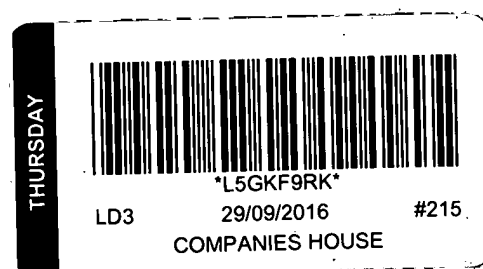


**BALLY UK SALES LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2015**



# **BALLY UK SALES LIMITED**

## **CONTENTS**

---

	<b>Page</b>
<b>Company information page</b>	<b>1</b>
<b>Directors' report</b>	<b>2 - 3</b>
<b>Strategic report</b>	<b>4 - 5</b>
<b>Independent auditor's report</b>	<b>6 - 7</b>
<b>Profit and loss account</b>	<b>8</b>
<b>Statement of other comprehensive income</b>	<b>9</b>
<b>Balance sheet</b>	<b>10</b>
<b>Statement of changes in equity</b>	<b>11 - 12</b>
<b>Statement of cash flows</b>	<b>13</b>
<b>Notes to the financial statements</b>	<b>14 - 35</b>

# **BALLY UK SALES LIMITED**

## **COMPANY INFORMATION**

---

**Directors**

E Schwendimann  
M Smickoski  
F F G M De Narp  
M Comazzi  
S Bertinotti  
N D Girotto

**Company secretary**

D & A Secretarial Services Limited

**Registered number**

00310156

**Registered office**

6th Floor  
123 Victoria Street  
London  
SW1P 1GW

**Independent auditor**

Blick Rothenberg LLP  
Chartered Accountants & Statutory Auditor  
16 Great Queen Street  
Covent Garden  
London  
WC2B 5AH

# **BALLY UK SALES LIMITED**

## **DIRECTORS' REPORT**

**FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

The directors present their report and the financial statements for the 11 months ended 31 December 2015.

### **Results and dividends**

The loss for the 11 months, after taxation, amounted to £2,648,000 (year to 31 January 2015: loss £642,000).

The directors do not recommend a dividend.

### **Directors**

The directors who served during the period were:

S F Sacchet (resigned 20 March 2015)  
E Schwendimann  
M Smickoski  
F F G M De Narp  
A P G Auvinet (resigned 4 November 2015)  
M Comazzi  
F Perotta (resigned 16 April 2015)  
S Bertinotti (appointed 27 April 2015)  
N D Giroto (appointed 4 November 2015)

### **Matters covered in the strategic report**

As permitted by S414c(11) of the Companies Act, the directors have elected to disclose information, required to be in the Directors' Report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## **BALLY UK SALES LIMITED**

### **DIRECTORS' REPORT FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

#### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

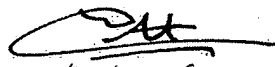
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

This report was approved by the board and signed on its behalf.

**N D Girotto**  
Director

Date:

  
28/09/2016

# **BALLY UK SALES LIMITED**

## **STRATEGIC REPORT**

**FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

### **Introduction**

The directors present their strategic report on the company for the 11 months ended 31 December 2015. The principal activity of the company during the period continued to be that of selling footwear, clothing and accessories.

### **Business review**

Turnover for the 11 months ended 31 December 2015 amounted to £8,211,000, an decrease of 8.25% when compared to the turnover generated in the period ended 31 January 2015 of £8,949,000. This decrease is mainly attributable to the change in financial year end.

The gross margin percentage decreased from 64.4% in the period ended 31 January 2015 to 62.7% in the 11 months ended 31 December 2015, primarily as a result of changes in the sales mix. In absolute terms, the gross profit for the 11 months ended 31 December 2015 amounted to £5,152,000 compared with £5,760,000 in the prior period.

During the period, one store was closed at Heathrow Terminal 4. The store on Brompton Road was closed shortly after the period end.

### **Principal risks and uncertainties**

The directors have considered the following risks and uncertainties facing the company:

- Competition from existing fashion brands

The directors have taken measures to minimise the company's exposure to this risk and review it on an ongoing basis.

- Pension scheme deficit

The pension scheme in which the company participates is currently showing a deficit of £76,000. If the value of the scheme assets were to decline relative to its liabilities, the company may need to make additional contributions to cover any shortfall. This could have an adverse impact on the cash balance of the company. The company and the trustees of the pension scheme meet regularly and receive advice from external actuaries and investment advisors.

### **Financial risk management objectives and policies**

#### **Liquidity risk**

The company has a working capital cycle resulting in peak requirement periods in the year. The company manages its cash requirements to ensure that it has sufficient liquid resources to meet the operating needs of the business.

#### **Credit risk**

Sales in the company's retail stores do not give rise to credit risk.

#### **Foreign exchange risk**

The company purchases stock in sterling and as such is not exposed to significant foreign exchange risk.

## **BALLY UK SALES LIMITED**

### **STRATEGIC REPORT (continued)**

---

#### **Financial key performance indicators**

Financial key performance indicators of the company are as follows:

- sales by square metres,
- sales by FTE's "Full Time Equivalent",
- items per transaction,
- transaction values, and
- average items per transaction, average value per transaction and conversion rates.

These are monitored by Group headquarters as well as the Board of Directors of the UK Company.

#### **Other key performance indicators**

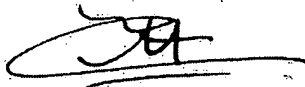
The directors are committed to promoting the health, safety and welfare of their staff at the company's premises.

The directors are mindful of the environment issues and have sought to minimise the impact of the company's activities on the environment.

This report was approved by the board and signed on its behalf.

N D Girotto  
Director

Date:

  
28/09/2016

# **BALLY UK SALES LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BALLY UK SALES LIMITED FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

We have audited the financial statements of Bally UK Sales Limited for the 11 months ended 31 December 2015, set out on pages 8 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

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 auditors**

As explained more fully in the directors' responsibilities statement, 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 statement**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 2015 and of its loss for the 11 months then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



# **BALLY UK SALES LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BALLY UK SALES LIMITED FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and the directors' report for the period for which the financial statements are prepared is consistent with the financial statements.

### **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.



Andrew Sanford (Senior statutory auditor)

for and on behalf of  
**Blick Rothenberg LLP**

Chartered Accountants  
Statutory Auditor

16 Great Queen Street  
Covent Garden  
London  
WC2B 5AH

29 September 2016

**BALLY UK SALES LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

		<b>11 months ended 31 December 2015 £000</b>	<b>31 January 2015 £000</b>
	<b>Note</b>		
Turnover	3	8,211	8,949
Cost of sales		(3,059)	(3,189)
<b>Gross profit</b>		<b>5,152</b>	<b>5,760</b>
Administrative expenses		(15,373)	(14,474)
Other operating income	4	7,490	8,103
<b>Operating loss</b>	5	<b>(2,731)</b>	<b>(611)</b>
Interest payable and similar charges	9	(56)	(87)
<b>Loss on ordinary activities before taxation</b>		<b>(2,787)</b>	<b>(698)</b>
Taxation on loss on ordinary activities	10	139	56
<b>Loss for the financial period</b>		<b>(2,648)</b>	<b>(642)</b>

# BALLY UK SALES LIMITED

## STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

---

	11 months ended 31 December 2015 £000	31 January 2015 £000
Loss for the financial period	(2,648)	(642)
<b>Other comprehensive income</b>		
Actuarial gain/(loss) on defined benefit schemes	883	(965)
<b>Other comprehensive income for the financial period</b>	883	(965)
<b>Total comprehensive income for the financial period</b>	<b>(1,765)</b>	<b>(1,607)</b>

**BALLY UK SALES LIMITED**

REGISTERED NUMBER: 00310156

**BALANCE SHEET  
AS AT 31 DECEMBER 2015**

	Note	31 December 2015 £000	31 January 2015 £000
<b>Fixed assets</b>			
Tangible assets	11	10,918	12,408
		<u>10,918</u>	<u>12,408</u>
<b>Current assets</b>			
Stocks	12	4,157	5,326
Debtors	13	1,527	1,816
Cash at bank and in hand		366	190
		<u>6,050</u>	<u>7,332</u>
Creditors: Amounts falling due within one year	14	(24,724)	(23,331)
<b>Net current liabilities</b>		<u>(18,674)</u>	<u>(15,999)</u>
<b>Total assets less current liabilities</b>		<u>(7,756)</u>	<u>(3,591)</u>
Creditors: Amounts falling due after more than one year	15	(569)	(802)
<b>Provisions for liabilities</b>			
Other provisions	17	(42)	(84)
		<u>(42)</u>	<u>(84)</u>
Pension liability		(76)	(2,201)
<b>Net liabilities</b>		<u>(8,443)</u>	<u>(6,678)</u>
<b>Capital and reserves</b>			
Called up share capital	19	100	100
Capital redemption reserve	20	31,578	31,578
Profit and loss account	20	(40,121)	(38,356)
		<u>(8,443)</u>	<u>(6,678)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

**N D Giroto**  
Director

Date:

  
28/09/2016

# BALLY UK SALES LIMITED

## STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2015

	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 1 February 2015	100	31,578	(38,356)	(6,678)
<b>Comprehensive income for the financial period</b>				
Loss for the financial period	-	-	(2,648)	(2,648)
Actuarial gains on pension scheme	-	-	883	883
<b>Other comprehensive income for the financial period</b>	-	-	883	883
<b>Total comprehensive income for the financial period</b>	-	-	(1,765)	(1,765)
<b>At 31 December 2015</b>	<b>100</b>	<b>31,578</b>	<b>(40,121)</b>	<b>(8,443)</b>

**BALLY UK SALES LIMITED****STATEMENT OF CHANGES IN EQUITY  
AS AT 31 JANUARY 2015**

	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total equity £000
At 2 February 2014 (as previously stated)	100	31,578	(40,101)	(8,423)
Prior year adjustment	-	-	3,352	3,352
At 2 February 2014 (as restated)	100	31,578	(36,749)	(5,071)
<b>Comprehensive income for the period</b>				
Loss for the financial period	-	-	(642)	(642)
Actuarial losses on pension scheme	-	-	(965)	(965)
<b>Other comprehensive income for the period</b>	-	-	(965)	(965)
<b>Total comprehensive income for the period</b>	-	-	(1,607)	(1,607)
<b>At 31 January 2015</b>	<b>100</b>	<b>31,578</b>	<b>(38,356)</b>	<b>(6,678)</b>

# BALLY UK SALES LIMITED

## STATEMENT OF CASH FLOWS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

	31 December 2015 £000	31 January 2015 £000
<b>Cash flows from operating activities</b>		
Loss for the 11 months	(2,648)	(642)
<b>Adjustments for:</b>		
Depreciation of tangibles	1,484	859
Decrease/(increase) in stocks	1,168	(2,028)
Interest paid	55	87
Decrease in debtors	506	3,409
(Decrease)/increase in creditors	(3,834)	5,643
Increase in amounts owed to groups	5,110	776
Decrease in provisions	(42)	-
Post-employment benefits less payments	(1,242)	(1,335)
	<u>557</u>	<u>6,769</u>
<b>Net cash generated from operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(60)	(6,809)
Sale of tangible fixed assets	66	-
	<u>6</u>	<u>(6,809)</u>
<b>Net cash generated from/(used in) investing activities</b>		
<b>Cash flows from financing activities</b>		
(Repayment of)/new finance leases	(76)	23
Interest paid	(55)	(87)
	<u>(131)</u>	<u>(64)</u>
<b>Net cash used in financing activities</b>		
<b>Net increase / (decrease) in cash and cash equivalents</b>	<u>432</u>	<u>(104)</u>
Cash and cash equivalents at beginning of period	(78)	26
	<u>354</u>	<u>(78)</u>
<b>Cash and cash equivalents at the end of period</b>		
Cash at bank and in hand	366	190
Bank overdrafts	(12)	(268)
	<u>354</u>	<u>(78)</u>

# **BALLY UK SALES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

### **1. Accounting policies**

#### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared for the 11 months ended 31 December 2015, the previous period end was 31 January 2015. The change was to align the financial year end with the group's financial year end. This means that the comparative figures are not entirely comparable.

Bally UK Sales Limited's principal activities are that of selling footwear, clothing and accessories.

The company is incorporated in England and Wales. The address of its principal place of business is 6th Floor, 123 Victoria Street, London, SW1P 1GW.

The financial statements are presented in Sterling (£), rounded to the nearest thousand.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact first-time adoption of FRS 102 is given in note 25.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 2).

The following principal accounting policies have been applied:

#### **1.2 Going concern**

The company has net liabilities of £8,443,000 including an amount owed to group undertakings of £20,786,000. The financial statements have been prepared on a going concern basis which the directors believe to be appropriate. Bally International AG, the intermediate parent company of Bally UK Sales Limited, has provided the company with an undertaking that for at least twelve months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to enable the company to continue in operational existence for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that the support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.



**BALLY UK SALES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

**1. Accounting policies (continued)**

**1.3 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

**Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Returns**

It is the company's policy to sell goods to customers with a right of return. Accumulated experience is used to estimate and provide for returns at the time of sale.

**1.4 Other operating income**

Other operating income is recognised on an accruals basis in accordance with the substance of the relevant agreements, and recognised when all contractual conditions are met.

Rental income is recognised on an accruals basis in accordance with the terms of the lease agreement.

**BALLY UK SALES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

**1. Accounting policies (continued)**

**1.5 Tangible fixed assets**

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Leasehold property	-	over the term of the lease
Computer and office equipment	-	25% straight line
Motor vehicles	-	25% straight line
Fixtures & fittings	-	3 - 10 years straight line

Assets under construction are not depreciated until they are brought into use.

Artwork is not depreciated and is valued at historical cost.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount. Any impairment loss is recognised within administrative expenses.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' or 'other operating charges' as appropriate in the profit and loss account.

**1.6 Operating leases: Lessee**

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the term of the lease.

**BALLY UK SALES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

**1. Accounting policies (continued)**

**1.7 Finance leases**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

**1.8 Stocks**

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

**BALLY UK SALES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

**1. Accounting policies (continued)**

**1.9 Financial instruments**

The company has elected to apply Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified accordingly according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Financial assets**

Basic financial assets, including trade and other debtors, cash and bank balances, intercompany working capital balances, and intercompany financing are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment.

**Financial liabilities**

Basic financial liabilities, including trade and other creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Financing transactions are those in which payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

**Impairment of financial assets**

Financial assets measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between the asset's carrying amount and the best estimate of the amount the company would receive for the asset if it were to be sold at the reporting date.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

**BALLY UK SALES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

**1. Accounting policies (continued)**

**Financial instruments (continued)**

**Derecognition of financial assets and financial liabilities**

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**1.10 Foreign currency translation**

**Functional and presentational currency**

The company's functional and presentational currency is Sterling.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated into the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'operating profit'.

**1.11 Finance costs**

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**BALLY UK SALES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

**1. Accounting policies (continued)**

**1.12 Pensions**

**Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

**Defined benefit pension plan**

The company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

**1.13 Interest income**

Interest income is recognised in the profit and loss account using the effective interest method.

**BALLY UK SALES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

**1. Accounting policies (continued)**

**1.14 Provisions for liabilities**

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**1.15 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates income.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### 2. Judgements in applying accounting policies and key sources of estimation uncertainty

#### Key judgements made by management in applying the entity's accounting policies

##### Impairment of tangible fixed assets

In preparing these financial statements, the directors have exercised judgement in determining whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

#### Key sources of estimation uncertainty

##### Retirement benefits

Accounting for a defined benefit pension scheme and the value of liabilities is dependent on significant assumptions, including an assessment of the discount rate, price inflation and key demographic figures including life expectancy and mortality rates. Details of these assumptions are given in note 21.

These accounting judgments are inherently complex and require a high level of management judgment and specialist input by an actuary in the calculation of the value of the liabilities.

### 3. Analysis of turnover

Turnover is attributable to the company's principal activity; the selling of footwear, clothing and accessories.

All turnover arose within the United Kingdom.

### 4. Other operating income

	11 months ended 31 December 2015 £000	31 January 2015 £000
Other operating income	7,303	7,969
Commissions	125	111
Net rents receivable	58	19
Sundry income	4	4
	<u>7,490</u>	<u>8,103</u>



# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

---

### 5. Operating loss

The operating loss is stated after charging/(crediting):

	11 months ended 31 December 2015 £000	31 January 2015 £000
Depreciation of tangible fixed assets		
- owned by the company	1,477	835
- held under finance leases	7	24
Operating lease rentals	2,628	2,654
Exchange differences	24	(93)
	<u>          </u>	<u>          </u>

### 6. Auditor's remuneration

	11 months ended 31 December 2015 £000	31 January 2015 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	22	18
	<u>          </u>	<u>          </u>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	11 months ended 31 December 2015 £000	31 January 2015 £000
Wages and salaries	5,685	5,088
Social security costs	760	581
Pension costs	883	871
	<u>7,328</u>	<u>6,540</u>

The average monthly number of employees, including the directors, during the period was as follows:

	11 months ended 31 December 2015 No.	31 January 2015 No.
Selling and distribution	41	43
Administration	68	57
	<u>109</u>	<u>100</u>

### 8. Directors' remuneration

	11 months ended 31 December 2015 £000	31 January 2015 £000
Directors' emoluments	320	514
	<u>320</u>	<u>514</u>

The highest paid director received remuneration of £320,000 (2015: £322,000).

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### 9. Interest payable and similar charges

	11 months ended 31 December 2015 £000	31 January 2015 £000
Expected return on pension scheme assets	(1,325)	(1,665)
Interest on pension scheme liabilities	1,369	1,749
On finance leases and hire purchase contracts	9	2
Other interest payable	3	1
	<u>56</u>	<u>87</u>

### 10. Taxation

	11 months ended 31 December 2015 £000	31 January 2015 £000
Group taxation relief	(139)	(56)
<b>Total current tax</b>	<u>(139)</u>	<u>(56)</u>
 <b>Taxation on loss on ordinary activities</b>	 <u>(139)</u>	 <u>(56)</u>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### 10. Taxation (continued)

#### Factors affecting tax charge for the period

The tax assessed for the 11 months is higher than (31 January 2015: higher than) the standard rate of corporation tax in the UK of 20.18% (2015: 21.31%). The differences are explained below:

	11 months ended 31 December 2015 £000	31 January 2015 £000
Loss on ordinary activities before tax	(2,786)	(698)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.18% (2015 -21.31%)	(562)	(149)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	11	29
Capital allowances for period in excess of depreciation	175	(694)
Pension contributions net of other finance expense	(267)	(280)
Unrelieved tax losses carried forward	643	1,094
Group relief	(139)	(56)
<b>Total tax charge for the period</b>	<b>(139)</b>	<b>(56)</b>

#### Factors that may affect future tax charges

The company has unutilised tax losses of approximately £23,465,000 (31 January 2015: £23,465,000) carried forward. No deferred tax asset has been recognised in these financial statements because of the uncertainty of suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance (No. 2) Act 2015 on 26 October 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A further reduction in the UK corporation tax rate to 17%, effective from 1 April 2020, was announced in the UK Budget on 16 March 2016 which is yet to be substantively enacted.

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### 11. Tangible fixed assets

	Leasehold property and improve- ments £000	Motor vehicles £000	Fixtures & fittings £000	Computer equipment £000	Other fixed assets £000	Total £000
<b>Cost</b>						
At 1 February 2015	10,580	98	4,687	476	15	15,856
Additions	6	-	50	4	-	60
Disposals	(259)	(98)	(157)	(2)	-	(516)
<b>At 31 December 2015</b>	<b>10,327</b>	<b>-</b>	<b>4,580</b>	<b>478</b>	<b>15</b>	<b>15,400</b>
<b>Depreciation</b>						
At 1 February 2015	1,232	29	2,020	167	-	3,448
Charge for the period	729	7	663	85	-	1,484
Disposals	(259)	(36)	(153)	(2)	-	(450)
<b>At 31 December 2015</b>	<b>1,702</b>	<b>-</b>	<b>2,530</b>	<b>250</b>	<b>-</b>	<b>4,482</b>
<b>At 31 December 2015</b>	<b>8,625</b>	<b>-</b>	<b>2,050</b>	<b>228</b>	<b>15</b>	<b>10,918</b>
At 31 January 2015	9,348	69	2,667	309	15	12,408

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	31 December 2015 £000	31 January 2015 £000
Motor vehicles	-	69
	-	69

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### 12. Stocks

	31 December 2015 £000	31 January 2015 £000
Goods for resale	4,157	5,326
	<u>4,157</u>	<u>5,326</u>

Stock recognised in cost of sales during the period as an expense was £2,966,000 (31 January 2015: £3,116,000).

### 13. Debtors

	31 December 2015 £000	31 January 2015 £000
<b>Due after more than one year</b>		
Other debtors	58	58
	<u>58</u>	<u>58</u>
<b>Due within one year</b>		
Trade debtors	180	71
Amounts owed by group undertakings	218	2
Other debtors	69	1,197
Prepayments and accrued income	1,002	488
	<u>1,527</u>	<u>1,816</u>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### 14. Creditors: Amounts falling due within one year

	31 December 2015 £000	31 January 2015 £000
Bank overdraft	12	268
Trade creditors	2,144	6,714
Amounts owed to group undertakings	20,786	15,457
Taxation and social security	505	339
Obligations under finance lease and hire purchase contracts	-	24
Accruals and deferred income	1,277	529
	<u>24,724</u>	<u>23,331</u>

### 15. Creditors: Amounts falling due after more than one year

	31 December 2015 £000	31 January 2015 £000
Net obligations under finance leases and hire purchase contracts	-	52
Accruals and deferred income	569	750
	<u>569</u>	<u>802</u>

Of the deferred income, £155,000 will reverse after five years.

### 16. Hire purchase & finance leases

Minimum lease payments under hire purchase fall due as follows:

	31 December 2015 £000	31 January 2015 £000
Within one year	-	24
Between 1-2 years	-	52
	<u>-</u>	<u>76</u>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### 17. Provisions

	Dilapidation provision £000
At 1 February 2015	84
Charged to the profit or loss	(42)
<b>At 31 December 2015</b>	<b>42</b>
<b>Dilapidation provision</b>	

The balance relates to dilapidation provisions on the company's current leasehold properties which are likely to become payable at the end of the lease term.

### 18. Financial instruments

	31 December 2015 £000	31 January 2015 £000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	525	1,328
	<b>525</b>	<b>1,328</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	23,446	22,778
	<b>23,446</b>	<b>22,778</b>

Financial assets measured at amortised cost include trade debtors, group debtors and other debtors.

Financial liabilities measured at amortised cost include bank overdrafts, trade creditors, group creditors, and other creditors.

### 19. Share capital

	31 December 2015 £000	31 January 2015 £000
<b>Allotted, called up and fully paid</b>		
400,000 Ordinary shares of £0.25 each	100	100



# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### 20. Reserves

#### Capital redemption reserve

The capital redemption reserve was set aside following a loan waiver that Bally UK Sales Limited had against Bally Group (UK) Limited in the amount of £1,578,000 and against Bally International AG in the amount of £30million.

#### Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

### 21. Pension commitments

The company participates in a defined benefit scheme operated by Bally Group (UK) Limited, under which contributions were paid by members and the company into a fund. This fund is separate from the company's finances and is administered by Trustees. This scheme was closed with effect from 1 February 2002.

A full actuarial valuation was carried out on 1 June 2013 by a qualified independent actuary and was updated to 31 December 2015.

The actual amount paid into the scheme in the period was £1,868,000 (January 2015: £2,068,000).

The major assumptions used by the actuary were:

	31 December 2015	31 January 2015
Discount rate	3.90%	3.10%
Rate of increase in pension payment	3.55%	3.35%
Rate of inflation	2.30%	1.90%

The mortality assumptions used the actuarial table SAPS YOB Medium Cohort.

The assets in the scheme were as follows:

	31 December 2015 £000	31 January 2015 £000
Equities	15,972	16,762
Bonds	6,693	7,029
Cash	127	648
Annuity policies	20,377	22,473
	<b>43,169</b>	<b>46,912</b>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### Pension commitments (continued)

The expected return on assets has been derived by considering the appropriate return for each of the main asset classes. The assumed return on equities reflects an allowance for the expected outperformance of these asset classes over government bonds in the long-term. The return for bonds has been derived from the yield available on high quality corporate bonds and fixed government gilts. The long-term expected rate of return on cash is determined by reference to bank base rates at the balance sheet dates. The expected rate of return on annuity policies are set equal to the discount rate.

The amounts recognised in the balance sheet are as follows:

	31 December 2015 £000	31 January 2015 £000
Total market value of assets	43,169	46,912
Present value of scheme liabilities	(43,245)	(49,113)
<b>Net liability</b>	<b>(76)</b>	<b>(2,201)</b>

No deferred tax is recognised on the pension liability as it is not regarded as recoverable (see note 10).

### Reconciliation of present value of scheme liabilities

	31 December 2015 £000	31 January 2015 £000
Opening defining benefit obligation	49,113	40,646
Interest cost	1,369	1,747
Actuarial (gains)/losses	(5,476)	8,605
Benefits paid	(1,761)	(1,885)
<b>Closing defined benefit obligation</b>	<b>43,245</b>	<b>49,113</b>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### Pension commitments (continued)

#### Reconciliation of fair value of scheme assets

	31 December 2015 £000	31 January 2015 £000
Opening value of scheme assets	46,912	38,077
Expected return on assets	1,325	1,665
Actuarial (losses)/gains	(4,593)	7,638
Contribution by employer	1,868	2,068
Benefits paid	(1,761)	(1,885)
Administration expenses	(582)	(651)
	<u>43,169</u>	<u>46,912</u>

#### Analysis of amounts charged to the profit and loss are as follows:

	31 December 2015 £000	31 January 2015 £000
Interest on scheme liabilities	(1,369)	(1,747)
Expected return on scheme assets	1,325	1,665
Administration expenses	(582)	(651)
<b>Total</b>	<u>(626)</u>	<u>(733)</u>

The company expects to contribute £1,463,000 to its defined benefit pension scheme in 2016.

#### Defined benefit costs recognised in the statement of other comprehensive income

	31 December 2015 £000	31 January 2015 £000
Actual less expected return on assets	(4,593)	7,638
Experience gains	-	106
Change in assumptions loss	5,476	(8,711)
	<u>883</u>	<u>(967)</u>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015

### Pension commitments (continued)

#### Defined contribution scheme

There is a defined contribution scheme operated by the company. The assets are held separately from those of the company in an independently administered fund. The pension cost charged of £403,000 (January 2015: £223,000) for this scheme represents the contribution payable by Bally UK Sales Limited for the period.

#### 22. Commitments under operating leases

At 31 December 2015 the company had future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2015 £000	31 January 2015 £000
Not later than 1 year	1,627	2,133
Later than 1 year and not later than 5 years	6,428	6,428
Later than 5 years	2,117	3,777
<b>Total</b>	<b>10,172</b>	<b>12,338</b>

#### 23. Related party transactions

The company has taken advantage of the exemption contained in FRS 102 section 33 from disclosing transactions with entities which are a wholly owned part of the group.

Only the directors are considered to be key management personnel. Total remuneration in respect of the individuals is given in note 8.

#### 24. Ultimate parent undertaking and controlling party

The immediate parent company and controlling party is Bally Group (UK) Limited, a company incorporated in England. Group financial statements are not prepared.

The ultimate parent company is JAB Holding, a company incorporated in the Netherlands. Group financial statements are not prepared.

The largest and smallest group in which the results of the company are consolidated is that headed by Bally International AG, incorporated in Switzerland. The consolidated financial statements of this group are available on written request to Bally International AG, Via Industria 1, 6987 Caslano, Switzerland.

The directors are not aware of any ultimate controlling party.

# **BALLY UK SALES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE 11 MONTHS ENDED 31 DECEMBER 2015**

---

### **25. First time adoption of FRS 102**

This is the first year that the company has presented its results and financial position in accordance with FRS 102. The last financial statements under UK GAAP were for the period ended 31 January 2015. The date of transition to FRS 102 was 1 February 2014.

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.