Footasylum Limited

Balance sheet and related notes

Registered number 05535565

At 26 August 2017

Contents

Statement of directors' responsibilities

The directors are responsible for preparing the Balance sheet and related notes in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the Balance sheet and related notes in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*).

Under company law the directors must not approve the Balance sheet and related notes unless they are satisfied that they give a true and fair view of the state of affairs of the company for that period. In preparing the Balance sheet and related notes, 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 Balance sheet and related notes; and
- prepare the Balance sheet and related notes 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.

Company Balance Sheet
at 26 August 2017

	Note		At 26 August 2017 £		(Restated) At 25 February 2017 £
Fixed Assets					
Intangible assets	2		307,513		369,813
Tangible assets	3		15,651,923		14,214,818
Investments	4		1,000		1,000
			15,960,436		14,585,631
Current assets					
Stock	5	30,619,844		23,521,657	
Debtors	6	8,008,603		3,719,023	
Cash at bank and in hand	7	4,007,573		2,839,187	
Total assets		42,636,020		30,079,867	
Creditors: amounts falling due within one year	8	(49,438,116)		(37,714,962)	
Net current liabilities			(6,802,096)		(7,635,095)
Total assets less current liabilities			9,158,340		6,950,536
Creditors: amounts falling due after more than one year	9		(7,020,840)		(6,030,064)
Net Assets			2,137,500		920,472
Capital and reserves					
Called up share capital	11		6,000		6,000
Share premium account	12		249,100		249,100
Profit and loss account	12		1,882,400		665,372
Shareholders' funds			2,137,500		920,472

Approved by a resolution of the Board of Directors on and were signed on its behalf on:

DDav

D H Davies
Director
25/10/2017

Notes

(forming part of the financial statements)

1 Accounting policies

Footasylum Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare company financial statements. These financial statements present information about the Company as an individual undertaking and not about its company.

The principal activity of the company is the retail of sports and fashion footwear and clothing.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2015. The amendments to FRS 102 issued in July 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 *Measurement convention*

The financial statements are prepared on the historical cost basis.

1.2 *Going concern*

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, having particular regard to the net assets position of the company, the access to a revolving credit facility (£30m), and its forecast performance for the next 12 months. Thus, the directors consider that the company can continue in operation as a going concern for the foreseeable future, adopting the going concern basis in preparing the financial statements.

1.3 *Revenue*

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

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

Wholesale revenue is recognised when the title and the risks and rewards of ownership have passed to the customer. In some instances, goods are sold with a right of return. Where wholesale goods are sold with a right of return, a provision is made to estimate the expected level of returns based on accumulated experience and historical rates. The provision for returns is included within accruals. Wholesale sales are either settled by cash received in advance of the goods being dispatched or made on agreed credit terms.

1.4 *Preference shares*

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

- the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Group's own equity instruments.

When these conditions are not satisfied, preference shares are presented as a liability in the Balance sheet. The corresponding dividends relating to the preference shares are charged as interest expense in the income statement.

Notes *(continued)*

1 Accounting policies

1.5 Prior period misstatement

In the financial statements for the 52 week period ended 25 February 2017, the preference shares balance of £18.7m is disclosed as a non-current liability. The Directors have reconsidered this classification during the period ended 26 August 2017 and are of the view that this balance should be disclosed as a current liability for both the period ended 26 August 2017 and the period ended 25 February 2017.

1.6 Intangible assets Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Company's share of its identifiable assets and liabilities of the acquired at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income statement over its useful economic life, which is considered to be 10 years.
Following the hive up of trade and assets of Drome Limited into Footasylum on 1 March 2010, the investment was reclassified as goodwill and is being amortised over 10 years.

1.7 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis.

Motor vehicles	-	25% reducing balance
Fixtures & fittings	-	10% straight line or over the term of the lease
Computer equipment	-	17 - 25% 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 within 'other operating income' in the Statement of Income and Retained Earnings.

1.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation 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 (or cash-generating unit to which the asset has been allocated) 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 (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial 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.

1.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Operating leases

Rentals paid under operating leases are charged to profit or loss 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 lease term.

1.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

The stock provision is determined by ageing stock appropriately into specific categories based on management's knowledge and experience of stock movements and existing supplier agreements. An appropriate level of provision is then applied and is based on the mark down that management would expect to sell the stock.

1.12 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.14 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.

1.15 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the Balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the income statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.16 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties and loans to/from related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are 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 Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a 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.

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

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

1.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.18 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Income statement 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.19 Provisions for liabilities

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

Provisions are charged as an expense to the Income statement in the period that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

1.20 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income statement, except that a change 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.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Company operate and generate income.

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 reporting date.

Notes *(continued)*

1 Accounting policies *(continued)*

1.21 Critical Accounting Estimates and Judgements

The preparation of this Balance sheet and related notes in conformity with adopted FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities is considered to surround inventory, due to the seasonal nature of the Company's retail businesses and the judgement required in assessing the recoverability of its carrying value. This is discussed further below:

I. Provisions to Write Inventories Down to Net Realisable Value

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

1.22 Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Stock Provision
The stock provision is determined by ageing stock appropriately into specific categories based on management's knowledge and experience of stock movements and existing supplier agreements. An appropriate level of provision is then applied and is based on the mark down that management would expect to sell the stock.

Financial Instruments
Financial instruments including director loans and preference shares which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Notes *(continued)*

2 Intangible Assets

	Goodwill £
Cost	
Balance at 25 February 2017 and 26 August 2017	1,236,015
Amortisation and impairment	
Balance at 25 February 2017	866,202
Amortisation for the period	62,300
Balance at 26 August 2017	928,502
Net book value	
At 25 February 2017	369,813
At 26 August 2017	**307,513**

3 Tangible Assets

	Motor Vehicles £	Fixtures & Fittings £	Computer Equipment £	Total
Cost				
Balance at 25 February 2017	790,254	21,603,671	3,214,148	25,608,073
Additions	135,031	2,776,399	533,880	3,445,310
Disposals	(19,930)	(666,101)	-	(686,031)
Balance at 26 August 2017	905,355	23,713,969	3,748,028	28,367,352
Depreciation and impairment				
Balance at 25 February 2017	383,205	9,298,495	1,711,555	11,393,255
Depreciation charge for the period	84,360	1,712,324	203,997	2,000,681
Disposals	(12,406)	(666,101)	-	(678,507)
Balance at 26 August 2017	455,159	10,344,718	1,915,552	12,715,429
Net book value				
At 25 February 2017	407,049	12,305,176	1,502,593	14,214,818
At 26 August 2017	**450,196**	**13,369,251**	**1,832,476**	**15,651,923**

Notes *(continued)*

4 Fixed asset investments

Company	**Shares in group undertakings £**
Cost at beginning and end of period	1,000

The undertakings in which the Company's interest at the period-end is more than 20% are as follows:

	Aggregate of capital and reserves £	**Profit / (loss) for the period £**	**Principal Activity**	**Country of incorporation**	**Class of shares held**	**Ownership Holding**
Drome Limited	2	-	Dormant	England	Ordinary	100%
Projekts NYC Limited	8,518	-	Dormant	England	Ordinary	100%

5 Stock

	At 26 August 2017 £	At 25 February 2017 £
Finished goods and goods for resale	**30,619,844**	23,521,657

Stock recognised in cost of sales during the year as an expense was £45,669,455 (52 week period ending 25 February 2017: £79,251,514).

An impairment loss of £253,107 (2016: £247,577) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

6 Debtors

	At 26 August 2017 £	At 25 February 2017 £
Trade debtors	**279,384**	37,442
Other debtors	**2,014,095**	1,570,784
Prepayments and accrued income	**5,596,092**	1,998,543
Amounts due to group undertakings	**8,519**	8,519
Deferred taxation (See Note 10)	**110,513**	103,735
	8,008,603	3,719,023

Notes *(continued)*

7 Cash and cash equivalents/ bank overdrafts

	At 26 August 2017 £	At 25 February 2017 £
Cash at bank and in hand	4,007,573	2,839,187
Revolving credit facility (including capitalised debt costs)	(4,728,024)	-
	(720,451)	2,839,187

Offset within the revolving credit facility balance is £271,976 of capitalised costs incurred in the course of arranging the facility. This cost is amortised over the four year length of the facility agreement.

8 Creditors: amounts falling due within one year

	At 26 August 2017 £	(Restated) At 25 February 2017 £
Bank Borrowings	4,728,024	-
Trade creditors	11,480,621	6,382,367
Amounts owed to group undertakings	8,518	8,518
Corporation Tax	446,612	868,047
Taxation and social security	2,585,038	4,876,044
Net obligation under finance lease and hire purchase contracts	122,433	46,122
Accruals and deferred income	11,366,870	6,833,864
Preference shares	18,700,000	18,700,000
	49,438,116	37,714,962

Amounts owed to group undertakings are interest free and repayable on demand.

The bank facility is secured against certain defined non-current assets held by the Company. As at 26 August 2017, the Group has drawn down £5,000,000 (exclusive of £271,976 of capitalised arrangement fees) of it's revolving credit facility. The same facilities has an undrawn revolving credit facility of £25,000,000, which expires on 6 July 2021. The borrowings incur interest at varying rates between 2.15% to 3.00% based on LIBOR which exposes the Group to cash flow interest rate risk.

Preference shares
Preference shares may be redeemed at the election of the Company at a value of £1 per share. The company may elect to redeem all or some of the shares at any one time. The holders of the shares shall be entitled to a fixed rate cumulative preferential annual dividend of £0.0001 per 'B' Share held by them and shall not otherwise be entitled to share in the profits of the Company. This equates to an interest charge of 0.01%. As per accounting policy 1.4, these shares are recorded as a liability.

Notes *(continued)*

9 Creditors: amounts falling due after more than one year

	At 26 August 2017 £	(Restated) At 25 February 2017 £
Director's loan account	3,850,000	3,850,000
Net obligation under finance lease and hire purchase contracts	182,965	71,075
Accruals and deferred income	2,987,875	2,108,989
	7,020,840	6,030,064

Director loans
The Directors loan of £3,850,000, which expires on 6 August 2021, incurs interest at 2% above base rate.

10 Deferred taxation

	At 26 August 2017 £	At 25 February 2017 £
Deferred tax asset	110,513	103,735

	At 26 August 2017 £	At 25 February 2017 £
Reconciliation of deferred tax balances		
Balance at beginning of period	103,735	(6,777)
Deferred tax (expense) / credit	6,778	110,512
Balance at the end of period	110,513	103,735

Notes *(continued)*

11 Share capital

	At 26 August 2017 £	At 25 February 2017 £
Allotted called up and fully paid		
6,000 – 'A' Ordinary shares of £1 each	6,000	6,000
	6,000	6,000

The holders of the 'A' Shares shall be entitled to receive by way of dividend such part of the balance of any profits available for distribution (after payment to the holders of the 'B' Shares) as the Directors may in their absolute discretion decide to pay by way of interim dividend or as the Shareholders may resolve to pay upon the recommendation of the Directors, pro rata to their holdings of 'A' Shares.

The "B' preference shares may be redeemed at the election of the Company at a value of £1 per share. The company may elect to redeem all or some of the 'B' Shares at any one time. The holders of the 'B' Shares shall be entitled to a fixed rate cumulative preferential annual dividend of £0.0001 per 'B' Share held by them and shall not otherwise be entitled to share in the profits of the Company.

On 22 March 2016 the company made a resolution to amend the dividend rights attached to the 'B' preference shares in the Articles of Association. As outlined in accounting policy note 1.4, a component that creates a financial liability is presented as a liability and as such, this amendment resulted in the 'B' preference shares being classified as debt.

Notes *(continued)*

12 Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds £
At 25 February 2017	6,000	249,100	665,372	920,472
Profit for the period	-	-	1,217,028	1,217,028
At 26 August 2017	**6,000**	**249,100**	**1,882,400**	**2,137,500**

13 Related parties

The company has taken advantage of the exemption conferred by the Financial Reporting Standard 102, section 33 "Related Party Disclosures" not to disclose transactions with members of the group headed Footasylum Limited on the grounds that 100% of the voting rights in the company are controlled within the group.

The company has a loan outstanding from one of its directors, J Wardle, for £3,850,000 (25 February 2017 £3,850,000).

The company made purchases of £283,865 (25 February 2017 £2,418,951) from 2Squared Agency Limited, a company which David Makin's brother, Steve Makin is a director.

The company made purchases of £105,695 (25 February 2017 £585,355) from Creative Pedestrian Limited, a company which David Makin's brother, Martin Makin is a director.

14 Ultimate controlling party

The directors are of the opinion that there is no ultimate controlling party.