Freedom Sportsline Limited

Annual report and financial statements

Registered number 1779106

For the year ended 31 December 2014

Contents

Strategic report

Business review

Turnover for the year was £101,816,000 *(2013: £95,791,000)* resulting in a profit before taxation of £2,821,000 *(2013: £1,550,000)*. The profit after taxation for the year was £ 1,917,000 *(2013: £744,000)*.

The growth in turnover 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	2,821	1,550	82.0%
Net profit margin	1.9%	0.8%	
Current ratio	1.46	1.57	

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 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.

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 was 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 at 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 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 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.

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

Sharon A McLaughlin

J A M van der Staak
Director

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 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 2014 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 2014 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.

G Watts

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

28 September 2015

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	**(159)**	(314)
Profit on ordinary activities before taxation	2	**2,821**	1,550
Tax on profit on ordinary activities	5	**(904)**	(806)
Profit on ordinary activities after taxation and profit for the financial year	14	**1,917**	744

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 2014

	Note	**2014**		2013	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**8,323**		9,712
Current assets					
Stocks	*9*	**17,284**		14,720	
Debtors	*10*	**8,265**		8,608	
Cash at bank and in hand		**20,791**		8,018	
		46,340		31,346	
Creditors: amounts falling due within one year	*11*	**(31,706)**		(20,018)	
Net current assets			**14,634**		11,328
Total assets less current liabilities, being net assets			**22,957**		21,040
Capital and reserves					
Called up share capital	*13*		**16,998**		16,998
Share premium account	*14*		**424**		424
Profit and loss account	*14*		**5,535**		3,618
Shareholders' funds			**22,957**		21,040

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: 1779106

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

	2014	2013
	£000	£000
Shareholders' funds at beginning of year	**21,040**	20,296
Profit for the financial year	**1,917**	744
Shareholders' funds at end of year	**22,957**	21,040

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

	2014	2013
	£000	£000
Profit on ordinary activities before taxation is stated after charging		
Depreciation	**2,781**	2,924
Exchange (gains)/losses	**(438)**	(154)
Payments under operating leases:		
Land and buildings	**16,395**	16,090
Other	**52**	65
Auditor's remuneration:		
Audit of these financial statements	**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
Interest payable to group undertakings	**152**	304
	159	314

Notes *(continued)*

5 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 12)				
Origination of timing differences	**(178)**		(360)	
Adjustment in respect of prior years	**117**		-	
		(61)		(360)
		904		806

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

The current tax 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	**2,821**	1,550
Tax thereon at *21.5%* (*2013: 23.25%)*	**607**	360
Effects of:		
Capital allowances less than depreciation	**210**	498
Depreciation on ineligibles	**125**	118
Expenses not deductible for tax purposes	**11**	33
Adjustments to tax charge in respect of previous periods	**12**	157
Total current tax charge (see above)	**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.

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 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.

8 Tangible fixed assets

	Short leasehold property £000	Fixtures and fittings £000	Total £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 Stocks

	2014 £000	2013 £000
Goods for resale	**17,284**	14,720

10 Debtors

	2014 £000	2013 £000
Trade debtors	**10**	162
Amounts owed to group undertakings	**-**	1,560
Other debtors	**1,777**	242
Prepayments and accrued income	**5,948**	6,175
Deferred tax asset (see note 12)	**530**	469
	8,265	8,608

11 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	**140**	261
Amounts owed to group undertakings	**21,524**	9,547
Other taxes and social security	**3,662**	3,317
Accruals and deferred income	**6,380**	6,893
	31,706	20,018

Notes *(continued)*

12 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 10)	**(530)**

Amounts provided for deferred taxation are as follows:

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

13 Share capital

	2014 £000	2013 £000
Allotted, called up and fully paid:		
16,997,860 *(2013: 16,997,860)* ordinary shares of £1 each	**16,998**	16,998

14 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	**424**	**3,618**
Profit for the financial year	-	1,917
At end of year	**424**	**5,535**

15 Commitments

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

	Land and buildings	
	2014 £000	2013 £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

16 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 2014 were £22,711,992 *(2013: £26,584,842).*

Notes *(continued)*

17 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.