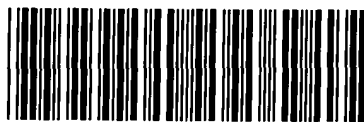


Registered number: 00310156

**BALLY UK SALES LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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COMPANIES HOUSE

# **BALLY UK SALES LIMITED**

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# **BALLY UK SALES LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	S Bertinotti N D Giroto
<b>Company secretary</b>	D & A Secretarial Services Limited
<b>Registered number</b>	00310156
<b>Registered office</b>	Salisbury House London Wall London EC2M 5PS
<b>Independent auditor</b>	Blick Rothenberg Audit LLP Chartered Accountants & Statutory Auditor 16 Great Queen Street Covent Garden London WC2B 5AH

# **BALLY UK SALES LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **Introduction**

The directors present their strategic report on the company for the year ended 31 December 2018.

The principal activity of the company during the year continued to be that of selling footwear, clothing and accessories.

#### **Business review**

Turnover for the year ended 31 December 2018 amounted to £6,574,000, an increase of 1.5% when compared to the turnover generated in the 12 month period ended 31 December 2017 of £6,474,000.

The gross margin percentage increased from 60.4% in the year ended 31 December 2017 to 62.1% in the year ended 31 December 2018. In absolute terms, the gross profit for the year ended 31 December 2018 amounted to £4,083,000 compared with £3,911,000 in the prior year.

The results for the year were impacted by an impairment charge of £3,353,000 arising from the write down of the company's leasehold properties to their recoverable amounts.

#### **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**

The pension scheme in which the company participates is currently showing a surplus of £3,144,000.

#### **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)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Financial key performance indicators**

Financial key performance indicators of the company are as follows.

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

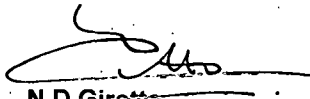
These are monitored by Group headquarters as well as the Board of Directors of the UK Company.

**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 environmental 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: 25 SEPTEMBER 2019

# **BALLY UK SALES LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present their report and the financial statements for the year ended 31 December 2018.

### **Results and dividends**

The loss for the year, after taxation, amounted to £6,708 thousand (2017 - loss £4,168 thousand).

The directors do not recommend a dividend.

### **Directors**

The directors who served during the year were:

F F G M De Narp (resigned 18 June 2019)  
S Bertinotti  
N D Girotto

### **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**

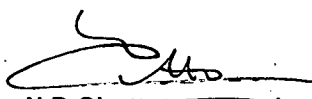
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the 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.

### **Other matters**

In February 2018 JAB Luxury GmbH, an intermediate holding company, entered into an arrangement to sell a majority shareholding in Bally International AG, the intermediate parent company of Bally UK Sales Limited, to the Shandong Ruyi group. At the date of the approval of these financial statements this transaction has not yet been finalised, and as such control has not passed to the Shandong Ruyi Group.

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

  
**N D Girotto**  
Director

Date: 25 SEPTEMBER 2019

## **BALLY UK SALES LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

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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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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.

# **BALLY UK SALES LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BALLY UK SALES LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **Opinion**

We have audited the financial statements of Bally UK Sales Limited (the 'company') for the year ended 31 December 2018, which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



# **BALLY UK SALES LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BALLY UK SALES LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

# **BALLY UK SALES LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BALLY UK SALES LIMITED (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

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.

*Blick Rothenberg Audit LLP*

David Hough (senior statutory auditor)

for and on behalf of

**Blick Rothenberg Audit LLP**

Chartered Accountants  
Statutory Auditor

16 Great Queen Street  
Covent Garden  
London  
WC2B 5AH

Date: 27 SEPTEMBER 2019

**BALLY UK SALES LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	4	6,574	6,474
Cost of sales		(2,491)	(2,563)
<b>Gross profit</b>		<b>4,083</b>	<b>3,911</b>
Administrative expenses		(7,636)	(11,883)
Exceptional administrative expenses	8	(3,353)	(784)
Other operating income	5	157	4,580
<b>Operating loss</b>		<b>(6,749)</b>	<b>(4,176)</b>
Interest receivable and similar income	9	1,306	1,331
Interest payable and similar expenses	10	(1,265)	(1,351)
<b>Loss before taxation</b>		<b>(6,708)</b>	<b>(4,196)</b>
Tax on loss	11	-	28
<b>Loss for the financial year</b>		<b>(6,708)</b>	<b>(4,168)</b>

## BALLY UK SALES LIMITED

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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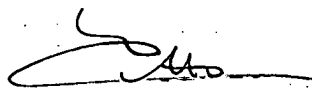
	2018 £000	2017 £000
Loss for the financial year	(6,708)	(4,168)
<b>Other comprehensive income</b>		
Actuarial gain on defined benefit schemes	127	2,031
<b>Other comprehensive income for the year</b>	127	2,031
<b>Total comprehensive income for the year</b>	<b>(6,581)</b>	<b>(2,137)</b>

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**BALLY UK SALES LIMITED****BALANCE SHEET  
AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Tangible assets	12	3,646	8,450
		<u>3,646</u>	<u>8,450</u>
<b>Current assets</b>			
Stocks	13	2,174	2,363
Debtors	14	1,003	976
Cash at bank and in hand		509	195
		<u>3,686</u>	<u>3,534</u>
Creditors: amounts falling due within one year	15	(35,002)	(31,989)
<b>Net current liabilities</b>		<u>(31,316)</u>	<u>(28,455)</u>
<b>Total assets less current liabilities</b>		<u>(27,670)</u>	<u>(20,005)</u>
Pension asset		3,144	2,060
<b>Net liabilities</b>		<u>(24,526)</u>	<u>(17,945)</u>
<b>Capital and reserves</b>			
Called up share capital	17	100	100
Capital redemption reserve	18	31,578	31,578
Profit and loss account	18	(56,204)	(49,623)
<b>Shareholders' deficit</b>		<u>(24,526)</u>	<u>(17,945)</u>

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



**N D Girotto**  
Director

Date: 25 SEPTEMBER 2019

**BALLY UK SALES LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>Called up share capital £000</b>	<b>Capital redemption reserve £000</b>	<b>Profit and loss account £000</b>	<b>Total equity £000</b>
<b>At 1 January 2017</b>	<b>100</b>	<b>31,578</b>	<b>(47,486)</b>	<b>(15,808)</b>
Loss for the financial year	-	-	(4,168)	(4,168)
Actuarial gains on pension scheme	-	-	2,031	2,031
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(2,137)</b>	<b>(2,137)</b>
<b>At 1 January 2018</b>	<b>100</b>	<b>31,578</b>	<b>(49,623)</b>	<b>(17,945)</b>
Loss for the financial year	-	-	(6,708)	(6,708)
Actuarial gains on pension scheme	-	-	127	127
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(6,581)</b>	<b>(6,581)</b>
<b>At 31 December 2018</b>	<b>100</b>	<b>31,578</b>	<b>(56,204)</b>	<b>(24,526)</b>

# BALLY UK SALES LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £000	2017 £000
<b>Cash flows from operating activities</b>		
Loss for the financial year	(6,708)	(4,168)
<b>Adjustments for:</b>		
Depreciation of tangible assets	1,495	1,477
Impairment of fixed assets	3,353	-
Loss on disposal of tangible assets	-	808
Interest paid	1,261	1,350
Interest received	(1,306)	(1,330)
Taxation charge	-	(28)
Decrease in stocks	189	253
(Increase)/decrease in debtors	(27)	82
(Decrease)/increase in creditors	(1,501)	333
Increase in amounts owed to groups	4,514	3,337
Increase/(decrease) in provisions	-	(24)
Increase in net pension assets	(912)	(1,401)
<b>Net cash generated from operating activities</b>	<b>358</b>	<b>689</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(44)	(940)
<b>Net cash from investing activities</b>	<b>(44)</b>	<b>(940)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>314</b>	<b>(251)</b>
Cash and cash equivalents at beginning of year	195	446
<b>Cash and cash equivalents at the end of year</b>	<b>509</b>	<b>195</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	509	195
	<b>509</b>	<b>195</b>

# **BALLY UK SALES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **1. General information**

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

The company is a private company limited by shares and is incorporated in England. The address of its registered office and principal place of business is Salisbury House, London Wall, London, EC2M 5PS.

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

### **2. Accounting policies**

#### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

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 3).

The following principal accounting policies have been applied:

#### **2.2 Going concern**

The company has net liabilities of £24,526,000 including an amount owed to group undertakings of £33,785,000. The financial statements have been prepared on a going concern basis which the directors believe to be appropriate.

In February 2018 JAB Luxury GmbH, an intermediate holding company, entered into an arrangement to sell a majority shareholding in Bally International AG, the intermediate parent company of Bally UK Sales Limited, to the Shandong Ruyi group. At the date of the approval of these financial statements this transaction has not yet been finalised, and as such control has not passed to the Shandong Ruyi Group.

The directors believe that the new owners of the Bally International AG group 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 YEAR ENDED 31 DECEMBER 2018**

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#### **2. Accounting policies (continued)**

##### **2.3 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; and
- 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.

##### **2.4 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.

##### **2.5 Tangible fixed assets**

Tangible fixed assets under the cost model 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.

## **BALLY UK SALES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

---

#### **2. Accounting policies (continued)**

##### **2.5 Tangible fixed assets (continued)**

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.

Depreciation is provided on the following basis:

Leasehold property	- over the length of the lease
Computer and office equipment	- 4 - 10 years straight line
Fixtures and fittings	- 3 - 10 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

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.

##### **2.6 Operating leases**

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

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.

##### **2.7 Stocks**

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

# **BALLY UK SALES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **2. Accounting policies (continued)**

#### **2.8 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 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 and cash and bank balances 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, and intercompany working capital balances 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 a 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 YEAR ENDED 31 DECEMBER 2018**

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### **2. Accounting policies (continued)**

#### **2.8 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.

#### **2.9 Share capital**

Ordinary shares are classified as equity.

#### **2.10 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 'administrative expenses'.

#### **2.11 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

# **BALLY UK SALES LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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### **2. Accounting policies (continued)**

#### **2.12 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.

#### **2.13 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 payment 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 but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The surplus recognised in the balance sheet in respect of the defined benefit plan is the fair value of plan assets at the balance sheet date out of which the obligations are to be settled less the present value of the defined benefit obligation at the end of the balance sheet date.

The defined benefit obligation is calculated using the projected unit 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 to 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 net 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 a 'finance expense'.

## **BALLY UK SALES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **2. Accounting policies (continued)**

##### **2.14 Interest income**

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

##### **2.15 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Current tax is the amount of income tax payable in respect of taxable profit for the year or prior years.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax balances are 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 balances are 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, and that are expected to apply to the reversal of the timing difference.

##### **2.16 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 3. 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 19.

As at 31 December 2018, the scheme's assets exceed the liabilities and as such the scheme was in surplus. The directors have considered the requirements of section 28.22 of FRS 102, and believe that the company is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Accordingly the scheme surplus has been recognised in full.

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

### 4. Turnover

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

All turnover arose within the United Kingdom.

### 5. Other operating income

	2018 £000	2017 £000
Service recharge	-	4,409
Commissions	122	122
Rents receivable	35	35
Sundry income	-	14
	<u>157</u>	<u>4,580</u>

## BALLY UK SALES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

#### 6. Operating loss

The operating loss is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets	1,495	1,477
Exchange differences	1	31
Operating lease rentals	1,860	2,080
Fees payable to the company's auditor and its associated for the audit of the company's annual financial statements	40	26
	<u>          </u>	<u>          </u>

#### 7. Employees

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

	2018 £000	2017 £000
Wages and salaries	858	3,869
Social security costs	157	477
Cost of defined benefit pension scheme	951	534
Cost of defined contribution pension scheme	22	135
	<u>          </u>	<u>          </u>
	<u>1,988</u>	<u>5,015</u>

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

	2018 No.	2017 No.
Selling and distribution	22	21
Administration	1	30
Directors	3	4
	<u>          </u>	<u>          </u>
	<u>26</u>	<u>55</u>



# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 8. Exceptional items

	2018 £000	2017 £000
Loss on disposal of tangible assets	-	784
Impairment of leasehold property and improvements	3,353	-
	<u>3,353</u>	<u>784</u>

### 9. Interest receivable

	2018 £000	2017 £000
Expected return on pension scheme assets	<u>1,306</u>	<u>1,331</u>

### 10. Interest payable and similar expenses

	2018 £000	2017 £000
Other interest payable	4	2
Interest on pension scheme assets	1,261	1,349
	<u>1,265</u>	<u>1,351</u>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 11. Taxation

	2018 £000	2017 £000
Group taxation relief	-	(28)
<b>Taxation on loss on ordinary activities</b>	<b>-</b>	<b>(28)</b>

#### Factors affecting tax charge for the period

The tax assessed for the year is higher than (2017 -higher than) the standard rate of corporation tax in the UK of 19% (2017 -19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss on ordinary activities before tax	(6,708)	(4,196)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 -19.25%)	(1,275)	(808)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1	9
Depreciation and impairment in excess of capital allowances	921	454
Pension contributions net of other finance expense	(258)	(264)
Unrelieved tax losses carried forward	611	609
Group relief	-	(28)
<b>Total tax charge for the year</b>	<b>-</b>	<b>(28)</b>

#### Factors that may affect future tax charges

The company has unutilised tax losses of approximately £36,325,000 (2017: £33,070,000) 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.

A reduction to the UK corporation tax rate to 17%, effective from 1 April 2020, was substantively enacted as part of the Finance (No. 2) Act 2016 on 6 September 2016. Deferred taxes at the balance sheet date have been measured using the enacted tax rates based on when the timing difference is expected to reverse and reflected in these financial statements.

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 12. Tangible fixed assets

	Leasehold property and improve- ments £000	Fixtures and fittings £000	Computer equipment £000	Other fixed assets £000	Total £000
<b>Cost</b>					
At 1 January 2018	9,855	4,380	402	15	14,652
Additions	11	33	-	-	44
At 31 December 2018	9,866	4,413	402	15	14,696
<b>Depreciation</b>					
At 1 January 2018	2,831	3,112	259	-	6,202
Charge for the year on owned assets	288	1,169	38	-	1,495
Impairment charge	3,353	-	-	-	3,353
At 31 December 2018	6,472	4,281	297	-	11,050
<b>Net book value</b>					
At 31 December 2018	3,394	132	105	15	3,646
At 31 December 2017	7,024	1,268	143	15	8,450

During the year, the directors reviewed the recoverable amounts for the leasehold properties which resulted in an impairment charge of £3,353,000.

### 13. Stocks

	2018 £000	2017 £000
Finished goods and goods for resale	2,174	2,363

Stock recognised in cost of sales during the year as an expense was £2,363,000 (2017 - £2,445,000) .

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 14. Debtors

	2018 £000	2017 £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	139	172
Other debtors	69	49
Prepayments and accrued income	737	697
	<u>1,003</u>	<u>976</u>

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

	2018 £000	2017 £000
Trade creditors	690	1,422
Amounts owed to group undertakings	33,785	29,271
Other taxation and social security	296	275
Other creditors	145	866
Accruals and deferred income	86	155
	<u>35,002</u>	<u>31,989</u>

### 16. Financial instruments

	2018 £000	2017 £000
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>266</u>	<u>279</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(34,620)</u>	<u>(31,559)</u>

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

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

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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### 17. Share capital

	2018 £000	2017 £000
<b>Allotted, called up and fully paid</b>		
400,000 (2017 - 400,000) Ordinary shares of £0.25 each	<u>100</u>	<u>100</u>

### 18. 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 £1.6m and against Bally International AG in the amount of £30m.

#### Profit and loss account

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

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 19. 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 2016 by a qualified independent actuary and was updated to 31 December 2018.

The actual amount paid into the scheme in the period was £1,863,000 (December 2017: £1,935,000).

Reconciliation of present value of plan liabilities:

	2018 £000	2017 £000
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	50,944	51,842
Interest cost	1,261	1,349
Actuarial gains	(1,914)	(337)
Benefits paid	(4,096)	(1,910)
Past service cost	500	-
<b>At the end of the year</b>	<b>46,695</b>	<b>50,944</b>

Reconciliation of present value of plan assets

	2018 £000	2017 £000
At the beginning of the year	53,004	50,476
Expected return on assets	1,306	1,331
Actuarial gain on plan assets	(1,787)	1,706
Contributions	1,863	1,935
Benefits paid	(4,096)	(1,910)
Administration expenses	(451)	(534)
<b>At the end of the year</b>	<b>49,839</b>	<b>53,004</b>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 19. Pension commitments (continued)

#### Composition of plan assets

	2018 £000	2017 £000
Equities	21,347	21,485
Bonds	8,380	9,847
Cash	714	1,034
Annuity policies	19,398	20,638
<b>Total plan assets</b>	<b>49,839</b>	<b>53,004</b>

The amounts recognised in the balance sheet are as follows:

	2018 £000	2017 £000
Fair value of plan assets	49,839	53,004
Present value of plan liabilities	(46,695)	(50,944)
<b>Net pension scheme liability</b>	<b>3,144</b>	<b>2,060</b>

No deferred tax is recognised on the pension liability as it is not regarded as recoverable (see note 11).

The amounts recognised in profit or loss are as follows:

	2018 £000	2017 £000
Interest on scheme liabilities	(1,261)	(1,349)
Past service cost	(500)	-
Expected return on scheme assets	1,306	1,331
Administrative costs	(451)	(534)
<b>Total</b>	<b>(906)</b>	<b>(552)</b>

# BALLY UK SALES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 19. Pension commitments (continued)

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

	2018 £000	2017 £000
Actual less expected return on assets	(1,787)	1,706
Experience losses	(801)	(192)
Actuarial gains/(losses) due to financial assumptions changes	2,784	(606)
Actuarial losses/(gains) from change of demographic assumptions	(69)	1,135
<b>Statement of comprehensive income</b>	<b>127</b>	<b>2,043</b>

The company expects to contribute £1,380,000 to its defined benefit pension scheme in 2019.

Principal actuarial assumptions at the balance sheet date:

	2018 %	2017 %
Discount rate	2.9	2.55
Future pension increases	3.6	3.60
CPI inflation assumption	2.35	2.35
RPI inflation assumption	3.35	3.35

The mortality assumptions used the actuarial table SAPS S2.

#### 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 £22,000 (December 2017: £135,000) for this scheme represents the contribution payable by Bally UK Sales Limited for the period.



## BALLY UK SALES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 20. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	1,537	1,537
Later than 1 year and not later than 5 years	3,411	4,947
	<u>4,948</u>	<u>6,484</u>

#### 21. 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 was £Nil (2017: £100,000).

#### 22. 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.

In February 2018 JAB Luxury GmbH, an intermediate holding company, entered into an arrangement to sell a majority shareholding in Bally International AG, the intermediate parent company of Bally UK Sales Limited, to the Shandong Ruyi group. At the date of the approval of these financial statements this transaction has not yet been finalised, and as such control has not passed to the Shandong Ruyi Group.