

Blacks Outdoor Retail Limited

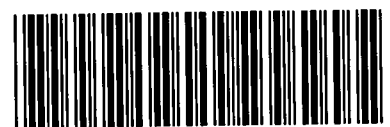
Annual report and financial statements

Registered number 07795258

53 week period ended

3 February 2018

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Strategic Report

Principal activities

The principal activity of the Company is the retail of specialist outdoor footwear, apparel and equipment.

Strategic report

The Company operates across multiple fascias; Blacks, Millets and Ultimate Outdoors and has made encouraging progress in the year delivering an operating profit of £3.6m (2017: £1.1m). The result has improved as we see the positive benefits from actions taken previously to simplify the operational leadership, improve the camping offer and reduce the level of markdowns.

The gross profit margin decreased to 43.2% (2017: 44.5%). We continually strive for further improvements in margins but the breadth of supply from the key Outdoor brands into the market and the wide availability of vertically sourced product from both specialist and non-specialist retailers means that Outdoor will inevitably remain a competitive sector.

Subsequent to our acquisition of the business in January 2012, we have actively sought to keep our approach as flexible as possible both in terms of the lease conditions that we operate under and the fascia which we trade to ensure that we can react quickly if market conditions change:

- Lease conditions: Where possible we continue to seek flexible mutual break clauses with landlords.
- Fascias: We continually review which is the optimal fascia in any particular location taking into consideration consumer demographics, category performance and competitor activity.

A policy of flexibility means that the store portfolio, particularly with regards to Blacks and Millets, continues to evolve:

- Blacks: Two new stores were opened in the period with two stores also closed. A further two stores were converted to the Millets fascia.
- Millets: The Millets store portfolio has seen further considerable change during the year with five new stores opened and seven stores closed in the year. Three stores were also transferred to Millets in the year including the two conversions of former Blacks stores.
- Ultimate Outdoors: There has been no change to the Ultimate Outdoors store portfolio in the year.

Key performance indicators

In assessing the performance of the Company, the Directors make use of the following Key Performance Indicators:

	53 week period ended 3 February 2018 £000	52 week period ended 28 January 2017 £000
Turnover	157,561	137,793
Gross profit %	43.2%	44.5%
Operating profit before exceptional items	3,550	1,054
Number of stores at end of year	164	165
Retail space (000 sq ft) at end of year	580	566

Strategic Report *(continued)*

Principal risks and uncertainties

Any business undertaking will involve some risk with many risk factors common to any business regardless of what sector it operates in. However, the Directors consider that certain risks and uncertainties are more specific to the Company and the outdoor retail sector in which it operates. These risks and uncertainties include the following:

- Ability to access, and the dependence on, key brands;
- The location and influence of competitors;
- General economic factors; and
- Seasonal weather variations.

Following the UK's vote to leave the EU in June 2016, the UK's future trading relationship with the remaining members of the EU is uncertain. Brexit and its associated risks will remain high on the Board's Agenda as the changes to become negotiated become clearer.

The Directors continue to endeavour to manage these risks and uncertainties to the extent possible within the business.

By order of the Board



BM Small
Director

Hollinsbrook Way
Pilsworth
Bury
Lancashire
BL9 8RR

29 August 2018

Directors' Report

The Directors present their Directors' report and audited financial statements for the 53 week period ended 3 February 2018.

Proposed dividend

The Directors do not recommend the payment of a dividend (2017: *nil*).

Directors

The Directors who held office during the period and prior to signing the accounts were as follows:

PA Cowgill
BM Small
LP Bagnall

Employees

The Group is committed to promoting equal opportunities in employment regardless of employees' or potential employees' gender, marital status, sexual orientation, age, race, religion, ethnic or social origin or disability. Recruitment, promotion and the availability of training are based on the suitability of any applicant for the job and full and fair consideration is always given to disabled persons in such circumstances.

Should an employee become disabled during his or her employment by the Group, every effort is made to continue employment and training within their existing capacity wherever practicable, or failing that, in some alternative suitable capacity.

The Company has continued throughout the year to provide employees with relevant information and to seek their views on matters of common concern. Priority is given to ensuring that employees are aware of all significant matters affecting the Company's performance and of any significant organisational changes.

Going concern

The Company is reliant on its immediate parent undertaking, JD Sports Fashion Plc, for its continued financial support. JD Sports Fashion Plc has indicated its ongoing support for the foreseeable future provided that the Company remains in the Group. The Company's immediate parent has considerable financial resources, with access to a £215,000,000 syndicated committed borrowing facility as at 3 February 2018. As a consequence, the Directors believe that with the continued support of its parent, the Company is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Political and charitable contributions

The Company made no political contributions or charitable donations during the period (2017: *£nil*).

Disclosure of information to auditor

The Directors who held office at the date of 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 the 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 reappointed and KPMG LLP will therefore continue in office.

By order of the Board



BM Small
Director

Hollinsbrook Way
Pilsworth
Bury
Lancashire
BL9 8RR

29 August 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKS OUTDOOR RETAIL LIMITED

Opinion

We have audited the financial statements of Blacks Outdoor Retail Limited for the 53 week period ended 3 February 2018 which comprise the statement of profit and loss account and other comprehensive income, the statement of changes in equity, the balance sheet and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 3 February 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKS OUTDOOR RETAIL LIMITED *(continued)*

- 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

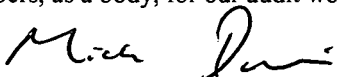
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE

29/8/18

Statement of Profit and Loss Account and Other Comprehensive Income
for the 53 week period ended 3 February 2018

	<i>Note</i>	53 week period ended 3 February 2018 £000	52 week period ended 28 January 2017 £000
Turnover	<i>1</i>	157,561	137,793
Cost of sales		(89,459)	(76,496)
Gross profit		<u>68,102</u>	<u>61,297</u>
Selling & distribution costs – normal		(61,852)	(59,099)
Administrative expenses		(2,898)	(1,344)
Other operating income	<i>3</i>	198	200
Operating profit		<u>3,550</u>	<u>1,054</u>
Interest payable and similar expenses	<i>4</i>	(37)	(140)
Profit before taxation	<i>2</i>	<u>3,513</u>	<u>914</u>
Tax on profit	<i>7</i>	299	918
Total comprehensive profit for the period		<u><u>3,812</u></u>	<u><u>1,832</u></u>

Statement of Changes in Equity
for the 53 week period ended 3 February 2018

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 30 January 2016	-	(36,323)	(36,323)
Total comprehensive profit for the period	-	1,832	1,832
Balance at 28 January 2017	-	(34,491)	(34,491)
Total comprehensive profit for the period	-	3,812	3,812
Balance at 3 February 2018	-	<u><u>(30,679)</u></u>	<u><u>(30,679)</u></u>

The notes on pages 9 to 22 form part of these financial statements.

Balance Sheet
as at 3 February 2018

	<i>Note</i>	As at 3 February 2018 £000	As at 3 February 2018 £000	As at 28 January 2017 £000	As at 28 January 2017 £000
Fixed assets					
Intangible assets	8		6,193		6,498
Tangible fixed assets	9		6,760		7,594
Investments	10		538		538
Other assets	11		165		495
Deferred tax assets	16		495		417
			<u>14,151</u>		<u>15,542</u>
Current assets					
Stocks	12	36,046		36,119	
Debtors	13	15,555		14,948	
Cash at bank and in hand		6,399		287	
		<u>58,000</u>		<u>51,354</u>	
Creditors: amounts falling due within one year	14	<u>(20,879)</u>		<u>(23,042)</u>	
Net current assets			<u>37,121</u>		<u>28,312</u>
Total assets less current assets			<u>51,272</u>		<u>43,854</u>
Creditors: amounts falling due after more than one year	15		<u>(81,149)</u>		<u>(78,266)</u>
Provisions for liabilities					
Other provisions	17		(802)		(79)
Net liabilities			<u>(30,679)</u>		<u>(34,491)</u>
Capital and reserves					
Called up equity share capital	18		-		-
Profit and loss account			(30,679)		(34,491)
Shareholders' deficit			<u>(30,679)</u>		<u>(34,491)</u>

The notes on pages 9 to 22 form part of these financial statements.

These financial statements were approved by the Board of Directors on
signed on its behalf by:

29 August

2018 and were



BM Small
Director

Registered number 07795258

Notes

(Forming part of the financial statements)

1 Accounting policies

Blacks Retail Outdoor Limited (the "Company") is a company incorporated and domiciled in the UK. The registered office of the Company is Hollinsbrook Way, Pilsworth, Bury, Lancashire.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's immediate parent undertaking, JD Sports Fashion Plc includes the Company in its consolidated financial statements. The consolidated financial statements of JD Sports Fashion Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address in note 23.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of JD Sports Fashion Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company in the prior period; and
- The disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The financial statements are prepared on the historical cost basis.

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

Going Concern

The Company is reliant on its immediate parent undertaking, JD Sports Fashion Plc, for its continued financial support. JD Sports Fashion Plc has indicated its ongoing support for the foreseeable future provided that the Company remains in the Group. The Company's immediate parent has considerable financial resources, with access to a £215,000,000 syndicated committed borrowing facility as at 3 February 2018. As a consequence, the Directors believe that with the continued support of its parent, the Company is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes (continued)

1 Accounting policies (continued)

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company.

For acquisitions on or after 1 January 2010, the Company measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of cash-generating units (CGU's). It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill is amortised. The Directors consider that this would fail to give a true and fair view of the profit / (loss) for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practical to quantify the effect on the financial statements of this departure.

Intangible assets

(i) Brand names

Brand names acquired as part of a business combination are stated at fair value as at the acquisition date less accumulated amortisation and impairment losses. Brand names separately acquired are stated at cost less accumulated amortisation and impairment losses. The useful economic life of each purchased brand name is considered to be finite. Amortisation of brand names is charged to the profit and loss account over their useful life on a straight line basis.

(ii) Fascia names

Separately identifiable fascia names acquired are stated at fair value as at the acquisition date less accumulated impairment losses. The useful economic life of each purchased fascia name is considered separately. Where the Directors believe that there is no foreseeable limit to the period over which the asset is expected to generate a net cash flow, the specific fascia name is not amortised but is subject to an impairment review on an annual basis or more frequently if there is an indicator that the fascia name is impaired.

Tangible fixed assets

(i) Owned assets

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

Where parts of an item of tangible fixed assets have different useful economic lives, they are accounted for as separate items of tangible fixed assets.

(ii) Leased assets

Assets funded through finance leases and similar hire purchase contracts are capitalised as tangible fixed assets where the Company assumes substantially all of the risks and rewards of ownership. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Future instalments under such leases, net of financing costs, are included within interest bearing loans and borrowings. Rental payments are apportioned between the finance element, which is included in finance costs, and the capital element, which reduces the outstanding obligation for future instalments so as to give a constant charge on the outstanding obligation.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets (continued)

(ii) Leased assets (continued)

All other leases are accounted for as operating leases and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease. Lease incentives are credited to the profit and loss account on a straight-line basis over the life of the lease.

Lease assignment costs and other costs associated with the acquisition of a leasehold interest are capitalised as other receivables within fixed assets. These costs are amortised over the life of the lease.

(iii) Depreciation

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

- Improvements to short leasehold properties life of lease on a straight line basis
- Computer equipment 3-4 years on a straight line basis
- Fixtures and fittings 5-7 years or length of lease if shorter, on a straight line basis
- Motor vehicles 25% per annum on a reducing balance basis

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle. Provisions are made for obsolescence, mark downs and shrinkage based on historical experiences, the quality of the current season buy, market trends and management estimates of future events. The provision requires estimates for shrinkage, the expected future selling price of items and identification of aged and obsolete items.

Financial instruments

Financial assets and financial liabilities are recognised in the Balance Sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost less impairment losses. A provision for the impairment of trade and other debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade and other debtors are impaired. The movement in the provision is recognised in the profit and loss account.

Trade and other creditors

Trade and other creditors are non-interest bearing and recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Foreign currency translation

Transactions in foreign currencies are translated into sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Notes (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably.

Within the onerous lease provision, management have provided against the minimum contractual lease cost less potential sublease income for vacant stores. For loss making trading stores, provision is made to the extent that the lease is deemed to be onerous.

Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Exceptional items

Items that are, in aggregate, material in size and unusual or infrequent in nature are included within operating profit and disclosed separately as exceptional items in the profit and loss account.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the profit and loss account, helps provide an indication of the Company's underlying business performance. The principal items where significant or non-recurring which will be included as exceptional items are:

- Loss/(profit) on the disposal of non-current assets
- Provision for rentals on onerous property leases
- Impairment of tangible and other fixed assets
- Impairment of other assets
- Impairment of goodwill, brand names and fascia names
- Impairment of investment property
- Profit/(loss) on disposal of subsidiary undertakings
- Negative goodwill
- Business restructuring and business closure related costs
- (Gains)/losses arising on changes in ownership interest where control has been obtained

Pensions

The Company operates defined contribution pension schemes, the assets of which are held separately from those of the Company in independently administered funds. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

In the case of goods sold through the retail stores and trading websites, turnover is recognised when goods are sold and the title has passed, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale. Retail sales are usually in cash, by debit card or by credit card.

Interest payable and similar charges

Interest payable and similar charges comprise interest payable on interest bearing loans and borrowings. Financial expenses are recognised in the profit and loss account on an effective interest basis.

Income tax

Tax on the profit or loss for the period comprises current and deferred tax.

(i) Current tax

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

Notes (continued)

1 Accounting policies (continued)

Income tax (continued)

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences in respect of the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

(i) Impairment of tangible fixed assets

Tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or a cash-generating unit is not recoverable. A cash-generating unit is an individual store. The recoverable amount is the greater of the fair value less costs to sell and value-in-use. Impairment losses recognised in prior periods are assessed at each reporting period date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would be held (net of depreciation) if no impairment had been realised.

(ii) Impairment of brand names and fascia names

The Group is required to test whether other intangible assets have suffered any impairment. The recoverable amount of brand names is based on an estimation of future sales and the choice of a suitable royalty and discount rate in order to calculate the present value, when this method is deemed the most appropriate. Alternatively the carrying value of the brand names has been allocated to a cash-generating unit, along with the relevant goodwill and fascia names, and tested in the value-in-use calculation performed for that cash generating unit.

The recoverable amount of fascia names is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash-generating unit and the choice of a suitable discount rate in order to calculate the present value.

(iii) Provisions to write stocks down to net realisable value

The Company makes provisions for obsolescence, mark downs and shrinkage based on historical experiences, the quality of the current season buy, market trends and management estimates of future events. The provision requires estimates for shrinkage, the expected future selling price of items and identification of aged and obsolete items.

Notes (continued)

2 Profit before taxation

Profit before taxation is stated after charging:

	53 week period ended 3 February 2018 £000	52 week period ended 28 January 2017 £000
Auditor's remuneration		
Audit of these financial statements	46	40
Depreciation and amortisation of fixed assets:		
Depreciation of tangible fixed assets	1,973	2,592
Depreciation of other assets	330	330
Amortisation of intangible assets	305	299
Impairment of fixed assets:		
Impairment of tangible fixed assets	1,534	586
Rentals payable under non-cancellable operating leases for:		
Land and buildings	11,178	10,958
Other	227	212
	<u> </u>	<u> </u>

3 Other operating income

	53 week period ended 3 February 2018 £000	52 week period ended 28 January 2017 £000
Rent receivable	198	200
	<u> </u>	<u> </u>

The Company receives rental income from subleasing various retail outlets.

4 Interest payable and similar charges

	53 week period ended 3 February 2018 £000	52 week period ended 28 January 2017 £000
On bank loans and overdrafts	37	140
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the period, analysed by category, was as follows:

	Number of employees	
	53 week period ended 3 February 2018	52 week period ended 28 January 2017
Sales and distribution	1,656	1,752
Administration	6	8
	<hr/>	<hr/>
	1,662	1,760
	<hr/>	<hr/>
Full time equivalents	898	936
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	53 week period ended 3 February 2018 £000	52 week period ended 28 January 2017 £000
	Wages and salaries	21,120
Social security costs	1,184	1,010
Other pension costs	243	224
	<hr/>	<hr/>
	22,547	21,142
	<hr/> <hr/>	<hr/> <hr/>

6 Directors' remuneration

	53 week period ended 3 February 2018 £000	52 week period ended 28 January 2017 £000
	Directors' emoluments	411
Pension contributions	33	17
	<hr/>	<hr/>
	444	336
	<hr/> <hr/>	<hr/> <hr/>

The Directors remuneration above also relates to the remuneration of the highest paid director.

Messrs Cowgill and Small received no remuneration from the Company; these fees being borne by the Parent Company (see note 23).

Notes (continued)

7 Income tax

Recognised in the profit and loss account

	53 week period ended 3 February 2018 £000	52 week period ended 28 January 2017 £000
<i>Current tax</i>		
Current tax credit	(179)	(743)
Adjustment relating to prior periods	(42)	(7)
	<hr/>	<hr/>
Total current tax credit	(221)	(750)
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(144)	(146)
Adjustment relating to prior periods	66	(22)
	<hr/>	<hr/>
Total deferred tax credit	(78)	(168)
	<hr/>	<hr/>
Total tax credit in profit and loss account	(299)	(918)
	<hr/> <hr/>	<hr/> <hr/>

	53 week period ended 3 February 2018 £000	52 week period ended 28 January 2017 £000
Profit for the period	3,812	1,832
Total tax credit for the period	(299)	(918)
	<hr/>	<hr/>
Profit before taxation	3,513	914
	<hr/>	<hr/>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19.2% (2017: 20.0%)	674	183
Effect of:		
Permanent differences	(1,107)	(1,156)
Depreciation and impairment of non-qualifying non-current assets	166	107
Non-qualifying loss on sale of non-current assets	(20)	(16)
Non taxable income	(55)	(67)
Change in deferred tax rate	19	60
Adjustments in respect of prior periods	24	(29)
	<hr/>	<hr/>
Income tax credit	(299)	(918)
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

8 Intangible assets

	Goodwill £000	Fascia name £000	Brand names £000	Total £000
Cost				
At 28 January 2017 and at 3 February 2018	2,500	8,861	3,000	14,361
Depreciation and impairment				
At 28 January 2017	2,500	3,861	1,502	7,863
Charge for the period	-	-	305	305
At 3 February 2018	2,500	3,861	1,807	8,168
Net book value				
At 3 February 2018	-	5,000	1,193	6,193
At 28 January 2017	-	5,000	1,498	6,498

The fair value of the 'Blacks' and 'Millets' fascia names acquired as part of the acquisition on 9 January 2012 of the trade and assets of Blacks Group Plc was £8,500,000. The fair value of the 'Ultimate Outdoors' fascia name acquired as part of the acquisition on 3 February 2014 was £361,000.

The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. The key assumptions used in the value-in use calculations are as follows:

- 3.0% short term store growth rate (2017: 3.0%). The short term growth rate is the compound annual sales growth rate for the four year period following the January 2018 financial year.
- 1.0% long term growth rate (2017: 3.0%). The long term growth rate is the rate used thereafter, which is an estimate of the sales growth based on past experience taking account of economic growth forecast for the relevant industries.
- Store gross margins are assumed to improve by 2.0% (2017: 2.0%) in the short term to reflect an increased proportion of own brand sales and better purchasing.
- 12.8% pre-tax discount rate (2017: 13.2%). The discount rate applied is pre-tax and reflects the current market assessments of the time value of money and any specific risk premiums. The discount rate is considered to be equivalent to the rates a market participant would use.

The cash flow projections used in the value-in-use calculations are all based on actual operating results, together with financial forecasts and strategy plans approved by the Board covering a five year period. These forecasts and plans are based on both past performance and expectations for future market development.

Sensitivity analysis has been performed on the assumptions of margin growth as changes could cause the carrying value of the unit to exceed its recoverable amount. The following sensitivities were performed and did not result in impairment:

- Reduce the assumed store gross margin rate % growth in the first five year period from 2% to 1%, assuming the business would be unable to reduce selling and distribution and administrative costs. All other assumptions remain unchanged.
- The business not achieving the assumed online gross margin rate % growth in the first five year period of 2.3%, assuming the business would be unable to reduce selling and distribution and administrative costs. All other assumptions remain unchanged.
- Increasing the pre-tax discount rate by 1%. All other assumptions remain unchanged.
- Reducing the long term growth rate by 1%. All other assumptions remain unchanged.

Notes (continued)

9 Tangible fixed assets

	Improvements to short leasehold properties £000	Fixtures & fittings £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost					
At 28 January 2017	2,055	16,017	2,275	3	20,350
Additions	220	2,315	190	-	2,725
Disposals	(81)	(138)	(17)	-	(236)
At 3 February 2018	2,194	18,194	2,448	3	22,839
Depreciation and impairment					
At 28 January 2017	973	9,830	1,950	3	12,756
Charge for the period	248	1,586	139	-	1,973
Disposals	(46)	(123)	(15)	-	(184)
Impairment	192	1,277	65	-	1,534
At 3 February 2018	1,367	12,570	2,139	3	16,079
Net book value					
At 3 February 2018	827	5,624	309	-	6,760
At 28 January 2017	1,082	6,187	325	-	7,594

10 Investments

	Shares in subsidiary undertaking £000
Cost and net book value	
At 28 January 2017 and at 3 February 2018	538

The subsidiary undertakings are as follows:

	Place of registration	Nature of business and operations	Ownership interest and voting rights
Ultimate Outdoors Limited	Hollinsbrook Way, Pilsworth, Bury, Lancashire, UK	Dormant	100%
Oswald Bailey Limited	Hollinsbrook Way, Pilsworth, Bury, Lancashire, UK	Dormant	100%

Notes (continued)

11 Other assets

	Lease assignment costs £000
Cost	
At 28 January 2017 and at 3 February 2018	1,650
Depreciation and impairment	
At 28 January 2017	1,155
Charge for the period	330
At 3 February 2018	1,485
Net book value	
At 3 February 2018	165
At 28 January 2017	495

12 Stocks

	As at 3 February 2018 £000	As at 28 January 2017 £000
Finished goods and goods for resale	36,046	36,119

The cost of stocks recognised as expenses and included in cost of sales for the 53 week period to 3 February 2018 was £89,459,000 (2017: £76,496,000).

The Company has £4,539,000 (2017: £4,490,000) of stock provisions at the end of the period. Cost of inventories includes a net charge of £104,000 (2017: £257,000) in relation to net provisions recognised against inventories.

13 Debtors

	As at 3 February 2018 £000	As at 28 January 2017 £000
Trade debtors	73	309
Other debtors	48	201
Prepayments and accrued income	1,822	1,573
Owed by group undertakings	13,612	12,865
	15,555	14,948

14 Creditors: amount falling due within one year

	As at 3 February 2018 £000	As at 28 January 2017 £000
Bank loans and overdrafts	-	3,830
Trade creditors	709	2,076
Accruals and deferred income	9,128	7,726
Taxation and social security	7,466	6,278
Amounts owed to Group undertakings	3,576	3,132
	20,879	23,042

Notes (continued)

15 Creditors: amount falling due after more than one year

	As at 3 February 2018 £000	As at 28 January 2017 £000
Amounts owed to Group undertakings	75,002	70,000
Other creditors	6,147	8,266
	<u>81,149</u>	<u>78,266</u>

16 Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £000	Liabilities 2018 £000	Net 2018 £000	Assets 2017 £000	Liabilities 2017 £000	Net 2017 £000
Tangible fixed assets	495	-	495	417	-	417
Tax assets	495	-	495	417	-	417

Movement in deferred tax during the period

	Tangible fixed assets £000	Total £000
Balance as at 30 January 2016	250	250
Recognised in income	168	168
Other movements	(1)	(1)
	<u>417</u>	<u>417</u>
Balance at 28 January 2017	417	417
Recognised in income	78	78
	<u>495</u>	<u>495</u>
Balance at 3 February 2018	<u>495</u>	<u>495</u>

17 Other provisions

Provisions relate to costs on onerous property leases and represent anticipated minimum contractual lease costs less potential sublease income for vacant properties. For loss making trading stores, provision is made to the extent that the lease is deemed to be onerous. The provisions are discounted where the effect is material. A specific pre-tax discount rate will be used for each provision which reflects the current market assessments of the time value of money and the specific risks applicable to the liability.

	Total £000
Balance at 28 January 2017	79
Provisions created during the period	449
Provisions utilised during the period	(103)
Reclassifications	377
	<u>802</u>
Balance at 3 February 2018	<u>802</u>

Notes (continued)

18 Capital

Called up share capital

	Number of ordinary shares	Ordinary share capital £000
As at 28 January 2017 and at 3 February 2018	1	-

The total number of issued ordinary shares was 1 with a par value of £1.00 per share. All shares are fully paid.

The capital structure of the Company comprises issued share capital and retained earnings. The policy adopted by the Directors is to seek to improve the capital base of the Company so as to maintain creditor confidence and to sustain future development of the business.

On a show of hands at a general meeting, every holder of ordinary shares present in person shall have one vote, and on a poll every member shall have one vote for each share of which he is the holder. Subject to the relevant statutory provisions and the Company's Articles of Association, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes. Subject to the relevant statutory provisions and the Company's Articles of Association, on a return of capital on a winding-up, holders of ordinary shares are entitled to participate in such a return equally in proportion to their shareholding.

19 Commitments

(i) Operating leases commitments

The Company leases various retail outlets under non-cancellable operating lease agreements. The leases have various terms, escalation clauses and renewal rights. Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2018 £000	Land and buildings 2017 £000	Plant and equipment 2018 £000	Plant and equipment 2017 £000
Less than one year	10,522	12,036	119	11
Between one and five years	24,545	26,483	103	6
More than five years	3,131	5,650	-	-
	<u>38,198</u>	<u>44,169</u>	<u>222</u>	<u>17</u>

The future minimum rentals payable on land and buildings represent the base rents that are due on each property over the non-cancellable lease term, being usually the earliest date at which the lease can be exited. Certain properties have rents which are partly dependent on turnover levels in the individual store concerned.

(ii) Sublease receipts

The Group subleases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The total future minimum operating sublease receipts expected to be received at 3 February 2018 are as follows:

	Land and buildings 2018 £000	Land and buildings 2017 £000
Less than one year	54	90
Between one and five years	184	177
More than five years	84	-
	<u>322</u>	<u>267</u>

Notes (continued)

20 Capital commitments

During the period ended 3 February 2018, the Company entered into contracts to purchase tangible fixed assets totalling £nil (2017: £nil).

21 Pension schemes

The Company only operates defined contribution pension schemes. The pension charge for the period represents contributions payable by the Company of £243,000 in respect of employees (2017: £224,000), and £33,000 in respect of directors (2017: £17,000). There was £31,000 (2017: £18,600) owed to the scheme as at the period end.

22 Related parties

Transactions and balances with related parties (excluding those transactions with immediate parent company, JD Sports Fashion Plc and its wholly owned subsidiaries) during the period are shown below. Transactions were undertaken in the ordinary course of business. Outstanding balances are unsecured and will be settled in cash.

Pentland Group Plc

Pentland Group Plc owns 57.5% of the issued ordinary share capital of JD Sports Fashion Plc.

	Value of transactions 2018 £000	(Payable)/ receivable at period end 2018 £000	Value of transactions 2017 £000	(Payable)/ receivable at period end 2017 £000
Purchase of inventory	(10,644)	-	(11,985)	-
Trade receivables/(payables) (gross including VAT)	-	123	-	(157)

23 Parent Company

The Company is a subsidiary undertaking of JD Sports Fashion Plc, which is the smallest group in which the Company is a member and for which Group Financial Statements are drawn up. JD Sports Fashion Plc is registered in England. Copies of the consolidated financial statements of JD Sports Fashion Plc are available to the public and can be obtained from the Company Secretary, Edinburgh House, Hollinsbrook Way, Pilsworth, Bury, BL9 8RR or at www.jdplc.com.

24 Ultimate parent company

The ultimate parent company is Pentland Group Plc, which is the largest group in which the Company is a member and for which Group Financial Statements are drawn up. Pentland Group Plc is registered in England. The registered office of the Company is 8 Manchester Square, London, W1U 3PH. Copies of the consolidated financial statements of Pentland Group Plc can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.