Decathlon UK Limited

Annual report for the year ended 31 December 2021

Registered number: 03140144

Decathlon UK Limited

Annual Report for the year ended 31 December 2021

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Company Information

Directors

Eric Mazillier

Alberto Bottan

Company secretary

Peter Bednarski

Company number

03140144

Registered office

Head Office
9 Maritime Street
London
United Kingdom
SE16 7FU

Independent auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Strategic Report for the year ended 31 December 2021

The directors presented their Strategic Report for Decathlon UK Limited (the 'Company') for the year ended 31 December 2021.

Company structure

Decathlon UK is part of a wider group, controlled by Decathlon SE, a company incorporated in France. Decathlon SE is a 100% privately-owned company present in 59 countries, with an annual turnover of €13.8 billion in 2021. A large retailer of sporting goods with around 1,747 stores worldwide, Decathlon SE was founded in 1976, with the first UK store opening in 1999. In Decathlon, we follow one philosophy: "sustainably make the pleasure and benefits of sport accessible to the many". We love doing sport, we love interacting with people, we love innovating.

Within the United Kingdom, Decathlon UK deals with the retail and operational side (combining our stores, warehouse and Head Office), while its sister company, Sportstock Limited, deals with the Real Estate part (the purchase, sale and letting of properties).

Business Review

Revenue in the year increased by 25.4% (2020: decreased by 4.5%), with the online turnover progressing by 28.5%.

The company's balance sheet position has total liabilities exceeding total assets by £11,495k (2020: £5,652k).

Throughout the year, we made large investments in stores, operations, digital, staff and staff training, and despite this Decathlon UK has made an overall loss for the year 2021 of £4,670k in line with expectations (2020: -£5,043k). The level of these investments is justified by the potential of the market, which is considered strategically important by the Decathlon group.

In the year 2021, we had a positive operating profit that confirms strategies that have been put in place are paying off. We respect the expectations we had for the performances of the year 2021. However, the implementation of IFRS 16 generated significant exceptional losses of £5.9m through the impairment of right-of-use assets which had a strong impact generating a net loss.

Key performance indicators

The company's key financial performance and other indicators during the year were as follows:

	2021	2020	Change
Turnover Growth (exc VAT)	+25.4%	-4.5%	+29.9%
Turnover Progression for online (exc VAT)	+28.5%	+122.4%	-93.9%
Gross Margin ratio : Gross margin / Turnover without VAT	39.6%	35.8%	+3.9%
Investments	£7.9m	£3.6m	£4.3m
Customers	8.01m	6.74m	1.27m
Teammates (Employees - end of year)	1,655	1,540	+115
Number of stores	49	44	+4
Number of new stores	6	1	+5
Pleasure at work	86%	90%	(4%)

Turnover Growth overall has increased by 25.4% (2020: -4.5%) as stores were forced to temporarily close during the lockdown due to the Covid-19 in 2020. However, in 2021, Covid restrictions meant stores were open as usual as of the second quarter of the year. Further to this, sales on other platforms have also accelerated, the key platform being online, with a turnover progression of 28.5%. We also started operating as a Marketplace and we accelerated on the B2B channel sales. We also boosted sales via new projects launched in 2021, such as Sales to Others (partners such as ASDA, Next, Argos, etc.) and second Life project.

In 2021, we invested £7.9m in our stores, warehouses, staff and online activities. This includes £3.1m on buildings for the opening of new stores in Leeds, Cheltenham, Bromley, Cardiff, Broadstairs and Silverburn and £600k in refurbishment costs such as a new HVAC for our existing store in Belfast and the extension of the Wandsworth store. We invested £1m in IT equipment and a further £1.4m in SAP software to support payroll needs. £1.2m was invested in fixtures improvement, including £480k on the new stores in Leeds, Bromley, Cardiff, Cheltenham and Broadstairs and £204k on existing stores Surrey Quays and Giltbrook.

For the third year in a row, the Gross Margin has increased in comparison to prior year. There are a couple of elements that have helped drive the margin in this direction, such as a favourable foreign exchange rate (GBP/EUR), better management of our Price Discrepancies (dynamic pricing) and also due to purchasing our products directly from production which allows us to benefit from a better purchase price.

Strategic Report for the year ended 31 December 2021 (continued)

Key performance indicators (continued)

Our staff costs and turnover growth have increased this year. Revenue growth in 2021 was up by 25.5% compared to a 10.62% increase in staff costs. The number of staff at the end of year has increased since last year; 1,655 in 2021 and 1,540 in 2020.

Our staff satisfaction survey showed a slight decrease in the overall happiness of our employees (pleasure at work). This was due to a strong performance of our business during a testing period. A number of teammates were required to quarantine or work remotely during the pandemic. Due to this, we focused our efforts on recruitment of teammates and we have invested in training and training related costs during the year in order to develop our teammates, as well as offering teammates the opportunity to do sport together regularly. This has been reflected in the increase of 50% of our training department as well as an increase in the number of active trainers in the field. This permits us to deliver much more training both online and offline with a very good satisfaction rate of 4.7 out of 5.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes are put in place to monitor and mitigate them.

The key business risks affecting the company are set out below:

Competition

The Company operates in a highly competitive market particularly around price. Additionally, supermarkets are devoting more floor space to non-food items. To mitigate these risks, stores are encouraged to monitor competitors' developments, strategies, pricing, merchandising and ranges to ensure that the Decathlon offering compares favourably.

Foreign exchange

Foreign exchange risk arises from the movements in exchange rates having an adverse impact on the Statement of Comprehensive Income. To mitigate against the volatility of fluctuating exchange rates, the Company enters into forward contracts, purchasing euros at pre-arranged rates. During 2021, contracted rates were in line with the previous year. The average rate achieved in 2021 was €1: £0.81 compared to £0.88 in 2020.

As at 31 December 2021, there were three open contracts with an outstanding value of €5.9m, €35m and €110m respectively. These contracts were signed with Group Treasury for the purpose of covering our amounts payable and receivable needs in foreign currency, such as all Euro transactions.

Environmental and Social matters

At Decathlon, we have a strong focus on sustainability and we are proud that 100% of our electricity consumption is from renewable sources, 100% of the cotton in our products is sustainably sourced, 0% of our waste in 2021 ended up in landfills with 90% of our waste being recycled. During 2021, we also held 10 flagship events across the country for World Clean Up Day, which saw over 500 volunteers take part helping to collect over 12,000 pieces of litter. The company also organises sports for the local community within many of its stores and works actively with schools and clubs to provide equipment and or instructors.

Modern slavery

The Company's modern slavery statement, published in accordance with the Modern Slavery Act 2015, sets out the steps taken by Decathlon to prevent modern slavery and human trafficking in its supply chain. More details can be found at https://www.decathlon.co.uk/modern-slavery-act.html.

Decathlon UK Limited

Strategic Report for the year ended 31 December 2021 (continued)

Anti-corruption and bribery

The Company has policies in place with regards to supplier relationships in order to maintain good ethical practice.

Covid-19

In early 2020, the existence of Covid-19 was confirmed which spread across a significant number of countries leading to disruption to economic activity and global markets. Governments around the world introduced measures to limit the spread of the disease including the temporary closure or reduction of the operations of certain industries. A second lockdown was enforced by the government in December 2020, continuing through early 2021, which meant stores were closed during the first quarter of the year. There have been no material adverse impacts to the Company up to the date of approval of the accounts.

Management has assessed the viability over a period greater than 12 months. During the assessment, Management has considered Company's position through the cash flow forecast, economic analyses that detail monthly actual-trajectory performance and initiatives that involve cost savings. All these analyses have included the negative impacts of Covid-19 and the prevailing uncertainty on the high street trading environment, Management concluded that these assumptions are appropriate. Management believes that as government data shows the peak of the pandemic seems to have passed and as COVID-19 restrictions have been lifted, any significant negative impact of Covid-19 on the business is unlikely.

Reverse stress testing using worst-case scenarios was also performed and Management believes that the results of this sensitivity analysis is appropriate in supporting the going concern presumption, along with the support from the parent company.

Brexit

On June 23 2016, the United Kingdom (UK) held a referendum in which voters approved an exit from the European Union (EU), commonly referred to as "Brexit." On December 24 2020, the UK Government and the European Commission reached a deal on the future trading relationship from January 1 2021. The Brexit deal impacted several areas for Decathlon UK during the first year of implementation, including requirement of export and import documents (custom clearance) for all exchanges of goods. Custom declaration and duties were postponed for a 6 month period and custom duties depend on the country of origin and preferred tariffs.

All the business areas impacted by the exit of the United Kingdom from the European Union took measures to guarantee the continuity of business. The successful implementation of these measures in 2020 meant that no unexpected impacts were experienced in 2021.

Ukraine

The Directors believe that the impact of the war in Ukraine will see a rise in costs, including those that are energy related and as a result of global inflation. Consequently, we are working to adapt our business model accordingly.

Decathlon UK Limited

Strategic Report for the year ended 31 December 2021 (continued)

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Long term decision making

The Directors understand the business and the evolving environment in which we operate, including the challenges of navigating through business and digital transformation. Based on Decathlon's purpose to sustainably make the pleasure and benefits of sports accessible to the many, the strategy set by the Board is intended to strengthen our position as a Sports Retailer.

In 2021, to help achieve all strategic ambitions, the Board refreshed our strategy to further focus on the delivery of our products both digital and physical, so customers are well informed about the vast variety of all of our new products, as well as awareness of the options of our second-hand items and related services - for all sportspeople, from beginners to experts.

Decathlon aims to create a trusted brand in conjunction with relevant & innovative product brands, sold in marketplaces local to Decathlon, and via all our partners who share our purpose. During the year, Decathlon worked on creating Marketplace, where customers can find a wider range of products proposed by other brands, focused on accelerating sales through the Sales to Others platform with some well established partners and launched the circular economy with second life.

A decision was made to strongly invest in our logistics operations by extending the Northampton Warehouse, with the aim to fully mechanise it by the end of 2023. Decathlon also prioritised the reinforcement of teams, such as digital, to boost the transformation of the business model, and supply/imports, to cope with the changes and impacts of Brexit.

Employees

The Directors believe that Decathlon employees are core to our business and vital in the delivery of our ambitions. The success of our business depends on motivating our employees. We have demonstrated this by investing in training and developing our teammates, offering a flexible working environment and digital training as well as offering teammates the opportunity to do sport together regularly through access to gym and sports equipment for free. We also invested in our staff through salary increases, with store and warehouse staff receiving additional pay rises.

Business relationships with suppliers, customers and others

Delivering our strategy requires strong business relationships with suppliers, customers, governments, and other stakeholders, built on integrity and the aim to honour every business contract. The business continuously assesses the priorities related to customers and those with whom we do business and has taken measures to prevent modern slavery in its business and supply chain and the Board engages with the businesses on these topics, for example, within the context of business strategy updates and investment proposals.

Community and environment

Decathlon UK aims to contribute to the wellbeing of the communities where it operates. The Company also supports a range of charitable and community initiatives through donations and by taking part in projects. Decathlon is proud that 100% of the energy consumed by stores and warehouses within the UK comes from renewable sources. We have organised several sustainability events throughout the year.

Strategic Report for the year ended 31 December 2021 (continued)

Business conduct

Decathlon UK aims to meet the world's growing need for more sustainable solutions to conduct our business which are economically, environmentally and socially responsible. The Board periodically reviews and approves clear frameworks, such as Decathlon's general principles, Decathlon's Code of Conduct, specific Ethics & Compliance manuals, and its Modern Slavery Statements, to ensure that its high standards are maintained both within Decathlon businesses and the business relationships we maintain. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards, help assure its decisions are taken and that Decathlon acts in ways that promote high standards of business conduct.

Members of the Company

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders. In doing so, our Directors act fairly as between the Company's members.

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

Alberto Bottan Alberto Bottan
Date:
09-12-22 | 9:11 AM PST

Directors' Report for the year ended 31 December 2021

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2021.

Matters covered in the Strategic Report

As permitted by paragraph 1A of Schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 2 to 7. These matters relate to the review and analysis of the business, development and financial performance, future prospects and principal risks and uncertainties.

Principal Activities

Decathlon UK Limited operates a chain of stores in the UK involved in the retail and online sales of sportswear, sporting and outdoor equipment.

Dividends

The Directors do not recommend the payment of a dividend in respect of the current financial year (2020: £nil).

Directors

The Directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were as follows:

Eric Mazillier

Alberto Bottan

Employees

The Company's policy is to communicate with employees on matters likely to affect employees' interests. Information concerning the economic performance of the Company is given to store managers, department managers and staff during meetings and through an internal management accounting system.

The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. So far as is practicable, employees who become disabled during the course of their employment, continue in employment with the company. It is Company policy to provide all employees who are disabled persons with the same opportunities for training, career development and promotion that are available to other employees, bearing in mind any limitations relating to aptitude and ability.

We offer our staff the opportunity to take part in sport activities, as part of team or individual meetings. When the team were not able to meet as a result of government guidance issued as a result of the pandemic, we encouraged staff to meet virtually for interactive training sessions and virtual exercise and sports sessions. The staff turnover for 2021 was 59.44% (2020: 39.72%), which is slightly higher than 2020 as Covid-19 saw low staff turnover rates. We saw an increase in employees, 2021: 1655 (2020: 1540), the increase in recruitment is attributed to the growth of our business platforms such as Second Hand, Sell to Others and B2B along with a good performance of stores and ecommerce.

Directors' Report for the year ended 31 December 2021 (continued)

Directors' view on the impact of Covid-19

The Directors do not currently believe Covid-19 presents any imminent threat to the provision of the company's activities, however, internal assessments of the impact of Covid-19 on the company are continuous and ongoing.

There were a significant number of employees on furlough during the first quarter of the year, however as of April most of the employees were back to work as normal. We were able to save significantly thanks to the furlough scheme. The acceleration of online sales allowed us to partially reduce the losses incurred due to Covid induced lockdown.

Governments around the world introduced measures to limit the spread of the disease including the temporary closure or reduction of the operations of certain industries. A second lockdown was enforced by the government in December 2020, continuing through early 2021, which meant stores were closed during the first quarter of the year. There have been no material adverse impacts to the Company up to the date of approval of the accounts.

Events after the reporting period

There were no significant events after the reporting period.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including Finance Reporting Standard 101 'Reduced Disclosure Framework'). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

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Directors' Report for the year ended 31 December 2021 (continued)

Disclosure of Information to Auditor

So far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Going Concern

The Company is a subsidiary undertaking of the Decathlon SE Group which is financially strong despite the COVID-19 crisis. The Company has access to considerable financial resources through the Decathlon SE group. Decathlon SE has provided a letter of support to the firm and as a consequence, the Directors believe that the company is well placed to manage its business successfully. After enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. The Company made a loss during the year of £4,670k and was in a net liability position of £11,495k at year end. In the last 2 years the company made a loss due to investments made in new stores, operations, digital and staff. The Company's planned future investment is a mark of Decathlon's commitment to the UK, which is seen by the group as strategically important to its future growth.

Decathlon UK - Streamlined Energy and Carbon Report - 2021

Methodology

The reporting period is the most recent financial year from January 1, 2021 to December 31, 2021. This report has been compiled in line with the March 2019 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance', and the EMA methodology for SECR Reporting. All measured emissions from activities which the organisation has financial control over are included as required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, unless otherwise stated in the exclusions statement.

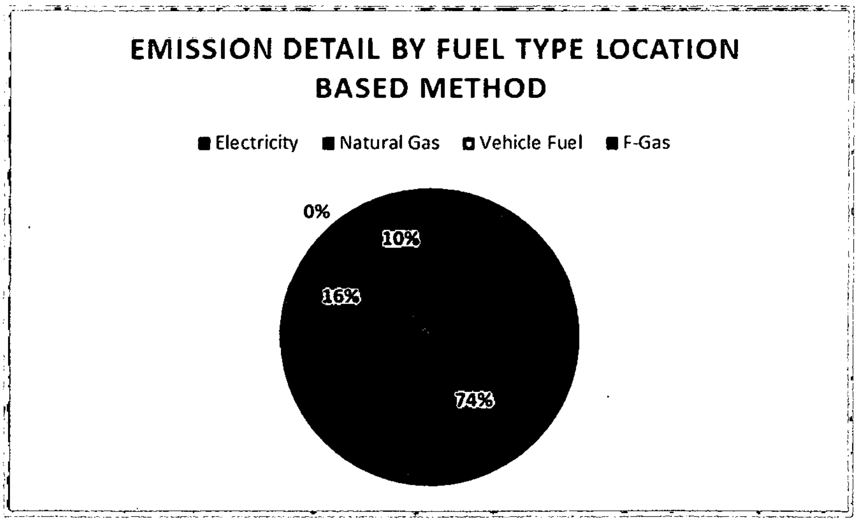
The carbon figures have been calculated using the BEIS 2021 carbon conversion factors for all fuels, other than the market based electricity which has been taken from Total Energies and Power NI as the UK suppliers.

Decathlon UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

UK Carbon Footprint 2021

Scope	Description	Emission Source		tCO2e		
				2019	2020	**2021**
Scope 1	Combustion of fuel on site and transportation	On site: Natural Gas, F-Gas Transport: Vehicle fuel	Location Based Market Based	915 915	918 918	**545** **545**
Scope 2	Purchased Energy	Electricity	Location Based Market Based	2,102 85	1,573 42	**1,551** **23**
Scope 3	Indirect Emissions	N/A	Location Based Market Based	0 0	0 0	**0** **0**
Total			Location Based Market Based	3,017 1,000	2,491 960	**2,096** **569**
Intensity Ratio	tCO2e / m2	Electricity, Natural Gas, Vehicle Fuel	Location Based Market Based	0.0207 0.0069	0.0210 0.0081	**0.0014** **0.0004**
Energy Usage	Total kWh consumed			11,846,474	9,531,158	**9,132,464**



Decathlon UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

Year on Year Emission Changes

- Decathlon UK Ltd's location based emissions reduced from 2491tCO_2e in 2020 to 2096tCO_2e in 2021. This was an emissions reduction of 16%.
- Scope 1 emissions reduced from 918tCO_2e in 2020 to 545tCO_2e in 2021, an emissions reduction of 41%.
- Natural gas consumption decreased from 2,742,037kWh in 2020 to 1,786,330kWh in 2021, resulting in an emissions decrease of 177tCO_2e associated with natural gas consumption.
- The emissions associated with scope 1 transport (petrol and diesel) remained at 10tCO_2e in 2021.
- Scope 2 electricity consumption increased from 6,748,339kWh in 2020 to 7,303,558kWh in 2021. However, scope 2 location based emissions decreased by 22tCO_2e. This was due to a reduction in the UK's location based emissions factor for electricity.

Energy Efficient Actions Taken

- LED's were installed at the Braehead site.
- New HVAC systems were installed at Braehead and Belfast.
- Lockdowns during the covid-19 pandemic disrupted other planned energy efficiency actions.

Statement of Exclusions

- Scope 3 Electricity and Natural Gas consumption at Decathlon's concession sites within Tesco stores has been excluded as no accurate consumption data was available.

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

Alberto Bottan Alberto Bottan
Date 09-12-22 | 9:11 AM PST

Independent auditor's report to the members of Decathlon UK Limited

Opinion

We have audited the financial statements of Decathlon UK Limited (the 'Company') for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statements of Financial Position and Notes to the financial statements, 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 FRS 101 "Reduced Disclosure Framework" (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 2021 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 UK, including the FRC'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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Evaluating the directors' method to assess the Company's ability to continue as a going concern;
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

Independent auditor's report to the members of Decathlon UK Limited (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions 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 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.

Independent auditor's report to the members of Decathlon UK Limited (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 9, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation and the Companies Act 2006.

Independent auditor's report to the members of Decathlon UK Limited (continued)

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to provisions against receivables, right of use assets, impairments, inventories and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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. This description forms part of our auditor's report.

Use of the audit 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.

Richard Karmel (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

30 Old Bailey

London

EC4M 7AU

Richard Karmel

Date: 2022 09-12-22 | 9:24 AM PST

Decathlon UK Limited

Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover		**283,072**	225,770
Cost of sales		**(171,024)**	(145,043)
Gross profit		**112,048**	80,727
Administrative expenses		**(109,415)**	(83,816)
Operating profit / (loss)	4	**2,633**	(3,089)
Impairment of right of use assets	17	**(5,931)**	-
Interest payable and similar charges	6	**(1,372)**	(1,954)
Loss on ordinary activities before taxation		**(4,670)**	(5,043)
Tax on loss on ordinary activities	7	**-**	-
Total loss for the year		**(4,670)**	(5,043)
Other comprehensive (loss) / income for the year,		**(1,471)**	2,779
Other comprehensive income in relation to deferred tax		**298**	-
Total comprehensive loss for the year		**(5,843)**	(2,264)

All amounts relate to continuing activities.

The notes on pages 21 - 39 form part of the financial statements

In the year 2021, we had a positive operating profit that confirms strategies that have been put in place are paying off. We respect the expectations we had for the performance of the year 2021. However, the implementation of IFRS 16 generated significant exceptional losses of £5.9m through the impairment of right-of-use assets which had a strong impact generating a net loss.

Decathlon UK Limited

Statement of Changes in Equity as at 31 December 2021

	Share Capital	Retained Earnings	Cash Flow Hedging Reserve	Total
	£'000	£'000	£'000	£'000
At 1 January 2020	**45,100**	**(45,616)**	**(2,872)**	**(3,388)**
Loss for the year	-	(5,043)	-	(5,043)
Other comprehensive income	-	-	2,779	2,779
Total comprehensive income / (loss)	-	(5,043)	2,779	(2,264)
At 31 December 2020	**45,100**	**(50,659)**	**(93)**	**(5,652)**
Loss for the year after tax	-	(4,670)	-	(4,670)
Other comprehensive loss	-	-	(1,471)	(1,471)
Deferred tax asset	-	-	298	298
Total comprehensive loss	-	(4,670)	(1,173)	(5,843)
At 31 December 2021	**45,100**	**(55,329)**	**(1,266)**	**(11,495)**

The notes on pages 21 - 39 form part of the financial statements

Decathlon UK Limited

Statement of Financial Position as at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Tangible assets	8	32,854	31,036
Right-of-use assets related to leases	17	53,824	79,479
Guarantee deposits		33	21
		86,711	**106,408**
Current assets			
Stock	9	47,449	35,596
Debtors	10	5,112	2,418
Deferred Tax Asset	10	298	-
Cash and cash equivalents		2,227	1,653
		55,086	**39,667**
Current liabilities			
Creditors: amounts falling due within one year	11	(80,017)	(62,634)
Short-term lease liabilities	17	(16,363)	(20,162)
Total current liabilities		**(96,380)**	**(82,796)**
Net current liabilities		**(41,294)**	**(43,129)**
Total assets less current liabilities		**45,417**	**67,407**
Non-current liabilities			
Provisions for liabilities	12	(30)	(522)
Long-term lease liabilities	17	(56,882)	(72,537)
Non-current liabilities		**(56,912)**	**(73,059)**
Net liabilities		**(11,495)**	**(5,652)**

Decathlon UK Limited

Statement of Financial Position as at 31 December 2021 (continued)

Capital and reserves			
Called up equity share capital	13	45,100	45,100
Retained earnings		(55,329)	(50,659)
Cash flow hedge reserve		(1,266)	(93)
Total shareholders' deficit		**(11,495)**	**(5,652)**

The notes on pages 21 - 39 form part of the financial statements

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

Alberto Bottan — Alberto Bottan
Date: 09-12-22 | 9:11 AM PST

Notes to the financial statements for the year ended 31 December 2021

1. General Information

Decathlon UK Limited is a Company incorporated in the United Kingdom under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 - 7. The address of the Company's registered office is set out on page 1.

The Company is a wholly-owned subsidiary of Decathlon SE, a company incorporated in France, which is also the ultimate parent company.

The group accounts of Decathlon SE have been filed at the registry of the commercial court of Lille Metropole and are available to the public on www.infogreffe.fr or www.societe.com.

2 Accounting policies

2.1 Basis of accounting

The financial statements of Decathlon UK Limited have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The recognition, measurement and disclosure requirements (except for certain disclosure exemptions detailed below) of International Financial Reporting Standards as adopted by the UK (UK-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations'). FRS101 "Reduced Disclosure Framework" has been deemed a suitable framework as Decathlon UK is a member of a group where Decathlon SE prepares publicly available financial statements.

The Company's financial statements are presented in Sterling, which is the Company's functional currency, and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The financial statements have been prepared on the historical cost basis. The principal accounting policies set out below have been consistently applied to all periods presented.

Going concern

The going concern basis for accounting has been adopted and considered appropriate, significant liabilities are owed to group undertakings, although net current liabilities have decreased, guarantees have been provided over those liabilities by group parties.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have continued to adopt the going concern basis of accounting in preparing the financial statements. The Company made a loss during the year of £4,670k and was in a net liability position of £11,495k at year end. The directors have prepared a cash flow projection to cover a period no less than 12 months from the date of signing the accounts and concludes that the Company will be able to meet its liabilities as they fall due for the foreseeable future, and that it is appropriate to prepare the financial statements under the going concern basis of preparation. In addition, the Company has the full support of Decathlon SE (group) for short term funding (if needed) as well.

Management have participated in the Coronavirus Job Retention Scheme set up by the government to support businesses to pay staff who have been furloughed. During 2021, Decathlon UK claimed £1.74m (2020: £3.95m) as part of this scheme between January to April.

Notes to the financial statements for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

2.1 Basis of accounting (continued)

Management has assessed the viability over a period greater than 12 months. During the assessment, Management has considered the Company's position through the cash flow forecast, economic analyses that detail monthly actual-trajectory performance and initiatives that involve cost savings. All these analyses have included the negative impacts of Covid-19 and the prevailing uncertainty on the high street trading environment. Management concluded that these assumptions are appropriate.

Management also performed a reverse stress test using worst-case scenarios. Management believes that the results of this sensitivity analysis is appropriate in supporting the Going Concern presumption. Decathlon France receives regular updates on the steps taken and success of initiatives by management to secure liquidity for the likely duration of the crisis and recovery period afterwards.

Disclosure exemptions applied

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

(i) The requirement of IFRS 7 'Financial Instruments : Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;

(ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as the available for sale investments and derivative financial instruments;

(iii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;

(iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79a, iv), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73e) and the reconciliation of the carrying amount of intangible assets (IAS 18.118e).

(v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;

(vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;

(vii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and

Notes to the financial statements for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

2.1 Basis of accounting (continued)

(viii) The requirements of IAS 24 'Related Party Disclosures' paragraph 17 relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the company and other wholly- owned subsidiaries of the group; and

(ix) The requirements of the second sentence of paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with customers' relating to the disclosure of revenue recognition.

For the disclosure exemptions listed in points i to iii, the equivalent disclosures are included in the consolidated financial statements of Decathlon SE, into which the company is consolidated.

Application of new standards and interpretations mandatory as from 1 January 2020

The Company adopted IFRS 16 "Lease Contracts" and IFRS 9 "Financial Instruments – Hedge Accounting" from 1 January 2019.

IFRS 16

The objective of IFRS 16 is to report information that (a) faithfully represents lease transactions and (b) provides a basis for users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. To meet that objective, a lessee should recognise assets and liabilities arising from a lease.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases. However, there are exemptions available for leases with a lease term of 12 months or less and leases where the underlying asset is low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Decathlon UK follows its parent company's decision of using a modified retrospective method (cumulative catch-up method).

The Company has lease agreements in place in respect of retail and office space. Before the implementation of IFRS 16 in 2019, each lease contract qualified as an operating lease, and was accounted for accordingly. On application of IFRS 16, all lease contracts are recognised as right-of-use assets with an amount recognised in lease liabilities corresponding to the discounted value of future payments. The lease term is defined on a contract-by-contract basis and corresponds to the firm period of the commitment taking into account any optional periods that are reasonably certain to be exercised.

Right-of-use assets and lease liabilities are presented separately from other assets and liabilities in the balance sheet.

Notes to the financial statements for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

2.1 Basis of accounting (continued)

The contractual rents corresponding to low unit value assets or to a short-term lease (less than 12 months) are recognised directly in expenses. In addition, the following practical expedients are applied to the transition:

- contracts with a residual term of less than 12 months starting from 1 January 2019 are not accounted for as an asset and a debt;
- the discount rates applied as of the transition date are based on the Group's marginal borrowing rate plus a spread to take into account the specific economic environment of each country. These discount rates are determined with respect to the remaining terms of leases from the date of first-time application.

The impact of IFRS 16 "Lease Contracts" is detailed in note 17.

IFRS 9 – Financial instruments - Hedge accounting

Cash flow hedges are used to hedge the variability in cash flows of highly probable forecast transactions caused by changes in exchange rates. Cash Flow hedges are changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows. The element of the change in fair value which relates to the currency spread is recognised in the cost of hedging reserve, with the remaining change in fair value recognised in the hedging reserve and any ineffective portion is recognised immediately in the income statement in finance costs. If the firm commitment or forecast transaction that is the subject of a cash flow hedge results in the recognition of a non-financial asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income and accumulated in the cash flow hedge reserve are removed directly from equity and included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in the cash flow hedge reserve are recognised in the income statement in the same period in which the hedged items affect net profit or loss.

2.2 Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 7.

Notes to the financial statements for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

2.3 Accounting estimates and uncertainties

Impairment
Impairments are estimated and based on forecasts which take into account current and future trends. The recoverable value of an asset is defined as the net sale price or its value in use, whichever is higher. The net sale price is the amount that can be obtained from the sale of an asset in a transaction performed under normal market conditions, less the costs of disposal. The value in use is the present value of future cash flows expected to be derived from an asset. The discount rate used in the recoverable amounts assessment is 10.25%.

The after-tax cash flow is estimated over a 5-year period, with a terminal value that is discounted to infinity. The assumption that cash flows continue into perpetuity is a source of significant estimation uncertainty. A future change to the assumption of trading into perpetuity for any Cash-Generating Unit (CGU) would result in a reassessment of useful economic lives and residual value and could give rise to a significant impairment of property, plant and equipment and intangibles, particularly where the store carrying value exceeds fair value less cost to sell.

The recoverable value of a fixed asset is tested if there is any indication of impairment. The internal impairment index is based on a 'value creation' metric of adjusted EBITDA.

For this test, the fixed assets are grouped into cash-generating units (CGUs). A CGU is defined as the smallest identifiable group of assets generating cash inflows that are largely independent of cash inflows generated by other assets or groups of assets. The CGU that has been adopted is the individual site (store). An impairment is recognised for a store older than 24 months when the book value of a site exceeds its recoverable value.

2.4 Significant Accounting policies

Turnover

As per IFRS 15, turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts and returns. Sales are recognised at the point of sale and are recognised in the Statement of Comprehensive Income. Revenue from gift cards and vouchers is recognised when they are redeemed against a transaction. The origin and destination of turnover is the same and is wholly in the United Kingdom.

Notes to the financial statements for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

2.4 Significant Accounting Policies (continued)

Tangible Fixed Assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset in equal annual instalments over its expected useful life, as follows:

Leasehold improvements	6.67 – 30 years
Plant and machinery	4 – 6 years
Fixtures and fittings	6.67 – 20 years
Computer equipment	1 – 3 years
Office equipment	4 – 8 years

Assets in the course of construction are not depreciated. On completion the assets are transferred into the relevant category and depreciated accordingly.

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Stock

Stock is stated at the lower of cost and net realisable value where the costs are those incurred in bringing each product to its present location and condition.

Finished goods and goods for resale are valued at purchase cost on a first-in, first-out basis, plus associated transport costs.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

A provision for slow moving or obsolete stock is based upon the directors' view of the recoverable value of the individual items included within the stock based on ageing and usage reports.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Notes to the financial statements for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

2.4 Significant Accounting Policies (continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. As the company has been loss making, no such corporate tax liability has arisen in the current year

Deferred taxation

Deferred taxation arises when items are recognised for tax purposes in periods that differ from the periods in which they are recognised for accounting purposes. Deferred taxation is recognised as a liability or asset if transactions have occurred at the Statement of Financial Position date that give rise to an obligation to pay more taxation in future, or a right to pay less taxation in the future.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

A net deferred tax asset is recognised as recoverable and therefore only recognised when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the end of the financial year or at the forward contract rate where applicable. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction or at the forward contract rate where applicable. All foreign exchange differences are taken to the Statement of Comprehensive Income in the year in which they arise.

Pension costs

The Company makes contributions to a group personal pension plan. It is a group stakeholder plan. Contributions are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme. The company provides no other post-retirement benefits.

Financial instruments

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument. The financial instruments are netted/presented separately as financial assets and liabilities.

Notes to the financial statements for the year ended 31 December 2021 (continued)

2 Accounting policies (continued)

2.4 Significant Accounting Policies (continued)

Financial assets
The Company classifies its financial assets as trade and other receivables. Classification of financial assets depends on the purpose for which the financial assets are required. The Company determines the classification of its financial assets at initial recognition.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and subsequently measured at amortised cost. A provision is established when there is objective evidence that the company will not be able to collect all amounts due. The amount of any provision is recognised in the Statement of Total Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents are recognised as financial assets. They comprise cash held by the company and short term bank deposits with an original maturity date of three months or less.

Financial liabilities

The Company classifies its financial liabilities as trade and other payables. Classification of financial liabilities depends on the purpose for which the financial liabilities are required. The company determines the classification of its financial liabilities at initial recognition.

Trade payables

Trade payables are initially recognised as financial liabilities measured at fair value, and subsequent to initial recognition measured at amortised cost.

Government grant income

Grants from the government, including salary related furlough receipts, are recognised at fair value when there is reasonable assurance that the grant will be received and the Company will comply with any associated conditions and are recognised in the period to which the Company recognises as expenses the related costs to which the grants are intended to compensate.

3 Turnover

The Company's activities consist of the retail of sportswear and sporting and outdoor equipment entirely within the United Kingdom with turnover for the year arising from this principal activity.

Notes to the financial statements for the year ended 31 December 2021 (continued)

4 Operating Profit / (Loss)

	Note	2021	2020
		£'000	£'000
Operating profit / (loss) is stated after charging/(crediting):			
Depreciation of tangible owned fixed assets	8	**5,716**	5,270
Depreciation of Right-of-use assets	17	**15,171**	15,774
Impairment (gain)/loss	8	**(229)**	1,087
Auditor's remuneration – audit		**102**	86
Auditor's remuneration – non audit services		**19**	9
(Loss) / gain on foreign exchange differences		**(91)**	79
Government grants		**(1,740)**	(3,950)

5 Wages and Salaries

	2021	2020
	£'000	£'000
Wages and salaries	**33,789**	28,004
Social security costs	**2,333**	2,493
Other pension costs (Note 15)	**875**	776
Staff Costs	**36,997**	31,273

Included within the wages & salaries figure above for 2021 is £1.74m (2020: £3.95) of government grants received through the Coronavirus Job Retention Scheme (CJRS) paid to employees on furlough.

Notes to the financial statements for the year ended 31 December 2021 (continued)

5 Wages and Salaries (continued)

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	2021 Number	2020 Number
Selling and distribution	**1,454**	1,391
Administration	**201**	149
Total	**1,655**	1,540

	2021 £'000	2020 £'000
Directors' emoluments	**513**	400
Directors' pensions	**-**	-
Highest paid director	**265**	230
Highest paid director pension	**-**	-

6 Interest payable and similar charges

	2021 £'000	2020 £'000
Group Loan interest	**229**	310
IFRS 16 lease related interest (note 17)	**1,143**	1,644
Total Interest	**1,372**	1,954

The loan interest payable arises from a long-term loan with Decathlon SE for its current account balance and from guarantee fees with Decathlon SE.

Notes to the financial statements for the year ended 31 December 2021 (continued)

7 Tax on loss on ordinary activities

	2021	2020
	£'000	£'000
UK corporation tax on loss for the period at 19% (2020: 19%)	-	-
Deferred tax asset	297	-
Total tax charge for the period	**297**	-

Reconciliation of tax charge

The tax charge is different to the standard 19% (2020: 19%) rate of corporation. The differences are explained below:

Loss on ordinary activities before tax	(4,670)	(5,043)
Tax on loss on ordinary activities at standard corporation tax rate of 19% (2020: 19%)	(887)	(958)
Reconciling items:		
Expenses not deductible / Income not taxable	313	317
Group relief surrendered/(claimed) and not paid for	454	(5)
Deferred tax not recognised	-	999
Amounts not recognised	120	(353)
Tax charge for the period	-	-

The policy the Company has adopted is to recognise the group relief between Decathlon UK and Sportstock, but the Company does not require the entity receiving the relief to make a payment.

The standard rate of UK corporation income tax was 19% for all periods presented. During the year, the UK Government substantively enacted an increase in the UK corporate income tax rate to 25% effective from 1 April 2023. Deferred tax balances have been adjusted to reflect the expected increase in Corporate tax rates.

Deferred tax asset has arisen due to temporary timing differences in relation to the recognition of gains and losses on forward contracts entered into during the current financial year, and settled after year-end. The amounts have been presented on a net basis. The following is the analysis of the deferred tax balances for financial reporting purposes:

Notes to the financial statements for the year ended 31 December 2021 (continued)

7 Tax on loss on ordinary activities (continued)

	£'000
Deferred Tax asset at of 1 January 2021	-
Debit to OCI (19%)	(298)
Deferred Tax Asset as of 31 December 2021	**(298)**

Notes to the financial statements for the year ended 31 December 2021 (continued)

8 Tangible assets

	Leasehold Improvements	Plant & Machinery	Fixtures, fittings, computer and office equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2021	41,498	6,165	10,852	189	58,704
Additions	3,583	448	3,635	272	7,938
Disposals	(1,514)	(623)	(3,361)	-	(5,498)
At 31 December 2021	**43,567**	**5,990**	**11,126**	**461**	**61,144**
Accumulated depreciation					
At 1 January 2021	18,132	2,498	7,038	-	27,668
Charge for the year	3,415	629	1,672	-	5,716
Impairment gain	(229)	-	-	-	(229)
Disposals	(1,265)	(519)	(3,081)	-	(4,865)
At 31 December 2021	**20,053**	**2,608**	**5,629**	**-**	**28,290**
Net book value					
At 31 December 2021	**23,514**	**3,382**	**5,497**	**461**	**32,854**
At 31 December 2020	23,366	3,667	3,814	189	31,036

Disposals were from the normal operations of the company. The assets in course of construction relate to assets for which the construction has not been completed.

Notes to the financial statements for the year ended 31 December 2021 (continued)

9 Stock

	2021 £'000	2020 £'000
Finished goods and goods for resale	**47,449**	35,596

The carrying amount of inventories is not in excess of the net realisable value.

10 Debtors

	2021 £'000	2020 £'000
Amounts owed by group undertakings	**1,283**	364
Other debtors	**2,640**	1,571
Deferred tax asset	**298**	-
Prepayments and accrued income	**1,189**	483
	5,410	2,418

Amounts owed by group undertakings are unsecured and are repayable on demand.

Notes to the financial statements for the year ended 31 December 2021 (continued)

11 Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	**3,610**	4,319
Amounts owed to group undertakings	**49,840**	39,559
Taxation and social security	**6,752**	11,237
Hedging liability	**2,571**	-
Accruals and deferred income	**17,244**	7,519
	80,017	62,634

Amounts owed to group undertakings are unsecured, interest free and repayable on demand. The Directors consider the carrying amount of trade creditors approximates to their fair value.

12 Provisions for liabilities

	£'000
At 1 January 2021	**522**
Provisions released during the year	(492)
At 31 December 2021	**30**

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

13 Called up share capital

	2021	2020
	£'000	£'000
Authorised		
45,100,000 ordinary shares of £1 each	**45,100**	45,100
Allotted and fully paid		
45,100,000 ordinary shares of £1 each	**45,100**	45,100

14 Financial commitments

Forward contracts

As of 31 December 2021, there were two fair value contracts; one contract concerning the period June 2021 to August 2021 for €65 million with a remaining fair value of €5.9 million at year end and a second contract concerning the period September 2021 to December 2021 for €66m with a remaining fair value of €24m at year end.

These contracts were secured at a rate of 0.8767 for the first contract and a rate of 0.8647 for the second contract. (2020: average rate for June to August was 0.8642 and the average rate for September to December 2021 was 0.8870.

These contracts were signed with Group Treasury for the purpose of covering our amounts payable and receivable needs in foreign currency, such as all transactions in Euros for the periods from June to December. The fair value impact of these contracts were booked in the Statement of Comprehensive Income.

There are two cash flow hedges with Decathlon SE. The first has an outstanding amount totalling €110 million, for the period January 2022 to June 2022, secured at a rate: 0.8609. The second cash flow hedge concerning the period July 2022 to December 2022 has a secured amount of €55 million secured at a rate of 0.8492. These amounts are considered as a cash flow hedge and valued in consequence (MTM valuation) and booked in equities (OCI) an amount of £1.6 million. (2020: 1 cash flow hedges with a value of €9 million with OCI valued £0.1 million). These amounts outstanding are to cover our amounts payable and receivable needs in foreign currency forecasted on those periods.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

15 Pension costs

The company makes contributions to a group personal pension plan.

The total contributions paid for the year amounted to £875k (2020: £776k). There were no outstanding or prepaid contributions at 31 December 2021 (2020: £nil).

16 Ultimate controlling party

The immediate and ultimate parent undertaking and controlling party is Decathlon SE, which is incorporated in France and is the largest group to consolidate these financial statements. A copy of the ultimate parent's financial statements can be obtained by writing to: 9 Maritime Street, London SE16 7FU, United Kingdom.

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

17 Right of use assets and lease liabilities schedule

Movement of lease liabilities during the year		£'000
Short term lease liabilities as at 31/12/20		20,162
Long term lease liabilities as at 31/12/20		72,537
Total lease liabilities as at 1/1/21		**92,699**
Additions		2,076
Amended leases		(4,757)
Interest		1,143
Actual Payments:		(17,916)
Contractual payments	(14,788)	
Rent free period adjustment	(4,351)	
Deferred payments	1,223	
Total lease liabilities as at 31/12/21		**73,245**
Short term lease liabilities as at 31/12/21		16,363
Long term lease liabilities as at 31/12/21		56,882
Total lease liabilities as at 31/12/21		**73,245**

Notes to the Financial Statements for the year ended 31 December 2021 (continued)

17 Right of use assets and lease liabilities schedule (continued)

Movement of right of use (RoU) assets during the year	Retail space
	£'000
Cost	
RoU assets as of 31/12/2020	**110,734**
Impact of changes in lease terms	(2,400)
Rent free period adjustment	(4,351)
Additions	2,198
At 31 December 2021	**106,181**
Accumulated depreciation	
On 1 January 2021	**(31,255)**
Charge for the year	(15,171)
Impairment	(5,931)
At 31 December 2021	**(52,357)**
Net right of use assets as of 31/12/2021	**53,824**
Net right of use assets as of 31/12/2020	**79,479**

Maturity analysis - contractual undiscounted cash flows

	2021	2020
Lease liabilities due:	£'000	£'000
Within one year	**16,197**	15,942
Within two to five years	**44,748**	51,856
After five years	**18,170**	26,002
	77,892	93,800

18 Post Balance Sheet Events

There are no significant events after the reporting period.