

Topgrade Sportswear Limited

**Directors' report and financial
statements**

Registered number 03139070

Year ended

31 January 2009

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Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditor's report to the members of Topgrade Sportswear Limited	4
Income Statement	6
Statement of Recognised Income and Expense	6
Balance Sheet	7
Cash Flow Statement	8
Notes	9

Directors' report

The Directors present their Directors' Report and audited financial statements for the year ended 31 January 2009.

Principal activities

The principal activity of the Company continues to be the wholesale of branded sports and fashion footwear and apparel.

Business review

The year ended 31 January 2009 has been a continued period of transition for the Company with ongoing investment being made in the business' new multichannel retail operation. The Company's wholesale operations have continued to grow and are now complemented by a trading website – www.getthelabel.com – which was launched subsequent to the year end, in March 2009, alongside a new catalogue business. The Directors are satisfied with the profit for the period, particularly in the context of the significant investment that has been made in staff, systems and promotional material during the year. This investment will continue, albeit to a lesser extent, in the current period.

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

	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
Revenue	12,680	12,259
Gross profit %	18.1%	11.7%
Operating profit/(loss)	89	(783)
Operating profit/(loss) %	0.7%	(6.4)%

Proposed dividend

The Directors do not recommend the payment of a dividend (2008: £nil).

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 retail sector in which it operates. These risks and uncertainties include the following:

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

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

Creditor payment policy

For all trade creditors it is the Company's policy to:

- Agree the terms of payment at the start of business with the supplier;
- Ensure suppliers are aware of the terms of payment; and
- Pay in accordance with its contractual and other legal obligations.

The average number of days taken to pay trade creditors by the Company at the period end was 24 (2008: 39).

The Company does not follow any code or statement on payment policy.

Directors' report *(continued)*

Directors

The Directors who held office during the period were as follows:

IS Simpson
PR Simpson
PA Cowgill
BC Bown

Messrs IS and PR Simpson each control 24.5% of the issued ordinary share capital of the immediate parent company Halco 1521 Limited. The remaining 51% is controlled by JD Sports Fashion plc. The beneficial interests of Messrs Cowgill and Bown in the share capital of JD Sports Fashion plc are shown in the accounts for that company – see note 21.

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. This commitment applies in respect of all terms and conditions of employment. 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 (2008: £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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



P A Cowgill
Director

Hollinsbrook Way
Pilsworth
Bury
Lancashire
BL9 8RR

24 NOVEMBER 2009

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

The financial statements are required by law to present fairly the financial position and the performance of the Company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

Edward VII Quay

Navigation Way

Preston

PR2 2YF

United Kingdom

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

We have audited the financial statements of Topgrade Sportswear Limited for the year ended 31 January 2009 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies' Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 January 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 November 2009

Income Statement

For the year ended 31 January 2009

	Note	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
Revenue	1	12,680	12,259
Cost of sales		(10,389)	(10,826)
Gross profit		2,291	1,433
Selling and distribution expenses		(2,202)	(2,216)
Operating profit/(loss)		89	(783)
Financial income	5	1	-
Financial expenses	6	(44)	(47)
Profit/(loss) before tax	2	46	(830)
Income tax credit	7	209	249
Profit/(loss) for the period attributable to equity holders of the Company	15	255	(581)

Statement of Recognised Income and Expense

For the year ended 31 January 2009

The Company has no recognised gains or losses during the current or previous period other than the results reported above.

Balance Sheet
As at 31 January 2009

	Note	As at 31 January 2009 £000	As at 31 January 2008 £000
ASSETS			
Property, plant and equipment	8	219	139
Deferred tax assets	9	356	147
Total non-current assets		575	286
Inventories	10	4,629	2,399
Trade and other receivables	11	1,666	1,787
Cash and cash equivalents	12	1,077	-
Total current assets		7,372	4,186
TOTAL ASSETS		7,947	4,472
LIABILITIES			
Interest-bearing loans and borrowings	13	(1,487)	(849)
Trade and other payables	14	(4,034)	(1,452)
Total current liabilities		(5,521)	(2,301)
Total non-current liabilities		-	-
TOTAL LIABILITIES		(5,521)	(2,301)
TOTAL ASSETS LESS TOTAL LIABILITIES		2,426	2,171
CAPITAL AND RESERVES			
Issued ordinary share capital	15	1	1
Retained earnings	15	2,425	2,170
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	15	2,426	2,171

These financial statements were approved by the Board of Directors on 24 NOV 2009 and were signed on its behalf by:



P A Cowgill
Director

Registered number 03139070

Cash Flow Statement

For the year ended 31 January 2009

	Note	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
Cash flows from operating activities			
Profit/(loss) for the period	15	255	(581)
Depreciation of non-current assets	8	80	247
Financial income	5	(1)	-
Financial expense	6	44	47
(Profit)/loss on disposal of non-current assets	2	(1)	5
Income tax credit	7	(209)	(249)
Increase in inventories		(2,230)	(154)
Decrease in trade and other receivables		121	220
Increase in trade and other payables		768	439
Interest paid		(30)	(47)
Net cash from operating activities		(1,203)	(73)
Cash flows from investing activities			
Interest received		1	-
Proceeds from sale of non-current assets		14	2
Acquisition of property, plant and equipment	8	(173)	(62)
Net cash used in investing activities		(158)	(60)
Cash flows from financing activities			
(Repayment)/capital element of finance lease and similar hire purchase contracts		(53)	32
Repayment of bank loans		-	(38)
Intercompany loan received		1,800	-
Net cash from/(used) in financing activities		1,747	(6)
Net increase/(decrease) in cash and cash equivalents		386	(139)
Cash and cash equivalents at the beginning of the period		(796)	(657)
Cash and cash equivalents at the end of the period		(410)	(796)

Notes

(Forming part of the financial statements)

1 Accounting policies

Topgrade Sportswear Limited (the "Company") is a company incorporated and domiciled in the UK.

Basis of preparation

The Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet as at 30 September 2006 for the purposes of the transition to adopted IFRSs.

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

The Company is preparing its financial statements in accordance with adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 23.

The financial statements are prepared on the historical cost basis as modified for financial assets and liabilities at fair value through the Income Statement.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 1 to 2. In addition note 16 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Company has considerable financial resources, with access to a £2.0 million overdraft facility which is guaranteed by its immediate parent undertaking, JD Sports Fashion plc. In addition, it has access to intercompany borrowing from JD Sports Fashion plc. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully, despite the uncertain economic outlook. 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.

Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful economic lives, they are accounted for as separate items.

(ii) Leased assets

Assets funded through finance leases and similar hire purchase contracts are capitalised as property, plant and equipment where the Company assumes substantially all of the risks and rewards of ownership. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Future instalments under such leases, net of financing costs, are included within interest bearing loans and borrowings. Rental payments are apportioned between the finance element, which is included in finance costs, and the capital element, which reduces the outstanding obligation for future instalments so as to give a constant charge on the outstanding obligation.

Notes (continued)

1 Accounting policies (continued)

Property, plant and equipment (continued)

(ii) Leased assets (continued)

All other leases are accounted for as operating leases and the rental charges are charged to the Income Statement on a straight-line basis over the life of the lease. Lease incentives are credited to the Income Statement on a straight-line basis over the life of the lease.

Legal fees and other costs associated with the acquisition of a leasehold interest are capitalised as other receivables within non-current assets. These costs are amortised over the life of the lease.

(iii) Depreciation

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|--|--|
| • Improvements to short leasehold properties | life of lease on a straight line basis |
| • Computer equipment | 3-6 years on a straight line basis |
| • Fixtures and fittings | 7-10 years or length of lease if shorter, on a straight line basis |
| • Motor vehicles | 25% per annum on a reducing balance basis |

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle. Provisions are made for obsolescence, marks downs and shrinkage.

Financial instruments

Financial assets and financial liabilities are recognised in the Company balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cashflows from the financial assets expire or are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Trade receivables

Trade receivables are recognised at amortised cost less impairment losses. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The movement in the provision is recognised in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Net debt/ interest-bearing borrowings

Net debt consists of cash and cash equivalents together with other borrowings from bank loans, other loans, loan notes, finance leases and similar hire purchase contracts.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at their cost.

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 balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement. 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.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably.

Within the onerous lease provision, management have provided against the minimum contractual lease cost less potential sublease income for vacant stores. For loss making trading stores, provision is made to the extent that the lease is deemed to be onerous.

Provisions are determined by discounting expected future cashflows at a pre-tax rate that reflects risks specific to the Company.

Impairment

The carrying amounts of the Company's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

Pensions

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in independently administered funds. Obligations for contributions to the defined contribution pension plan are recognised as an expense in the Income Statement as incurred.

Revenue

Revenue represents the amount receivable by the Company for goods supplied to customers net of discounts, returns and VAT. Revenue is recognised when goods are sold and title has passed.

Financial income

Financial income comprises interest receivable on funds invested. Financial income is recognised in the Income Statement on an effective interest basis.

Financial expenses

Financial expenses comprise interest payable on interest bearing loans and borrowings. Financial expenses are recognised in the Income Statement on an effective interest basis.

Notes (continued)

1 Accounting policies (continued)

Income tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for 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 balance sheet 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.

Adopted IFRS not yet applied

The following adopted IFRS was available for early application but has not been applied by the Company in these financial statements:

- IFRS 8 'Operating Segments' applicable for financial periods commencing on or after 1 January 2009. This requires that entities adopt the 'management approach' to reporting financial performance of its operating segments. It is concerned with disclosures only and, as such, will have no impact on the Income Statement or Balance Sheet.
- IAS 1 '(Revised) Presentation of Financial Statements' applicable for financial periods commencing on or after 1 January 2009. The standard requires a change in the format and presentation of the Company's primary statements but will have no impact on reported profits or equity.

All other standards and interpretations that are available for early adoption have no impact for the Company.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRSs 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:

(i) Provisions to write inventories down to net realisable value

The Company makes 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.

Notes (continued)

2 Profit/Loss before tax

Profit/Loss before tax is stated after charging/(crediting):

	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
Auditor's remuneration		
Fees payable for the audit of the Company's annual accounts	14	14
Depreciation and amortisation of non-current assets:		
Depreciation of property, plant and equipment – owned	57	222
Depreciation of property, plant and equipment – leased	23	25
(Profit)/loss on disposal of non-current assets	(1)	5
Rentals payable under non-cancellable operating leases for:		
Land and buildings	219	285
Other	22	17
	<hr/>	<hr/>

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	
	Year ended 31 January 2009	16 month period ended 31 January 2008
Sales and distribution	26	20
Administration	5	3
	<hr/>	<hr/>
	31	23
	<hr/>	<hr/>
Full time equivalents	29	23
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
Wages and salaries	887	701
Social security costs	110	69
Other pension costs	12	13
	<hr/>	<hr/>
	1,009	783
	<hr/>	<hr/>

Notes (continued)

4 Directors' remuneration

	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
Director emoluments	207	147
Pension contributions	10	13
	<u>217</u>	<u>160</u>

Messrs Cowgill and Bown received no remuneration from the Company in the current or prior period, these fees being borne by JD Sports Fashion plc (see note 21).

5 Financial income

	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
Bank interest	1	-
	<u>1</u>	<u>-</u>

6 Financial expenses

	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
On bank loans and overdrafts	27	32
Finance charges payable in respect of finance lease and similar HP contracts	3	15
On amounts owed to Group undertakings	14	-
	<u>44</u>	<u>47</u>

Notes (continued)

7 Income tax

Recognised in the Income Statement

	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
<i>Current tax</i>		
Current tax credit	-	65
Adjustments relating to prior periods	-	-
	<hr/>	<hr/>
Total current tax credit	-	65
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(18)	-
Adjustments relating to prior periods	227	184
	<hr/>	<hr/>
Total deferred tax credit	209	184
	<hr/>	<hr/>
Income tax credit	209	249
	<hr/>	<hr/>

	Year ended 31 January 2009 £000	16 month period ended 31 January 2008 £000
Profit/(loss) for the period	255	(581)
Total tax credit for the period	(209)	(249)
	<hr/>	<hr/>
Profit/(loss) before taxation	46	(830)
Profit/(loss) before tax multiplied by the standard rate of corporation tax in the UK of 28.3% (2008:30%)	(13)	249
Effect of:		
Non-deductible expenses	(5)	-
Adjustments in respect of prior periods	227	-
	<hr/>	<hr/>
Income tax credit	209	249
	<hr/>	<hr/>

Notes (continued)

8 Property, plant and equipment

	Equipment £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost				
At 30 September 2006	93	385	128	606
Additions	3	16	43	62
Disposals	-	-	(34)	(34)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2008	96	401	137	634
Additions	120	53	-	173
Disposals	-	-	(54)	(54)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2009	216	454	83	753
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment				
At 30 September 2006	45	170	60	275
Charge for the period	39	172	36	247
Disposals	-	-	(27)	(27)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2008	84	342	69	495
Charge for the period	16	34	30	80
Disposals	-	-	(41)	(41)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2009	100	376	58	534
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 2006	48	215	68	331
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2008	12	59	68	139
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 January 2009	116	78	25	219
	<hr/>	<hr/>	<hr/>	<hr/>

At 31 January 2009 the net carrying amount of tangible fixed assets held under finance leases or similar hire purchase contracts was £nil (2008: £43,000). Depreciation on these assets in the period was £23,000 (2008: £25,000).

During the period ended 31 January 2008, the remaining useful economic lives of tangible fixed assets were reviewed. This resulted in an accelerated depreciation charge in the period then ended of £91,000 on specific equipment and fixtures and fittings to reflect management's estimate of the residual useful economic lives of those assets.

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 2009 £000	Assets 2008 £000	Liabilities 2009 £000	Liabilities 2008 £000	Net 2009 £000	Net 2008 £000
Property, plant and equipment	42	36	-	-	42	36
Lease variation and other items	314	111	-	-	314	111
	<u>356</u>	<u>147</u>	<u>-</u>	<u>-</u>	<u>356</u>	<u>147</u>
Tax assets/(liabilities)						

Movement in deferred tax during the period

	Property, plant and equipment £000	Losses £000	Total £000
Balance at 30 September 2006	(37)	-	(37)
Recognised in income	73	111	184
	<u>36</u>	<u>111</u>	<u>147</u>
Balance at 31 January 2008	36	111	147
Recognised in income	6	203	209
	<u>42</u>	<u>314</u>	<u>356</u>
Balance at 31 January 2009			

10 Inventories

	As at 31 January 2009 £000	As at 31 January 2008 £000
Finished goods and goods for resale	4,629	2,399

The cost of inventories recognised as expenses and included in cost of sales for the year ended 31 January 2009 was £10,306,000 (2008: £10,771,000).

Notes (continued)

11 Trade and other receivables

	As at 31 January 2009 £000	As at 31 January 2008 £000
Trade receivables	1,396	1,565
Other taxes and social security costs	167	113
Prepayments and accrued income	103	109
	<u>1,666</u>	<u>1,787</u>

The ageing of trade receivables is detailed below:

	Gross £000	2009 Provision £000	Net £000	Gross £000	2008 Provision £000	Net £000
Not past due – 60 days	1,237	-	1,237	1,350	-	1,350
Past 60 days	279	(120)	159	348	(133)	215
	<u>1,516</u>	<u>(120)</u>	<u>1,396</u>	<u>1,698</u>	<u>(133)</u>	<u>1,565</u>

The Board consider that the carrying amount of trade and other receivables approximate their fair value. Concentrations of credit risk with respect to trade receivables are limited due to the majority of the Company's customer base being unrelated. Therefore, no further credit risk provision is required in excess of the normal provision for impairment losses, which has been calculated following individual assessments of credit quality based on historic default rates and knowledge of debtor insolvency or other credit risk. The movement in the provision is shown below:

	Provision £000
At 30 September 2006	26
Charged in the period	281
Utilised	(174)
	<u>133</u>
At 31 January 2008	133
Released	(1)
Utilised	(12)
	<u>120</u>
At 31 January 2009	<u>120</u>

The other classes within trade and other receivables do not contain impaired assets.

Notes (continued)

12 Cash and cash equivalents

	As at 31 January 2009 £000	As at 31 January 2008 £000
Bank balances and cash floats	1,077	-

Cash and cash equivalents are held with major United Kingdom and European clearing banks and earn floating rates of interest based upon bank base rates or rates linked to LIBOR (2008: same). Included within the figure shown is a Euro denominated balance of £318,000 (2008: £nil). The balance is denominated in sterling.

13 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. The Company has an unsecured £2.0 million overdraft facility. Amounts borrowed under this facility attract interest at a rate of base plus a margin of 1.75%.

	As at 31 January 2009 £000	As at 31 January 2008 £000
Current liabilities		
Bank overdraft	1,487	796
Obligations under finance lease and similar hire purchase contracts	-	53
	<u>1,487</u>	<u>849</u>

The maturity of obligations under finance leases and similar hire purchase contracts is as follows:

	Minimum lease payments 2009 £000	Interest 2009 £000	Principal 2009 £000	Minimum lease payments 2008 £000	Interest 2008 £000	Principal 2008 £000
Less than one year	-	-	-	62	(9)	53

Notes (continued)

14 Trade and other payables

	As at 31 January 2009 £000	As at 31 January 2008 £000
Current		
Trade payables	725	1,042
Other payables and accrued expenses	1,289	319
Directors current accounts	-	91
Amounts owed to Group undertakings	2,020	-
	<u>4,034</u>	<u>1,452</u>
Non-current		
Other payables and accrued expenses	-	-
	<u>4,034</u>	<u>1,452</u>

The amounts owed to Group undertakings include a £1.8 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%.

15 Capital and reserves

Issued ordinary share capital

	Number of ordinary shares	Ordinary share capital £000
At 31 January 2008 and 31 January 2009	1,000	1

The total number of authorised ordinary shares was 1,000 (2008: 1,000) with a par value of £1.00 per share (2008: £1.00). All shares are fully paid up.

Notes (continued)

15 Capital and reserves (continued)

Reconciliation of movement in capital and reserves

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 30 September 2006	1	2,751	2,752
Total recognised income and expense	-	(581)	(581)
	<hr/>	<hr/>	<hr/>
Balance at 31 January 2008	1	2,170	2,171
Total recognised income and expense	-	255	255
	<hr/>	<hr/>	<hr/>
Balance at 31 January 2009	1	2,425	2,426
	<hr/>	<hr/>	<hr/>

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.

16 Financial instruments

Financial assets

The Company's financial assets are all categorised as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise 'Trade and other receivables' and 'cash and cash equivalents'.

Financial liabilities

The Company's financial liabilities are all categorised as other financial liabilities. Other financial liabilities are measured at amortised cost. The Company's other financial liabilities comprise 'interest bearing loans and borrowings' and 'Trade and other payables'.

Risk management

The Company's operations expose it to a combination of financial risks that include the effects of changes in interest rates, exchange rates, credit risk and its liquidity position. These risks are managed as a part of a wider Group, further information on which is provided in the annual report of the parent company (see note 21).

Interest rate risk

The Company finances its operations through bank and intercompany borrowings. Other than historic finance lease borrowings, which were provided at fixed interest rates, the Company's borrowings are at floating rates.

Notes (continued)

16 Financial instruments (continued)

Risk management (continued)

Interest rate risk therefore arises from Company drawings against the agreed overdraft facility and on interest bearing intercompany loans. The Company is exposed to cashflow interest risk with interest paid on its bank borrowings at UK base rates plus a margin of 1.75% and on intercompany loans at UK base rates plus a margin of 1.0%.

The Board of the immediate parent regularly reviews the interest rate risk of the enlarged Group, and seeks to use interest rate swaps to minimise exposure to interest rate fluctuations where appropriate. The Board did not consider that an interest rate swap was necessary as at 31 January 2009.

A change of 1% in average interest rates during the period when applied to the average net cash/debt position of the Company during the period, would change profit before tax by £7,000 (2008: £2,000). This assumes that all other variables remain unchanged. Calculations are performed on the same basis as the prior year.

Foreign currency risk

The majority of the Company's transactions with customers and suppliers are denominated in GBP sterling. The Company's risk in respect of fluctuations in foreign currency is therefore limited. On occasion, the Company does source product from overseas for which payment is made in Euro. The nature of the Company's business however, makes it difficult to assess, with any accuracy, forward currency requirements as these are based on the availability and price of product from third parties at a specific point in time. The Company therefore satisfies any foreign currency requirements at spot rates as at the date of the transaction. As the Company is not contractually obliged to make these purchases, and can assess the product in the context of exchange rates at the time, foreign exchange risks are limited. For this reason, the Directors do not consider exchange rate sensitivities to be a meaningful measure and have therefore chosen not to disclose them.

Credit risk

Investments of cash surpluses and borrowings are made through major United Kingdom clearing banks, which meet minimum credit ratings as required by the Board of the immediate parent.

Receivable balances are monitored on an ongoing basis and provision is made for impairment where amounts are not thought to be recoverable (see note 11).

Liquidity risk

The Company's cash and borrowing requirements are reviewed regularly by the Board and Parent Company in order to minimise net interest expense, whilst ensuring sufficient liquid resources to meet the operating needs of the business. Cash forecasts and borrowing profiles of the company are monitored on an ongoing basis, to ensure that adequate headroom remains under committed borrowing facilities.

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows:

	Carrying amount 2009 £000	Fair value 2009 £000	Carrying amount 2008 £000	Fair value 2008 £000
Trade and other receivables	1,666	1,666	1,787	1,787
Cash and cash equivalents	1,077	1,077	-	-
Bank overdraft	(1,487)	(1,487)	(796)	(796)
Finance leases and similar hire purchase contracts	-	-	(53)	(60)
Trade and other payables – current	(4,034)	(4,034)	(1,452)	(1,452)
	<u>(2,778)</u>	<u>(2,778)</u>	<u>(514)</u>	<u>(521)</u>
Unrecognised losses		-		(7)

Notes (continued)

16 Financial instruments (continued)

Estimation of fair values

The major methods and assumptions used in estimating the fair values of financial instruments reflected in the table are as follows:

Finance lease and similar hire purchase contracts

The fair value is estimated as the present value of future cash flows, discounted at market rates for homogenous lease agreements (7-10%). The estimated fair value reflects changes in interest rates.

Trade and other receivables/ payables

For trade and other receivables/ payables, the notional amount is deemed to reflect the fair value.

17 Operating leases

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 2009 £000	Plant and equipment 2009 £000	Land & buildings 2008 £000	Plant and equipment 2008 £000
Less than one year	215	25	201	21
Between one and five years	775	29	803	8
More than five years	526	-	708	-
	<u>1,516</u>	<u>54</u>	<u>1,712</u>	<u>29</u>

The future minimum rentals payable on land and buildings represent the base rents that are due on each property.

18 Capital commitments

As at 31 January 2009 the company had no capital commitments (2008: £nil).

19 Pension schemes

The Company only operates a defined contribution pension scheme. The pension charge for the period represents contributions payable by the Company of £2,000 (2008: £nil) in respect of employees, and £10,000 (2008: £13,000) in respect of directors. There were no amounts owed to the scheme as at the period end (2008: £nil).

Notes (continued)

20 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.

JD Sports Fashion plc

JD Sports Fashion plc acquired 51% of the issued ordinary share capital of Halco 1521 Limited, the Company's immediate parent, on 07 November 2007. Transactions with, and balances owing to, JD Sports Fashion plc subsequent to this date are shown below:

	Value of transactions	(Payable)/ receivable at period end	Value of transactions	(Payable)/ receivable at period end
	2009 £000	2009 £000	2008 £000	2008 £000
Purchase of inventory	(41)	-	-	-
Sale of inventory	161	-	-	-
Interest expense	(14)	-	-	-
Amounts borrowed from JD Sports Fashion plc	(1,800)	-	-	-
Total amount owed to JD Sports Fashion plc	-	(1,888)	-	-

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

Bank Fashion Limited

Bank Fashion Limited was acquired by JD Sports Fashion plc on 07 December 2007 and became a related party of the Company as of that date.

	Value of transactions	(Payable)/ receivable at period end	Value of transactions	(Payable)/ receivable at period end
	2009 £000	2009 £000	2008 £000	2008 £000
Purchase of inventory	(194)	-	-	-
Payments (gross including VAT)	(95)	-	-	-
Amounts owed to Bank Fashion Limited	-	(132)	-	-

Notes (continued)

20 Related parties (continued)

RD Scott Limited

RD Scott Limited is a wholly owned subsidiary of JD Sports Fashion plc.

	Value of transactions	(Payable)/ receivable at period end	Value of transactions	(Payable)/ receivable at period end
	2009 £000	2009 £000	2008 £000	2008 £000
Purchase of inventory	(101)	-	-	-
Payments (gross including VAT)	(119)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

21 Parent Company

The Company's immediate parent is Hallco 1521 Limited, which itself is a 51% 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.

22 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.

23 Explanation of transition to Adopted IFRSs

As stated in note 1, these are the Company's first financial statements prepared in accordance with adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 31 January 2009, the comparative information presented in these financial statements for the period ended 31 January 2008 and in the preparation of an opening IFRS balance sheet at 30 September 2006 (the Company's date of transition).

An explanation of how the transition from UK GAAP to adopted IFRSs has affected the Company's financial position and financial performance and cashflows is set out in the following tables and the notes that accompany the tables.

Notes (continued)

23 Explanation of transition to adopted IFRSs (continued)

Balance Sheets

	30 September 2006			31 January 2008		
	UK GAAP	Effect of transition to adopted IFRSs	Adopted IFRSs	UK GAAP	Effect of transition to adopted IFRSs	Adopted IFRSs
	£000	£000	£000	£000	£000	£000
ASSETS						
Property, plant and equipment	331	-	331	139	-	139
Deferred tax assets	-	-	-	147	-	147
Total non-current assets	331	-	331	286	-	286
Current assets						
Inventories	2,245	-	2,245	2,399	-	2,399
Trade and other receivables	2,007	-	2,007	1,787	-	1,787
Cash and cash equivalents	1	-	1	-	-	-
Total current assets	4,253	-	4,253	4,186	-	4,186
TOTAL ASSETS	4,584	-	4,584	4,472	-	4,472
LIABILITIES						
Current liabilities						
Interest-bearing loans and borrowings	(687)	-	(687)	(849)	-	(849)
Trade and other payables	(1,013)	-	(1,013)	(1,452)	-	(1,452)
Income tax liabilities	(65)	-	(65)	-	-	-
Total current liabilities	(1,765)	-	(1,765)	(2,301)	-	(2,301)
Non-current liabilities						
Interest-bearing loans and borrowings	(30)	-	(30)	-	-	-
Deferred tax liabilities	(37)	-	(37)	-	-	-
Total non-current liabilities	(67)	-	(67)	-	-	-
TOTAL LIABILITIES	(1,832)	-	(1,832)	(2,301)	-	(2,301)
NET ASSETS	2,752	-	2,752	2,171	-	2,171
CAPITAL AND RESERVES						
Issued ordinary share capital	1	-	1	1	-	1
Retained earnings	2,751	-	2,751	2,170	-	2,170
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	2,752	-	2,752	2,171	-	2,171

Notes (continued)

23 Explanation of transition to adopted IFRSs (continued)

Income Statement

Year ended 31 January 2008

	UK GAAP £000	Effect of transition to adopted IFRSs £000	Adopted IFRSs £000
Revenue	12,259	-	12,259
Cost of sales	(10,826)	-	(10,826)
Gross profit	1,433	-	1,433
Selling and distribution expenses	(2,216)	-	(2,216)
Administrative expenses	-	-	-
Operating loss	(783)	-	(783)
Financial expenses	(47)	-	(47)
Loss before tax	(830)	-	(830)
Income tax credit	249	-	249
Loss for the period attributable to equity holders of the Company	(581)	-	(581)

The format of the adopted IFRS primary financial information contained within this document is prepared in accordance with IAS 1 'Presentation of Financial Statements', which differs from the UK GAAP format.

IAS 7 'Cashflow statements'

In accordance with IAS 7 'Cashflow statements', movements on cash and cash equivalents are reconciled. UK GAAP required the statement to reconcile only cash. The change in presentation of the cashflow statement makes no difference to the cash generated by the Company.