

Freedom Sportsline Limited

**Annual report and financial
statements**

Registered number 1779106

For the year ended 31 December 2013

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Strategic report

Business review

Turnover for the year was £ 95,719 (2012: £ 86,208) resulting in a profit before taxation of £1,550 (2012: £494). The profit after taxation for the year was £ 744 (2012: £ 335).

The growth in turnover is due to good trading conditions and an increase in the store base. The targeted operating margin was not achieved as a result of the expense challenges in combination with store closure expenses.

Research and development

Freedom Sportsline 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 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.

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.

Outlook and future developments

For the year 2014 the company is planning to net decrease the store base and is anticipating a sales gain of 1.7% 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.

By order of the board:



J W Szumski
Director

25 September 2014

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2013.

Principal activities

The principal activity of the company during the year was 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.

Results and dividends

The directors do not recommend the payment of a dividend for the year (2012: £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.

Charitable and political donations

During the year, no charitable or political donations were made by the company (2012: £Nil).

Disclosure on 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 auditor is 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 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



JW Szumski
Director

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

25 September 2014

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 company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.



KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Independent auditor's report to the members of Freedom Sportsline Limited

We have audited the financial statements of Freedom Sportsline Limited for the year ended 31 December 2013 set out on pages 6 to 15. 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 company's affairs as at 31 December 2013 and of its 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 Freedom Sportsline 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 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

29 September 2014

Profit and loss account
for the year ended 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Turnover	<i>1</i>	95,791	86,208
Cost of sales		(92,669)	(84,060)
		<hr/>	<hr/>
Gross profit		3,122	2,148
Administrative expenses		(1,288)	(1,341)
		<hr/>	<hr/>
Operating profit		1,834	807
Interest receivable and similar income	<i>3</i>	30	14
Interest payable and similar charges	<i>4</i>	(314)	(327)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	<i>2</i>	1,550	494
Tax on profit on ordinary activities	<i>5</i>	(806)	(159)
		<hr/>	<hr/>
Profit on ordinary activities after taxation and profit for the financial year	<i>15</i>	744	335
		<hr/> <hr/>	<hr/> <hr/>


The company has no recognised gains or losses other than those reflected in its profit and loss account for either the current or preceding financial year and all results are derived from continuing operations.

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

Balance sheet
at 31 December 2013

	<i>Note</i>	2013 £000	£000	2012 £000	£000
Fixed assets					
Tangible assets	8		9,712		10,699
Investments	9		-		-
Current assets					
Stocks	10	14,720		14,733	
Debtors	11	8,608		7,771	
Cash at bank and in hand		8,018		9,958	
		<u>31,346</u>		<u>32,462</u>	
Creditors: amounts falling due within one year	12	<u>(20,018)</u>		<u>(22,865)</u>	
Net current assets			<u>11,328</u>		<u>9,597</u>
Total assets less current liabilities, being net assets			<u>21,040</u>		<u>20,296</u>
Capital and reserves					
Called up share capital	14	16,998		16,998	
Share premium account	15	424		424	
Profit and loss account	15	3,618		2,874	
Shareholders' funds			<u>21,040</u>		<u>20,296</u>

These financial statements were approved by the board of directors on 25 September 2014 and were signed on its behalf by:



J W Szumski
Director

Registered number: 1779106

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2013

	2013 £000	2012 £000
Shareholders' funds at beginning of year	20,296	19,961
Profit for the financial year	744	335
	<hr/>	<hr/>
Shareholders' funds at end of year	21,040	20,296
	<hr/>	<hr/>

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 applicable Accounting Standards.

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

The company has taken advantage of the exemption conferred by Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

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.

Turnover

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

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:

Leasehold property	-	life of lease
Fixtures and fittings:		
Expenditure on the acquisition of leasehold premises	-	life of lease
Other	-	20% per annum

Leases

Operating lease 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.

Stocks

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

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit 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 company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amounts charged in the profit and loss account represent 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

	2013 £000	2012 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Depreciation	2,924	2,557
Exchange (gains)/losses	(154)	164
Payments under operating leases:		
Land and buildings	16,090	13,842
Other	65	75
Auditor's remuneration:	9	
Audit of these financial statements		9
	<u> </u>	<u> </u>

3 Interest receivable and similar income

	2013 £000	2012 £000
Bank interest	30	14
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	2013 £000	2012 £000
Bank interest	10	4
Interest payable to group undertakings	304	323
	<u> </u>	<u> </u>
	314	327
	<u> </u>	<u> </u>

Notes (continued)

5 Tax on profit on ordinary activities

(a) Analysis of charge in period

	2013 £000	£000	2012 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	1,009		451	
Adjustments in respect of prior periods	157		18	
	<hr/>		<hr/>	
Total current tax		1,166		469
<i>Deferred tax (see note 12)</i>				
Origination of timing differences	(360)		(225)	
Adjustment in respect of prior years	-		(85)	
	<hr/>		<hr/>	
		(360)		(310)
		<hr/>		<hr/>
		806		159
		<hr/>		<hr/>

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

The current tax charge for the period is higher (2012: higher) than the standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	2013 £000	2012 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,550	494
	<hr/>	<hr/>
Tax thereon at 23.25% (2012: 24.5%)	360	121
<i>Effects of:</i>		
Capital allowances less than depreciation	498	225
Depreciation on ineligible	118	91
Expenses not deductible for tax purposes	33	14
Adjustments to tax charge in respect of previous periods	157	18
	<hr/>	<hr/>
Total current tax charge (see above)	1,166	469
	<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. The deferred tax asset at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

6 Directors' remuneration

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

Notes (continued)

7 Staff numbers and costs

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

	Number of employees 2013	2012
Sales	717	711
Administration	86	80
	<u>803</u>	<u>791</u>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	10,255	9,557
Social security costs	833	690
	<u>11,088</u>	<u>10,247</u>

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.

8 Tangible fixed assets

	Short leasehold property £000	Fixtures and fittings £000	Total £000
Cost			
At beginning of year	2,133	28,054	30,187
Additions	63	3,174	3,237
Disposals	(179)	(3,587)	(3,766)
	<u>2,017</u>	<u>27,641</u>	<u>29,658</u>
Depreciation			
At beginning of year	1,423	18,065	19,488
Charge for year	156	2,768	2,924
On disposals	(89)	(2,377)	(2,466)
	<u>1,490</u>	<u>18,456</u>	<u>19,946</u>
Net book value			
At 31 December 2013	<u>527</u>	<u>9,185</u>	<u>9,712</u>
At 31 December 2012	<u>710</u>	<u>9,989</u>	<u>10,699</u>

Notes (continued)

9 Investments

	Shares in subsidiary undertaking £000
<i>Cost</i>	
At beginning and end of year	161
<i>Provision for impairment</i>	
At beginning and end of year	(161)
<i>Net book value</i>	
At 31 December 2013 and 31 December 2012	-

10 Stocks

	2013 £000	2012 £000
Finished goods and goods for resale	14,720	14,733

11 Debtors

	2013 £000	2012 £000
Trade debtors	162	222
Amounts owed to group undertakings	1,560	2,410
Other debtors	242	93
Prepayments and accrued income	6,175	4,937
Deferred tax asset (see note 13)	469	109
	8,608	7,771

12 Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	261	454
Amounts owed to group undertakings	9,547	15,482
Other taxes and social security	3,317	2,133
Accruals and deferred income	6,893	4,796
	20,018	22,865

Notes (continued)

13 Deferred taxation

	2013 £000
At beginning of year	(109)
Credited to the profit and loss for the year	(360)
	<hr/>
At the end of year (see note 11)	(469) <hr/>

Amounts provided for deferred taxation are as follows:

	2013 £000	2012 £000
Accelerated capital allowances	(469)	(109)
	<hr/>	<hr/>

14 Share capital

	2013 £000	2012 £000
<i>Allotted, called up and fully paid:</i>		
16,997,860 (2012: 16,997,860) ordinary shares of £1 each	16,998	16,998
	<hr/>	<hr/>

15 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	424	2,874
Profit for the financial year	-	744
	<hr/>	<hr/>
At end of year	424	3,618 <hr/>

16 Commitments

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

	Land and buildings 2013 £000	2012 £000
Operating leases which expire:		
Within one year	-	-
Within two to five years	9,940	7,977
After five years	6,988	8,012
	<hr/>	<hr/>
	16,928	15,989 <hr/>

17 Contingent liability

The company has guaranteed certain lease commitments for stores owned by fellow group companies within the FLE Europe B.V. The total lease commitments at 31 December 2013 were £25,584,842 (2012: £29,533,457).

Notes *(continued)*

18 Parent undertakings

The company's immediate parent undertaking is Foot Locker UK Limited, a company incorporated in England and Wales. The results of the company are included in the group financial statements of Foot Locker UK Limited, copies of which may be obtained from 20-22 Bedford Row, London, WC1R 4JS.

The company's ultimate parent undertaking and ultimate controlling party is Foot Locker Inc, a company incorporated in the USA. The consolidated financial statements of Foot Locker Inc can be obtained from:

112 West 34th Street
New York
NY 10120
USA

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