

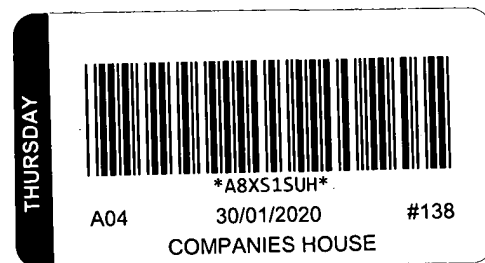
Topgrade Sportswear Limited

Annual report and financial statements

Registered number 03139070

52 week period ended

2 February 2019



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Strategic report

Principal activities

The principal activities of the Company are the distribution and online retail of branded sports and fashion footwear and apparel.

Business review

Topgrade Sportswear Limited operates in both the wholesale and retail footwear and apparel sectors. The wholesale business sells discounted branded product with a focus on sportswear and the retail business trades as 'Get the Label' through the getthelabel.com website and also through various online marketplaces. This part of the business focuses on discounted branded fashion and sportswear.

During the year the business has continued to grow its international distribution network to further diversify risk away from the UK, which continues to be a highly challenged market, particularly within off-price channels where the availability of brands and desirable product is key and competition is intense. In light of the trading environment, the business has focused on improving business efficiencies – most notably in reducing its exposure to aged inventory and on rationalising its cost base. Whilst these changes have dampened the overall result in the period, most notably through gross margins, and resulted in an operating loss of £1.5m (2018: loss of £1.8m), the Directors remain confident in the prospects for the business over the medium term.

The shareholders' deficit has increased by £1.8m as at 2 February 2019 when compared to 3 February 2018. The net value of stock held at the period end has increased by £0.7m due to the timing of new intake alongside a decrease in year on year stock provisions facilitated by a reduction in aged inventory. During the year, the company was taken out of a shared banking facility operated by its immediate parent. This resulted in the overdraft facility being repaid by way of intercompany borrowings. The closing cash balance totalled £4.5m (2018: £34,000) reflecting the seasonality of sales and timing of intercompany repayments.

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

	52 week period ended 2 February 2019 £000	53 week period ended 3 February 2018 £000
Turnover	42,792	40,469
Gross profit %	23.0%	25.3%
Operating loss	(1,547)	(1,767)
Operating loss %	(3.6)%	(4.4)%

Principal risks and uncertainties

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

- Ability to access, and the dependence on, key branded suppliers and retailers;
- General economic factors;
- Reliance on IT;
- The influence of competitors; and
- Seasonality.

At the time of publication the UK is due to leave the EU by 31 January 2020 and the UK's future trading relationship with the EU remains uncertain. The key direct and indirect risks associated with Brexit along with the potential mitigating activities remain high on the Board's agenda and will continue to be reviewed as the situation becomes clearer.

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

By order of the Board



NJ Greenhalgh
Director

Dated: 28th January 2020

Hollinsbrook Way
Pilsworth
Bury
Lancashire
BL9 8RR

2020

Directors' report

The Directors present their annual report and audited financial statements for the 52 week period ended 2 February 2019.

Directors

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

IS Simpson
PR Simpson
PA Cowgill
BM Small (resigned 31 October 2018)
NJ Greenhalgh (appointed 1 November 2018)

Going concern

The Company is reliant on its ultimate parent undertaking, JD Sports Fashion Plc, for its continued financial support. JD Sports Fashion Plc has indicated its ongoing support for the foreseeable future provided that the Company remains in the Group. As part of the Group, the Company has considerable financial resources, with access to intercompany borrowing.

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

Proposed dividend

The Directors do not recommend the payment of a dividend (2018: £nil).

Employees

The Company is committed to promote equal opportunities in employment regardless of employees' or potential employees' sex, marital status, creed, colour, race, ethnic origin or disability. Recruitment, promotion and the availability of training are based on the suitability of any applicant and full and fair consideration is always given to disabled persons in such circumstances.

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

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

Political and charitable contributions

The Company made no political contributions or charitable donations during the period (2018: £nil).

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The Board of Directors appointed RSM as auditor of the Company for the financial period ended 2 February 2019. The auditor will be deemed to be reappointed and RSM will therefore continue in office, in accordance with Section 487 of the Companies Act 2006.

Strategic Report

The company has chosen in accordance with Companies Act 2006, s.414C (11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch.7 to be contained in the directors report.

By order of the Board



NJ Greenhalgh
Director

Hollinsbrook Way
Pilsworth
Bury
Lancashire
BL9 8RR

28th January 2020

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. 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.

Independent auditor's report to the members of Topgrade Sportswear Limited

Opinion

We have audited the financial statements of Topgrade Sportswear Limited (the 'company') for the 52 week period ended 2 February 2019 which comprise Statement of Profit and Loss Account and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 2 February 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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

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

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

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. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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.

Independent auditor's report to the members of Topgrade Sportswear Limited (continued)

Matters on which we are required to report by exception

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Alison Ashley (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
9th Floor
3 Hardman Street
Manchester
M3 3HF

Date: 28 January 2020

Statement of Profit and loss account and Other Comprehensive Income
For the 52 week period ended 2 February 2019

	Note	52 week period ended 2 February 2019 £000	53 week period ended 3 February 2018 £000
Turnover		42,792	40,469
Cost of sales		(32,966)	(30,228)
Gross profit		9,826	10,241
Distribution costs		(12,070)	(12,450)
Administrative expenses		(1,068)	(1,401)
Other operating income		1,765	1,843
Operating loss	2	(1,547)	(1,767)
Interest payable and similar charges	5	(551)	(222)
Interest receivable		4	-
Loss on ordinary activities before tax		(2,094)	(1,989)
Taxation	6	250	478
Total comprehensive loss for the period		(1,844)	(1,511)

The notes on pages 8 to 20 form part of the financial statements.

Statement of Changes in Equity
For the 52 week period ended 2 February 2019

	Called up share capital £000	Profit and loss account £000	Total Equity £000
Balance at 28 January 2017	1	(1,556)	(1,555)
Total comprehensive loss for the period	-	(1,511)	(1,511)
Balance at 3 February 2018	1	(3,067)	(3,066)
Total comprehensive loss for the period	-	(1,844)	(1,844)
Balance at 2 February 2019	1	(4,911)	(4,910)

Statement of Financial Position
As at 2 February 2019

	Note	As at 2 February 2019 £000	As at 2 February 2019 £000	As at 3 February 2018 £000	As at 3 February 2018 £000
Fixed assets					
Intangible fixed assets	7		218		219
Tangible fixed assets	8		159		326
Deferred tax assets	9		-		413
			<hr/>		<hr/>
			377		958
Current assets					
Stocks	10	13,376		12,719	
Debtors	11	5,248		4,400	
Cash at bank and in hand		4,544		34	
		<hr/>		<hr/>	
		23,168		17,153	
Creditors: amounts falling due within one year	12	(28,455)		(21,177)	
		<hr/>		<hr/>	
Net current liabilities			(5,287)		(4,024)
			<hr/>		<hr/>
Net liabilities			(4,910)		(3,066)
			<hr/>		<hr/>
Capital and reserves					
Called up equity share capital	13		1		1
Profit and loss account			(4,911)		(3,067)
			<hr/>		<hr/>
Shareholders' deficit			(4,910)		(3,066)
			<hr/>		<hr/>

The notes on pages 8 to 20 form part of the financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 28 January 2020 and were signed on its behalf by:

NJ Greenhalgh

NJ Greenhalgh
Director

Registered number 03139070

Notes

(Forming part of the financial statements)

1 Accounting policies

Topgrade Sportswear Limited (the "Company") is a private company limited by shares incorporated in England and Wales. The registered office of the Company is Hollinsbrook Way, Pilsworth, Bury, Lancashire, BL9 8RR. The principal place of business of the Company is Unit B, The Grandstand, Leacroft Road, Warrington, WA3 6PJ. The principal activity of the business is noted within the Strategic Report on page 1. The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Basis of preparation

These financial statements have been 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 2014. The financial statements are prepared on the historical cost basis and are presented in pounds sterling. In accordance with allowable FRS102 exemptions the Company has taken advantage of the exemption under section 7 "Statement of Cash Flows" from the requirement to present a cash flow statement and related notes and disclosures.

The company transitioned from FRS 101 Reduced Disclosure Framework to FRS 102, The Reporting Standard applicable in the UK and Republic of Ireland as at 29 January 2017.

The consolidated financial statements of JD Sports Fashion Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the address in note 18.

The financial statements are prepared on the historical cost basis.

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

The financial statements are drawn up for the 52 weeks to 2 February 2019 ("the financial year"). The comparative figures are for the 53 weeks to 3 February 2018.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 1. In addition, note 13 to the financial statements includes the Company's objectives, policies and processes for managing its capital.

The Company is reliant on its ultimate parent undertaking, JD Sports Fashion Plc, for its continued financial support. JD Sports Fashion Plc has indicated its ongoing support for the foreseeable future provided that the Company remains in the Group. As part of the Group, the Company has considerable financial resources, with access to intercompany borrowing.

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

Tangible fixed assets

(i) Owned assets

Items of tangible fixed assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses.

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

(ii) Depreciation

Depreciation is charged to the profit and loss account over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- | | |
|-------------------------|---|
| • Computer equipment | 3-4 years on a straight line basis |
| • Fixtures and fittings | 5-7 years or length of lease if shorter, on a straight line basis |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the profit and loss.

Notes (continued)

1 Accounting policies (continued)

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment losses. Where parts of an item of intangible fixed assets have different useful economic lives, they are accounted for as separate items. Costs relating to intangible assets are capitalised when the capitalisation criteria have been met.

Amortisation

Amortisation is charged to the statement of total comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of intangible fixed assets.

- Computer Software 33.3% per annum on a straight line basis

Stocks

Stocks are stated at the lower of cost and net realisable value. Provisions are made for obsolescence, marks downs and shrinkage. The value of obsolete (i.e. more than 2 years old) and slow moving items are provided against in full.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade and other debtors

Trade and other debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Financial liabilities and equity

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

Basic financial liabilities are initially measured at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Other financial liabilities classified as fair value through profit or loss are measured at fair value.

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade and other creditors

Trade and other creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Notes (continued)

1 Accounting policies (continued)

Foreign currency translation

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

Impairment

The carrying amounts of the Company's assets other than stock and deferred tax assets are reviewed annually to determine whether there is any indication of impairment. An impairment review is performed on individual cash-generating units ('CGUs'). A CGU for the purposes of tangible fixed asset impairment reviews is considered to be the Company itself.

Retirement benefits

For defined contribution schemes the amount charged to the profit and loss is contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either prepayments or accruals.

Turnover

Turnover is measured at the value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of any discounts and sales related taxes. Turnover is recognised when goods are sold and title has passed, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale. Retail sales are usually in cash, by debit card or by credit card.

Interest payable and similar charges

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

Profit and loss reserves

Profit and loss reserves comprise of cumulative profit and loss net of distributions to owners.

Income tax

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

Current tax

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

Deferred tax

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

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

Notes (continued)

1 Accounting policies (continued)

Critical accounting estimates and judgements

The preparation of financial statements in conformity with 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 are discussed below:

Provisions to write stocks down to net realisable value

The Directors make provisions for obsolescence, mark downs and shrinkage based on historical experiences and management estimates of future events. Actual outcomes could vary significantly from these estimates.

2 Operating loss

Operating loss is stated after charging:

	52 week period ended 2 February 2019 £000	53 week period ended 3 February 2018 £000
Auditor's remuneration		
Audit of these financial statements	12	14
Depreciation and amortisation of fixed assets:		
Depreciation of tangible fixed assets	207	352
Amortisation of intangible assets	131	
Loss on disposal of tangible fixed assets	5	-
Rentals payable under non-cancellable operating leases for:		
Land and buildings	716	734
Other	151	168
	<hr/>	<hr/>

Delivery income is now shown gross as other operating income rather than netted off within distribution costs (2019: £1,765,000 and 2018: £1,843,000).

3 Staff numbers and costs

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

	Number of employees	
	52 week period ended 2 February 2019	53 week period ended 3 February 2018
Sales and distribution	121	113
Administration	14	20
	<hr/>	<hr/>
	135	133
	<hr/>	<hr/>

Notes (continued)

3 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	52 week period ended 2 February 2019 £000	53 week period ended 3 February 2018 £000
Wages and salaries	3,317	3,275
Social security costs	274	271
Other pension costs	58	57
	<u>3,649</u>	<u>3,603</u>

4 Directors' remuneration

	52 week period ended 2 February 2019 £000	53 week period ended 3 February 2018 £000
Directors' emoluments	346	530
Pension contributions	25	25
	<u>371</u>	<u>555</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

	52 week period ended 2 February 2019 £000	53 week period ended 3 February 2018 £000
Director's emoluments	176	276
Pension contributions	13	13
	<u>189</u>	<u>289</u>

The directors, Messrs Cowgill, Small and Greenhalgh, are employed by JD Sports Fashion Plc and therefore any remuneration is borne by those group companies. No remuneration is given in respect of acting as a director of this entity as it is incidental to their overall responsibilities to the group.

Notes (continued)

5 Interest payable and similar charges

	52 week period ended 2 February 2019 £000	53 week period ended 3 February 2018 £000
On bank loans and overdrafts	81	109
On amounts owed to Group undertakings	470	113
	<u>551</u>	<u>222</u>

6 Income tax

Recognised in the profit and loss account

	52 week period ended 2 February 2019 £000	53 week period ended 3 February 2018 £000
<i>Current tax</i>		
Current tax credit	(536)	(475)
Adjustments relating to prior periods	7	9
Total current tax credit	<u>(529)</u>	<u>(466)</u>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(16)	(14)
Adjustments relating to prior periods	295	2
Total deferred tax charge / (credit)	<u>279</u>	<u>(12)</u>
Total tax charge / (credit) in the profit and loss account	<u>(250)</u>	<u>(478)</u>

	52 week period ended 2 February 2019 £000	53 week period ended 3 February 2018 £000
Loss for the period	(1,844)	(1,511)
Total tax charge / (credit) for the period	<u>(250)</u>	<u>(478)</u>
Loss before taxation	<u>(2,094)</u>	<u>(1,989)</u>
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19.0% (2018: 19.2%)	(398)	(382)
Effect of:		
Non-deductible expenses	(154)	(111)
Non qualifying depreciation	1	2
Adjustments in respect of prior periods	299	11
Change in deferred tax rate	2	2
Income tax charge / (credit)	<u>(250)</u>	<u>(478)</u>

Notes (continued)

7 Intangible fixed assets

Included within intangible fixed assets is computer software. In the 53 week period ended 3 February 2018, these assets were classified as tangible fixed assets. The brought forward positions have been updated to reflect the reclassification in the current year.

	Computer Software £000
Cost	
At 3 February 2018	257
Additions	130
Disposals	-
At 2 February 2019	387
Depreciation and impairment	
At 3 February 2018	38
Charge for the period	131
Disposal	-
At 2 February 2019	169
Net book value	
At 3 February 2018	219
At 2 February 2019	218

8 Tangible fixed assets

	Computer Equipment £000	Fixtures & fittings £000	Total £000
Cost			
At 3 February 2018	1,593	1,062	2,655
Additions	44	2	46
Disposals	(81)	(284)	(365)
At 2 February 2019	1,556	780	2,336
Depreciation and impairment			
At 3 February 2018	1,414	915	2,329
Charge for the period	126	81	207
Disposal	(80)	(279)	(359)
At 2 February 2019	1,460	717	2,177
Net book value			
At 3 February 2018	179	147	326
At 2 February 2019	96	63	159

Notes (continued)

9 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £000	Assets 2018 £000	Liabilities 2019 £000	Liabilities 2018 £000	Net 2019 £000	Net 2018 £000
Accelerated capital allowances	135	118	-	-	135	118
Losses	-	295	-	-	-	295
Tax assets	135	413	-	-	135	413

Deferred tax on brought forward losses has been derecognised as it is unlikely to utilise the tax losses within the next three years. This is reviewed on an annual basis.

Movement in deferred tax during the period

	Total £000
Balance at 28 January 2017	401
Recognised in income	12
Balance at 3 February 2018	413
Recognised in income	(278)
Balance at 2 February 2019	135

10 Stocks

	As at 2 February 2019 £000	As at 3 February 2018 £000
Finished goods and goods for resale	13,376	12,719

The cost of stocks recognised as expenses and included in cost of sales for the 52 week period ended 2 February 2019 was £32,966,000 (2018: £30,228,000).

The Company has £1,773,000 (2018: £2,872,000) of stock provisions at the end of the period. Cost of stocks includes a charge of £1,099,000 (2018: £1,271,000 credit) in relation to net provisions recognised against stocks.

Notes (continued)

11 Debtors

	As at 2 February 2019 £000	As at 3 February 2018 £000
Trade debtors	4,244	3,793
Other debtors	81	9
Amounts owed by Group undertakings	30	30
Prepayments and accrued income	758	568
Deferred Tax (Note 9)	135	-
	<u>5,248</u>	<u>4,400</u>

12 Creditors: amounts falling due within one year

	As at 2 February 2019 £000	As at 3 February 2018 £000
Bank overdraft	-	8,681
Trade creditors	2,524	2,290
Other creditors and accrued expenses	915	282
Taxation and social security	1,032	1,020
Amounts owed to Group undertakings	23,984	8,904
	<u>28,455</u>	<u>21,177</u>

The amounts owed to Group undertakings include a £23.97 million (2018: £8.91 million) interest bearing loan note from JD Sports Fashion Plc. This loan attracts interest at a rate of base plus a margin of 1.0% and is repayable on demand.

Notes (continued)

13 Capital

Called up share capital

	Number of ordinary shares	Ordinary share capital £000
As at 3 February 2018 and at 2 February 2019	1,000	1

The total number of issued ordinary shares was 1,000 (2018: 1,000) with a par value of £1.00 per share (2018: £1.00). All shares are fully paid up.

The capital structure of the Company comprises issued share capital and retained earnings. The policy adopted by the Directors is to seek to improve the capital base of the Company so as to maintain creditor confidence and to sustain future development of the business. There were no changes to the Company's approach to capital management during the period.

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

14 Operating leases

Operating lease commitments

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

	Land and buildings 2019 £000	Plant and equipment 2019 £000	Land and buildings 2018 £000	Plant and equipment 2018 £000
Less than one year	521	60	552	54
Between one and five years	849	31	1,337	59
	<u>1,370</u>	<u>91</u>	<u>1,889</u>	<u>113</u>

The future minimum rentals payable on land and buildings represent the base rents that are due on each property over the non-cancellable lease term, being usually the earliest date at which the lease can be exited.

Notes (continued)

15 Pension schemes

The Company only operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the Company of £33,000 (2018: £19,000) in respect of employees, and £25,000 (2018: £25,000) in respect of directors. There were no amounts owed to the scheme as at the period end (2018: £nil).

16 Related parties

Transactions and balances with related parties during the period are shown below. Transactions were undertaken in the ordinary course of business. Outstanding balances are unsecured and will be settled in cash.

Pentland Group Plc

Pentland Group Plc owns 57.5% (2018: 57.5%) of the issued ordinary share capital of JD Sports Fashion Plc.

	Value of transactions 2019 £000	Payable at period end 2019 £000	Value of transactions 2018 £000	Payable at period end 2018 £000
Purchase of inventory	-	-	(927)	-
Trade payables (gross including VAT)	-	(107)	-	(107)

JD Sports Fashion Plc

In the 52 week period ended 2 February 2019, Topgrade Sportswear Limited was an 80% owned subsidiary of JD Sports Fashion Plc.

	Value of transactions 2019 £000	(Payable)/ receivable at period end 2019 £000	Value of transactions 2018 £000	(Payable) / receivable at period end 2018 £000
Interest expense	(470)	-	(113)	-
Total amount owed to JD Sports Fashion Plc:				
Working capital loan	-	(23,967)	-	(8,908)
Group tax relief	-	1,525	-	996
Trade payables	-	(66)	-	-
Other intercompany balances	-	(839)	-	269

The loan payable attracts interest at base rates plus a margin of 1.0%.

2Squared Retail Limited

2Squared Retail Limited is a 100% owned subsidiary of JD Sports Fashion Plc.

	Value of transactions 2019 £000	Payable at period end 2019 £000	Value of transactions 2018 £000	Payable at period end 2018 £000
Amounts owed to 2Squared Retail Limited	-	(20)	(109)	(29)

Notes (continued)

16 Related parties (continued)

DJS Retail Limited

DJS Retail Limited is a company controlled by PR Simpson and IS Simpson.

	Value of transactions 2019 £000	Receivable at period end 2019 £000	Value of transactions 2018 £000	Receivable at period end 2018 £000
Sale of inventory	36	-	29	-
Purchase of inventory	(69)	-	(332)	-
Trade receivables (gross including VAT)	-	404	-	438

Kukri Sports Ireland Limited

In the 52 week period ended 2 February 2019, Kukri Sports Ireland Limited was a 100% subsidiary of JD Sports Fashion Plc.

	Value of transactions 2019 £000	Receivable at period end 2019 £000	Value of transactions 2018 £000	Receivable at period end 2018 £000
Income tax group relief	-	26	-	26

Kukri GB Limited

In the 52 week period ended 2 February 2019, Kukri GB Limited was a 100% subsidiary of JD Sports Fashion Plc.

	Value of transactions 2019 £000	Receivable at period end 2019 £000	Value of transactions 2018 £000	Receivable at period end 2018 £000
Income tax group relief	-	4	-	4

Notes (continued)

16 Related parties (continued)

Focus International Limited

In the 52 week period ended 2 February 2019, Focus International Limited is an 80% subsidiary of JD Sports Fashion Plc

	Value of transactions 2019 £000	Receivable at period end 2019 £000	Value of transactions 2018 £000	Receivable at period end 2018 £000
Purchase of inventory	(919)		(5)	
Amounts owed to Focus International Limited		(642)		(236)

17 Parent Company

The Company's immediate parent is Topgrade Sportswear Holdings, which itself is a 80% owned subsidiary undertaking of JD Sports Fashion Plc. JD Sports Fashion Plc is the smallest group in which the Company is a member and for which Group Financial Statements are drawn up. JD Sports Fashion Plc is registered in England. Copies of the consolidated financial statements of JD Sports Fashion Plc are available to the public and can be obtained from the Company Secretary, Edinburgh House, Hollinsbrook Way, Pilsworth, Bury, BL9 8RR or at www.jdplc.com.

18 Ultimate parent company

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

19 First time adoption of FRS 102

This is the first financial period that the group has presented its financial statements in accordance with FRS 102 ("The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102")). For financial periods up to and including 28 January 2017, the company prepared its financial statements under FRS 101. The decision was made to transition to FRS 102 to align with other subsidiaries within the JD Group and ensure consistent accounting treatment for specific items such as lease accounting. There is no material impact as a result of the transition.