend for the year (1999: £Nil).

### Directors and directors' interests

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

|           |                          |
|-----------|--------------------------|
| CS Piller | (resigned 30 April 2000) |
| PP Franks | (resigned 31 March 2000) |
| S Rider   |                          |
| MD Serra  |                          |
| PD Galvin | (appointed 1 April 2000) |

The directors had no beneficial interest in the shares of the company or any other group undertaking at the year end.

### 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.

### Introduction of the Euro

The directors believe that the introduction of the single currency will have little effect on the immediate trading conditions of the group.

### Charitable and political donations

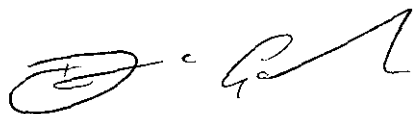
During the year, no charitable or political donations were made by the company.

**Directors' report** *(continued)*

**Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



**PD Galvin**  
*Director*

20-22 Bedford Row  
London  
WC1R 4JS

28 July 2001

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



2 Cornwall Street  
Birmingham  
B3 2DL

## Report of the auditors to the members of Foot Locker UK Limited

We have audited the financial statements on pages 5 to 14.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### *Basis of audit opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

28 July 2001

**Consolidated profit and loss account**  
*for the year ended 31 December 2000*

|  | <i>Note</i> | <b>2000</b> | <b>1999</b> |
|--|-------------|-------------|-------------|
|  |             | <b>£000</b> | <b>£000</b> |
| <b>Turnover</b>  | <i>1</i>    |             |             |
| Continuing   |             | 41,803      | 25,560      |
| Discontinued   |             | 1,080       | 1,257       |
|  |             | <hr/>       | <hr/>       |
|  |             | 42,883      | 26,817      |
| Cost of sales  |             | (36,087)    | (23,220)    |
| <b>Gross profit</b>  |             | 6,796       | 3,597       |
| Administrative expenses  |             | (3,148)     | (1,712)     |
|  |             | <hr/>       | <hr/>       |
| <b>Operating profit:</b>   |             |             |             |
| Continuing   |             | 3,621       | 1,761       |
| Discontinued   |             | 27          | 184         |
|  |             | <hr/>       | <hr/>       |
|  |             | 3,468       | 1,885       |
| Interest receivable and similar income   | <i>3</i>    | 199         | 81          |
| Interest payable and similar charges   | <i>4</i>    | (922)       | (289)       |
|  |             | <hr/>       | <hr/>       |
| <b>Profit on ordinary activities before taxation</b>   | <i>2</i>    | 2,925       | 1,677       |
| Tax on profit on ordinary activities   | <i>5</i>    | 2           | (46)        |
|  |             | <hr/>       | <hr/>       |
| <b>Profit on ordinary activities after taxation and retained profit for the financial year</b> | <i>17</i>   | 2,927       | 1,631       |
|  |             | <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.

A reconciliation of the movements in shareholders' funds is shown in note 18 to the financial statements.

**Consolidated balance sheet**  
*at 31 December 2000*

|  | <i>Note</i> | 2000           |                 | 1999           |                |
|--|-------------|----------------|-----------------|----------------|----------------|
|  |             | £000           | £000            | £000           | £000           |
| <b>Fixed assets</b>  |             |                |                 |                |                |
| Tangible assets  | <i>10</i>   |                | 10,050          |                | 4,492          |
| <b>Current assets</b>  |             |                |                 |                |                |
| Stocks   | <i>12</i>   | 5,505          |                 | 2,946          |                |
| Debtors  | <i>13</i>   | 5,314          |                 | 3,970          |                |
| Cash at bank and in hand                                       |             | 5,286          |                 | 2,268          |                |
|  |             | <u>16,105</u>  |                 | <u>9,184</u>   |                |
| <b>Creditors: amounts falling due within one year</b>          | <i>14</i>   | <u>(6,142)</u> |                 | <u>(4,040)</u> |                |
| <b>Net current assets</b>                                      |             |                | <u>9,963</u>    |                | <u>5,144</u>   |
| <b>Total assets less current liabilities</b>                   |             |                | <u>20,013</u>   |                | <u>9,636</u>   |
| <b>Creditors: amounts falling due after more than one year</b> | <i>15</i>   |                | <u>(15,053)</u> |                | <u>(7,603)</u> |
| <b>Net assets</b>  |             |                | <u>4,960</u>    |                | <u>2,033</u>   |
| <b>Capital and reserves</b>                                    |             |                |                 |                |                |
| Called up share capital  | <i>16</i>   |                | 12,250          |                | 12,250         |
| Profit and loss account  | <i>17</i>   |                | (7,290)         |                | (10,217)       |
| <b>Equity shareholders' funds</b>                              | <i>18</i>   |                | <u>4,960</u>    |                | <u>2,033</u>   |

The financial statements were approved by the board of directors on 28 July 2001 and were signed on its behalf by:

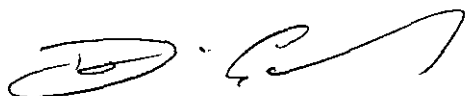
  
**PD Galvin**  
*Director*



**Company balance sheet**  
*at 31 December 2000*

|   | <i>Note</i> | <b>2000</b><br><b>£000</b> | 1999<br>£000 |
|---|-------------|----------------------------|--------------|
| <b>Fixed assets</b>                                   |             |                            |              |
| Investments   | 11          | 9,168                      | 9,168        |
| <b>Creditors: amounts falling due within one year</b> | 14          | (367)                      | (367)        |
| <b>Net assets</b>                                     |             | <u>8,801</u>               | <u>8,801</u> |
| <b>Capital and reserves</b>                           |             |                            |              |
| Called up share capital                               | 16          | 12,250                     | 12,250       |
| Profit and loss account                               | 17          | (3,449)                    | (3,449)      |
| <b>Equity shareholders' funds</b>                     | 18          | <u>8,801</u>               | <u>8,801</u> |

These financial statements were approved by the board of directors on 28 July 2001 and were signed on its behalf by:



**PD Galvin**  
*Director*

## 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 group's and the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Advantage has been taken of the exemption in paragraph 3(c) of Financial Reporting Standard No 8 in respect of the disclosure of transactions with other group companies.

The company is exempt from the requirement of Financial Reporting Statement No 1 (Revised) to prepare a cashflow statement as 90% or more of the voting rights of the company's shares are controlled by Venator Group Inc. The consolidated financial statements of Venator Group 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. 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 230(4) of the Companies Act 1985 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 to customers 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        |
| Office equipment                                     | - | 10% to 14% per annum |

#### *Leases*

Operating leases rentals are charged to the profit and loss account on a straight line basis over the lease term.

**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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

**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 against profits represents the contributions payable to the scheme in respect of the accounting period.

**2 Turnover**

|        | <b>£000</b> |
|--------|-------------|
| UK     | 42,288      |
| Europe | 595         |
|        | 42,883      |
|        | 42,883      |

**3 Profit on ordinary activities before taxation**

|   | <b>2000</b> | <b>1999</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| <b>Group</b>  |             |             |
| <i>Profit on ordinary activities before taxation is stated after charging</i> |             |             |
| Auditors' remuneration:   |             |             |
| Audit   | 28          | 26          |
| Other services  | 14          | 13          |
| Depreciation  | 993         | 535         |
| Exchange losses   | 25          | 796         |
| Operating leases:   |             |             |
| Land and buildings  | 4,307       | 3,016       |
| Other   | 26          | 48          |
|   | 4,356       | 3,404       |
|   | 4,356       | 3,404       |

Auditors' remuneration in respect of the audit of Foot Locker UK Limited financial statements amounted to £750 for 2000 (1999: £554) of the profit for the financial year.

**Notes (continued)**

**4 Interest receivable and similar income**

|                      | 2000<br>£000 | 1999<br>£000 |
|----------------------|--------------|--------------|
| Intra group interest | 143          | 57           |
| Bank interest        | 56           | 24           |
|                      | 199          | 81           |
|                      | 199          | 81           |

**5 Interest payable**

|                      | 2000<br>£000 | 1999<br>£000 |
|----------------------|--------------|--------------|
| Bank interest        | -            | 1            |
| Intra-group interest | 908          | 288          |
| Other interest       | 14           | -            |
|                      | 922          | 289          |
|                      | 922          | 289          |

**6 Taxation**

The corporation tax charge relates to the taxation payable on certain profits of Venator Group Realty Europe Limited, for which no group relief is available.

The company has generated a profit in the current year. That income will be offset against the losses brought forward from prior years.

**7 Directors' remuneration**

|   | 2000<br>£000 | 1999<br>£000 |
|---|--------------|--------------|
| Directors' emoluments                                   | 27           | 142          |
| Company contributions to group personal pension schemes | -            | 11           |
|   | 27           | 153          |
|   | 27           | 153          |

**8 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 |      |
|----------------|---------------------|------|
|                | 2000                | 1999 |
| Sales          | 309                 | 297  |
| Administration | 20                  | 16   |
|                | 329                 | 313  |
|                | 329                 | 313  |

**Notes (continued)**

**8 Staff numbers and costs (continued)**

The aggregate payroll costs of these persons were as follows:

|                       | £000  | £000  |
|-----------------------|-------|-------|
| Wages and salaries    | 4,820 | 3,194 |
| Social security costs | 347   | 253   |
| Other pension costs   | 10    | 24    |
|                       | 5,177 | 3,471 |
|                       | 5,177 | 3,471 |

**9 Profit for the financial year**

Of the profit for the financial year, an amount of £Nil (1999: loss of £1,000) has been dealt with in the financial statements of the parent company.

**10 Tangible fixed assets**

| <b>Group</b>          | <b>Short<br/>leasehold<br/>property<br/>£000</b> | <b>Fixtures<br/>and<br/>fittings<br/>£000</b> | <b>Total<br/>£000</b> |
|-----------------------|--|---|-----------------------|
| <i>Cost</i>           |  |   |                       |
| At beginning of year  | 1,247  | 5,409   | 6,656                 |
| Additions             | 1,245  | 5,620   | 6,865                 |
| Disposals             | (108)  | (688)   | (796)                 |
| Other adjustments     | (17)   | -   | (17)                  |
|                       | 2,367  | 10,341  | 12,708                |
|                       | 2,367  | 10,341  | 12,708                |
| <i>Depreciation</i>   |  |   |                       |
| At beginning of year  | 179  | 1,985   | 2,164                 |
| Charge for year       | 116  | 877   | 993                   |
| Disposals             | (59)   | (440)   | (499)                 |
|                       | 236  | 2,422   | 2,658                 |
|                       | 236  | 2,422   | 2,658                 |
| <i>Net book value</i> |  |   |                       |
| At 31 December 2000   | 2,131  | 7,919   | 10,050                |
|                       | 2,131  | 7,919   | 10,050                |
| At 31 December 1999   | 1,068  | 3,424   | 4,492                 |
|                       | 1,068  | 3,424   | 4,492                 |

**Notes (continued)**

**11 Investments**

**Company**

|                              | <b>Shares in<br/>subsidiary<br/>undertaking<br/>£000</b> |
|------------------------------|--|
| <i>Cost</i>                  |  |
| At beginning and end of year | 12,318   |
| <i>Provision</i>             |  |
| At beginning and end of year | 3,150  |
| <i>Net book value</i>        |  |
| At beginning and end of year | 9,168  |

| Subsidiary undertakings             | Country of<br>incorporation | Proportion held | Nature of business   |
|-------------------------------------|-----------------------------|-----------------|--|
| <b>Trading</b>                      |                             |                 |  |
| <i>Held directly</i>                |                             |                 |  |
| Freedom Sportsline Limited          | Great Britain               | 100%            | Sale of sports and leisure clothing, footwear and accessories. |
| <i>Held indirectly</i>              |                             |                 |  |
| Venator Group Realty Europe Limited | Great Britain               | 100%            | Management of the European Real Estate of Venator Group, Inc.  |

**12 Stocks**

|                                     | 2000<br>£000 | 1999<br>£000 |
|-------------------------------------|--------------|--------------|
| <b>Group</b>                        |              |              |
| Finished goods and goods for resale | 5,505        | 2,946        |

**Notes (continued)**

**13 Debtors**

|                                     | 2000<br>£000 | 1999<br>£000 |
|-------------------------------------|--------------|--------------|
| <b>Group</b>                        |              |              |
| Trade debtors                       | 12           | 6            |
| Amounts due from group undertakings | 3,383        | 2,795        |
| Corporation tax recoverable         | 31           | 26           |
| VAT recoverable                     | 23           | -            |
| Other debtors                       | 173          | 1            |
| Prepayments and accrued income      | 1,692        | 1,142        |
|                                     | 5,314        | 3,970        |
|                                     | 5,314        | 3,970        |

**14 Creditors: amounts falling due within one year**

|                                    | Group        |             | Company      |              |
|------------------------------------|--------------|-------------|--------------|--------------|
|                                    | 2000<br>£000 | 1999<br>£00 | 2000<br>£000 | 1999<br>£000 |
| Trade creditors                    | 379          | 202         | -            | -            |
| Amounts due to group undertakings  | 3,135        | 46          | 9            | 9            |
| Corporation tax                    | -            | 46          | 358          | 358          |
| Other taxation and social security | 1,355        | 902         | -            | -            |
| Other creditors                    | 757          | 2,468       | -            | -            |
| Accruals and deferred income       | 516          | 376         | -            | -            |
|                                    | 6,142        | 4,040       | 367          | 367          |
|                                    | 6,142        | 4,040       | 367          | 367          |

**15 Creditors: amounts falling due after more than one year**

|                                   | 2000<br>£000 | 1999<br>£000 |
|-----------------------------------|--------------|--------------|
| <b>Group</b>                      |              |              |
| Amounts due to group undertakings | 15,053       | 7,603        |
|                                   | 15,053       | 7,603        |

**16 Called up share capital**

|   | 2000<br>£000 | 1999<br>£000 |
|---|--------------|--------------|
| <b>Company</b>                            |              |              |
| <i>Authorised</i>                         |              |              |
| 15,000,000 ordinary shares of £1 each     | 15,000       | 15,000       |
|   | 15,000       | 15,000       |
| <i>Allotted, called up and fully paid</i> |              |              |
| 12,250,462 ordinary shares of £1 each     | 12,250       | 12,250       |
|   | 12,250       | 12,250       |

**Notes (continued)**

**17 Profit and loss account**

|  | <b>Group<br/>£000</b> | <b>Company<br/>£000</b> |
|--|-----------------------|-------------------------|
| At beginning of year                   | (10,217)              | (3,449)                 |
| Retained profit for the financial year | 2,927                 | -                       |
|  | (7,290)               | (3,449)                 |
| At end of year                         | (7,290)               | (3,449)                 |

**18 Reconciliation of movements in shareholders' funds**

|  | <b>Group</b> |              | <b>Company</b> |              |
|--|--------------|--------------|----------------|--------------|
|  | 2000<br>£000 | 1999<br>£000 | 2000<br>£000   | 1999<br>£000 |
| Profit/(loss) for the financial year     | 2,927        | 1,631        | -              | (1)          |
| Shareholders' funds at beginning of year | 2,034        | 403          | 8,801          | 8,802        |
|  | 4,961        | 2,034        | 8,801          | 8,801        |
| Shareholders' funds at end of year       | 4,961        | 2,034        | 8,801          | 8,801        |

**19 Commitments under operating leases**

**Group**

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

|                                | <b>Land and buildings</b> |              |
|--------------------------------|---------------------------|--------------|
|                                | 2000<br>£000              | 1999<br>£000 |
| Operating leases which expire: |                           |              |
| Within two to five years       | 24                        | -            |
| After five years               | 6,933                     | 4,612        |
|                                | 6,957                     | 4,612        |
|                                | 6,957                     | 4,612        |

**Company**

The company had no commitments at 31 December 2000 (1999: £Nil).

**20 Ultimate parent undertaking**

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

112 West 34<sup>th</sup> Street  
 New York  
 NY 10120  
 USA