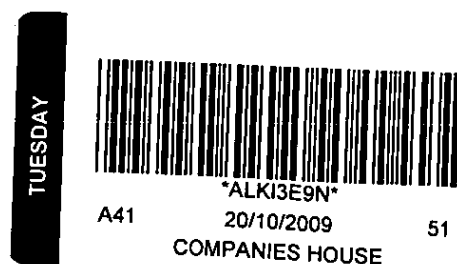


Company Registered Number: 198168

UMBRO INTERNATIONAL LIMITED

Report and Accounts 31 May 2009



UMBRO INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE 17 MONTH PERIOD ENDED 31 MAY 2009

The Directors present their report and the audited accounts of the Company for the 17 month period ended 31 May 2009. The year end has been changed to bring it in line with the Nike Group, following the change of ownership in the period. The current period is 17 months and the comparative period is 12 months.

PRINCIPAL ACTIVITIES

The Company's principal activity is that of designing, sourcing and marketing of football related products which are sold in over 90 countries.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Directors announce an operating profit of £14,286,000 (2007: loss of £21,275,000).

The profit before tax for the year was £14,328,000 (2007: loss of £18,921,000).

Umbro's mission is to become the world's Football Culture Brand.

The Company's strategy is to develop its range of products on a global basis at the forefront of design, innovation and quality, to generate brand awareness by sponsorships of key teams, clubs and players and to focus on relationships with key retailer customers.

Umbro operates exclusively in the sport of football. Football is the most popular global sport and its popularity continues to grow.

The Company's key performance indicators are contained in the financial statements and are: turnover, gross margin, net profit, cash flow from operations and net assets.

The Company sold on 27 May 2009 its non-UK trademarks to an affiliated company, Nike Global Services PTE, a Singapore based company. The proceeds of sale were £43.6m, which have been used to repay loans from Nike group companies. The Company simultaneously entered into a 3 year license agreement with Nike Global Services PTE, which will result in the Company continuing to receive 88% of its former licensee royalty income.

The Company sold its USA subsidiaries, Umbro Corp and USISL Inc, to Nike affiliated companies for a nominal amount and for £2m respectively in May 2008.

TRADING RESULTS AND DIVIDEND

The profit for the year after tax was £12,818,000 (2007: loss of £13,906,000).

There was no dividend paid during the year to the immediate parent company (2007: £nil).

RISKS AND UNCERTAINTIES AND FACTORS LIKELY TO AFFECT FUTURE BUSINESS

The principal risks faced by the Company include the loss of business from major retail accounts in different countries, lack of success of new product ranges, loss of key licensees through business failure and price competition from other brands. The Company attempts to mitigate these risks through diversification and continuous monitoring of its activities so that it is able to respond to adverse events by taking early corrective action. Retail consolidation can lead to reduced margins but equally can result in increased volumes. Failure of teams and clubs to qualify for tournaments or to perform well in league competitions can depress sales of licensed products.

CHARITABLE CONTRIBUTIONS

During the period the Company made charitable contributions of £5,000 (2007: £13,000). No contributions were made to political organisations. Donations were made to support the following charities and to encourage employees to raise money for worthy causes.

PFA Centenary Trust Fund	£2,010
New Children's Hospital	£1,500
National Football Museum	£1,000
Other	£490
	<hr/> £5,000

UMBRO INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE 17 MONTH PERIOD ENDED 31 MAY 2009 (Continued)

ENVIRONMENTAL POLICY

The Company recognises the importance of environmental responsibility and, where practicable, has an environmental policy in place for the relevant business areas of the Company.

Key carbon-emitting activities of the Company are: heating and power at the head office; staff travel, particularly air travel to the Far East for product selection; and shipping of product manufactured abroad. The head office energy consumption is discussed further below. A programme to restrict air travel was introduced in the period which included the use of video technology. For travel in the UK, staff are strongly encouraged to use the train instead of aircraft or motor vehicles. Supply chain freight forwarding companies, who are taking steps to monitor and reduce their environmental impact, are selected as suppliers and airfreight, the worst polluting form of transport, is avoided in the main.

The CO₂ output of the head office site resulting from heating and electricity consumption was 1,029 tonnes in the period (2007: 726 tonnes). The CO₂ output from staff air travel in the period was 1,673 tonnes (2007:1,181 tonnes).

DIRECTORS

The Directors who served on the Board during the year were as follows:

L L Bird (appointed 04.03.08, resigned 16.04.09)
G J Brown (appointed 03.03.08)
M A Cook (appointed 04.03.08, resigned 12.08.09)
G C Dinges (appointed 04.03.08, resigned 18.07.08)
G W Hanson (appointed 04.03.08)
D A Hare (resigned 04.03.08)
S R Makin (resigned 03.03.08)

S R Makin had share options in the parent undertaking, Umbro Limited, and his options are shown in that company's report and accounts.

D A Hare exercised share options in Umbro Limited during the period until his resignation as follows:

Scheme	Options exercised in period	Exercise price (pence)	Date of resignation
LTIP 2006	4,497	nil	4/3/08
LTIP 2007	4,602	nil	4/3/08

G J Brown holds conditional awards in the shares of Nike Inc as set out in the table below:

Scheme	Options granted in year	Options exercised in period	Exercise price (pence)	Date from which exercisable	Date of lapse
Restricted shares	2,315	772	nil	33% annually from 08.05.09	08.05.12
Stock Options	4,000	-	\$58.20	25% annually from 18.07.09	18.07.18

None of the Directors had any interest in the shares of the Company at 31 May 2009 or 31 December 2007.

TREASURY

The Company's financial instruments comprise borrowings, some cash and liquid resources, foreign exchange contracts and various items, such as trade debtors and trade creditors that arise directly from its operations.

Foreign exchange contracts reduce or eliminate the Company's exposure to exchange rate fluctuations concerning its purchases of product, major foreign currency payments and royalty revenues.

UMBRO INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE 17 MONTH PERIOD ENDED 31 MAY 2009 (Continued)

TREASURY (Continued)

The Board has reviewed and agreed policies for managing interest rate risk arising from the Company's financial instruments and this is summarised below. This policy has remained unchanged since the beginning of the year. Short-term debtors and creditors that meet the definition of a financial asset or liability under IAS 32 have been excluded from the disclosures as permitted by the Standard.

INTEREST RATE RISK

The Company finances its operations through a mixture of retained profits, intercompany loans and bank borrowings. The Company's operating activities are principally financed by loans from other Nike group companies. The Company currently does not hedge its interest rate risks, although this policy is reviewed regularly.

LIQUIDITY RISK

Short-term flexibility is achieved by loans from Nike group companies which are sufficient to meet the Company's foreseeable working capital requirements.

FOREIGN CURRENCY RISK

The Company has exposure to foreign currency risk and hedges these risks by cash flow hedges in the form of foreign exchange contracts taken out with its bankers.

SUPPLIER PAYMENT POLICY

The Company does not follow a code but operates a payment policy to agreed terms in settling outstanding debts. For certain types of regular contracted services, the Company encourages direct debit or standing order arrangements. Most other suppliers have terms of payment that are agreed when the account is opened. The majority of payments are made by electronic transfer direct to suppliers' bank accounts. The amount of trade creditors shown in the balance sheet represents 29 days (2007: 43 days) of average purchases during the year for the Company.

EMPLOYEES

The quality, commitment and effectiveness of the Company's staff are crucial to its continued success. Staff policies and programmes are designed to encourage employees to become interested in the Company's activities and to reward all staff according to their contribution and capability. Employee communications are a high priority and regular staff briefings are used to ensure that all staff are kept properly informed. Employee share ownership is encouraged through savings-related and other employee share schemes.

Employment policies do not discriminate between employees or potential employees on the grounds of colour, race, ethnic or natural origin, sex, marital status, religious beliefs or disability. If an employee were to become disabled whilst in employment and, as a result, was unable to perform his/her duties, every effort would be made to offer suitable alternative employment and assistance with re-training.

Staff welfare at work is of paramount importance and the Company operates Health and Safety policies in the workplace and whilst travelling. Staff are issued with these policies in an employee handbook when they join the Company.

GOING CONCERN

After making appropriate enquiries, including a review of budgets and other plans, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

AUDITORS

Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

UMBRO INTERNATIONAL LIMITED

DIRECTORS' REPORT FOR THE 17 MONTH PERIOD ENDED 31 MAY 2009 (Continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by the IASB; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

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 the financial statements comply with the Companies Act 1985. 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

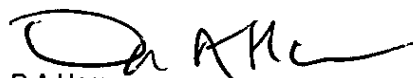
STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The Directors confirm the following:

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

BY ORDER OF THE BOARD



D A Hare
Company Secretary

16 October 2009

Umbro House
Lakeside
Cheadle
Cheshire
SK8 3GQ

Company Registered Number: 198168

UMBRO INTERNATIONAL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UMBRO INTERNATIONAL LIMITED

We have audited the financial statements of Umbro International Limited for the 17 month period ended 31 May 2009 which comprise the Income Statement, the Balance Sheet, the Statement of Cash Flows, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 judgements 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 May 2009 and of its profit and cash flows for the period 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.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

16 October 2009

UMBRO INTERNATIONAL LIMITED

Income Statement

for the 17 months ended 31 May 2009

	Note	Period ended May 31 2009 £'000	Year ended December 31 2007 £'000
Turnover	2	105,692	91,636
Cost of sales		(84,342)	(90,255)
Gross profit		21,350	1,381
Selling and distribution costs		(29,755)	(16,536)
Administration expenses		(17,475)	(9,735)
Exceptional expenses	8	(8,400)	(484)
Total administration expenses		(25,875)	(10,219)
Other operating income	4	3,969	4,099
Exceptional income	4	44,597	-
Total other operating income	4	48,566	4,099
Operating profit / (loss)		14,286	(21,275)
Finance costs	5	(6,995)	(2,114)
Finance income	6	7,037	4,468
Profit /(loss) before tax	3	14,328	(18,921)
Taxation	7	(1,510)	5,015
Profit / (loss) for the period attributable to equity holders transferred to reserves	21	12,818	(13,906)

The results shown are in respect of continuing activities.

The notes on pages 10 to 38 are an integral part of these financial statements.

UMBRO INTERNATIONAL LIMITED

Statement of Recognised Income and Expense
for the 17 month period ended 31 May 2009

	Period ended May 31 2009 £'000	Year ended December 31 2007 £'000
Cash flow hedges:		
- net fair value (losses) / gains	(85)	2,322
Actuarial (loss)/gain	(4,990)	2,525
Deferred tax on market value of share incentives	(42)	(311)
Deferred tax on actuarial loss/(gain)	1,307	(978)
Share options – value of employee services	606	-
Net (loss) / income recognised directly in equity	(3,204)	3,558
Profit/(loss) for the financial year	12,818	(13,906)
Total gains/(losses) recognised since last financial statements	9,614	(10,348)

The notes on pages 10 to 38 are an integral part of these financial statements.


UMBRO INTERNATIONAL LIMITED

Balance Sheet

as at 31 May 2009

	Note	31 May 2009 £'000	31 December 2007 £'000
Assets			
Non-current assets			
Investments in subsidiaries	9	65,001	66,040
Investment in associates	10	26,118	26,840
Tangible fixed assets	11	4,154	3,058
Intangible assets	12	672	128
Deferred income tax asset	13	3,323	1,979
		99,268	98,045
Current assets			
Inventories	14	8,324	5,465
Trade and other receivables	15	129,397	92,347
Current income taxes receivable		3,139	9,425
Cash and cash equivalents		9,455	10
		150,315	107,247
Liabilities			
Current liabilities			
Trade and other payables	16	155,934	93,383
Financial liabilities	17	979	42,652
Current income tax liabilities		700	-
		157,613	136,035
Net current liabilities		(7,298)	(28,788)
Non-current liabilities			
Financial liabilities	17	-	7
Other non-current liabilities	18	15,568	6,914
Retirement benefit liability	23	8,674	4,222
		24,242	11,143
Net assets		67,728	58,114
Shareholders' equity			
Equity share capital	20	160	160
Other reserves	20	67,568	57,954
Total equity	21	67,728	58,114

The notes on pages 10 to 38 are an integral part of these financial statements. The financial statements on pages 6 to 38 were approved by the Directors on 16 October 2009 and were signed on its behalf by:


G J Brown
Director

UMBRO INTERNATIONAL LIMITED

Statement of Cash Flows
for the 17 months ended 31 May 2009

	Note	Period ended May 31 2009 £'000	Year ended 31 December 2007 £'000
Cash flows from operating activities			
Cash inflow/(outflow) from operations	27	4,323	(19,590)
Interest and finance costs paid		(2,789)	(2,114)
Interest received		137	4,468
Income tax received/paid		9,343	(8,676)
Net cash inflow / (outflow) from operating activities		11,014	(25,912)
Cash flows from investing activities			
Payments to acquire investments		(3,007)	(25)
Deferred consideration on associate undertaking	10	(1,021)	(18,128)
Purchase of property, plant and equipment	11	(3,221)	(1,556)
Purchase of intangible assets	12	(776)	(38)
Proceeds from sale of property, plant and equipment		-	49
Proceeds from sales of subsidiary undertakings		4,501	-
Proceeds from sale of intellectual property		43,635	-
Net cash used in investing activities		40,111	(19,698)
Cash flows from financing activities			
Capital element of finance lease rental payments		(26)	(41)
Net cash used by finance activities		(26)	(41)
Net increase / (decrease) in cash and cash equivalents		51,099	(45,651)
Cash and cash equivalents at beginning of the period		(41,644)	4,007
Cash and cash equivalents at end of the period		9,455	(41,644)

The notes on pages 10 to 38 are an integral part of these financial statements.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009

1. Statement of significant accounting policies

a. Basis of preparation

These financial statements have been prepared in accordance with EU Endorsed International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. These financial statements have been prepared on the going concern basis under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed elsewhere in the accounting policies.

1. Standards, amendment and interpretations effective in 2009

None

2. Standards early adopted by the Company

None

3. Standards, amendments and interpretations effective in 2009 but not relevant for the Company

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Company's operations:

IFRIC 14, ISA 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction.

IFRIC 12 – Service concession arrangements

IFRIC 11 – Group and treasury share transactions

4. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Company before they are required.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not adopted them before they are required:

IFRS 8 "Operating segments" (effective from 1 January 2009). IFRS 8 replaces ISA 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information".

IAS 23 (Changed) – Borrowing costs (Effective from 1 January 2009)

IAS 1 (Revised) – Presentation of financial statements (Effective from 1 January 2009)

IFRS 2 (Changed) – Share-based payments (Effective from 1 January 2009)

IAS 32 (Changed) – Financial instruments: Presentation and IAS 1 (Changed) – Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation (Effective from 1 January 2009)

IFRS 1 (Changed) – First time adoption of IFRS and IAS 27 (Changed) – Consolidated and separate financial statements (Effective from 1 January 2009)

IAS 27 (revised) – Consolidated and separate financial statements (Effective from 1 July 2009)

IFRS 3 (Revised) – Business combinations (Effective from 1 July 2009)

IFRS 5 (Changed) – Non-current assets held-for-sale and discontinued operations (Effective from 1 July 2009)

IAS 28 (Changed) – Investments in associates (Effective from 1 January 2009)

IAS 36 (Changed) – Impairment of assets (Effective from 1 January 2009)

IAS 38 (changed) – Intangible assets (Effective from 1 January 2009)

IAS 19 (Changed) – Employee benefit (Effective from 1 January 2009)

IAS 39 (Changed) – Financial instruments: Recognition and measurement (Effective from 1 January 2009)

IFRS 7 (Changed) – Financial instruments

IAS 16 (Changed) – Property, plant and equipment (Effective from 1 January 2009)

IAS 31 (Changed) – Interests in joint ventures (Effective from 1 January 2009)

It is not expected that these changes will have substantial impact upon the Company's accounts.

5. Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Company's operations:

IFRIC 16 – Hedges of a net investment in a foreign operation (Effective from 1 October 2008)

IFRIC 13 – Customer loyalty programmes (Effective from 1 July 2008)

IAS 27 (Changed) – Consolidated and separate financial statements (Effective from 1 January 2009)

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

1. Statement of significant accounting policies (continued)

IAS 28 (Changed) – Investments in associates (Effective from 1 January 2009)

IAS 29 (Changed) – Financial reporting in hyperinflationary economies (Effective from 1 January 2009)

IAS 40 (Changed) – Investments property (Effective from 1 January 2009)

IAS 41 (Changed) – Agriculture (Effective from 1 January 2009)

ISA 20 (changed) – Accounting for government grants and disclosure of government assistance (Effective from 1 January 2009)

IFRIC 15 – Agreements for construction of real estates (Effective from 1 January 2009)

It is not expected that these changes will have substantial impact upon the Company's accounts.

b. Consolidation

The results of the subsidiaries have not been consolidated into Umbro International Limited, as permitted by S228 of the Companies Act 1985. The financial statements present information about the Company as an individual undertaking and not about its group.

c. Associate Companies

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

d. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other segments. The Company has identified the principal business segments as buy/sell and licensee. Those costs which cannot be reasonably allocated to either segment are separated as "unallocated".

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

e. Intangible fixed assets

Intangible fixed assets are stated at historical cost less amortisation. Amortisation of intangible fixed assets is calculated to write off the cost of the assets in equal annual instalments over their estimated useful lives at the following rates:

Computer software	25%
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f. Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less depreciation.

Depreciation of tangible fixed assets is calculated to write off the cost of the assets less net realisable value in equal annual instalments over their estimated useful lives at the following rates:

Plant and machinery	20%
Fixtures	10%
Motor vehicles	25%
Computer and office equipment	25%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other operating income" in the income statement.

g. Investments

Investments are stated at cost less any provision for impairment.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

1. Statement of significant accounting policies (continued)

h. Inventory

Inventory is stated at the lower of cost and net realisable value. Provision is made to reduce cost to net realisable value having regard to the age, saleability and condition of inventory. Cost is determined using the first-in-first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

i. Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

j. Foreign currency

1. Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in sterling (£) which is the Company's functional and presentation currency.

2. Translation of foreign subsidiaries

Results of foreign subsidiaries are translated to Sterling using the net investment method. Income statement balances are translated at the average rate ruling for the year. The closing rate is used to translate the balance sheet.

Exchange differences arising from the translation of the net investment in overseas subsidiaries are taken directly to reserves. All other translation differences are taken to the income statement.

3. Transactions in foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies which are held at the year-end are translated into sterling at the rate of exchange ruling at the balance sheet date.

4. Hedging activities – cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss on the ineffective part is shown in the income statement. Amounts accumulated in equity are recycled into the income statement in the periods when the hedged item will affect income. When the hedge is used to purchase a non-financial asset, such as inventory, the amounts accumulated in equity are transferred to the cost of the asset.

k. Revenue recognition

1. Buy/sell operations

Turnover represents amounts charged to external customers after deduction of returns and allowances, discounts and VAT. Turnover is recognised on despatch of goods.

2. Royalties

Royalty income from licensee activities is included in turnover and represents royalties due on sales made (or in some cases on merchandise sourced from suppliers) by royalty partners.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

1. Statement of significant accounting policies (continued)

'Total wholesale equivalent sales' represents the Company's buy/sell sales (where the Company acts as principal), plus the wholesale equivalent value of its licensees' sales, from which Umbro is entitled to royalties (where the Company acts as agent).

l. Sports marketing costs

1. Basic payments

Payments under team and individual player sports marketing contracts are charged to the income statement over the active life of the contract.

2. Additional payments

Some contracts include a requirement to make additional payments where wholesale sales, over defined periods, exceed specified levels. The Company forecasts total sales over the defined period and charges the additional royalty expense to the income statement on a pro rata basis. Subsequent revisions to estimates for earlier years are charged to the income statement in the current year, rather than being spread prospectively. Other additional payments specified in team and individual players' contracts are charged to the income statement as incurred.

3. Impairment

All contracts are individually reviewed annually and impairment charges raised as needed.

m. Leased assets

Assets held under finance leases where substantially all the benefits and risks of ownership are transferred to the Company, are capitalised as tangible fixed assets in the balance sheet and are depreciated over the useful economic life of the lease. The interest element of the rental obligations is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals in respect of operating leases, under which substantially all the benefits and risks of ownership remain with the lessors, are charged to the income statement on a straight line basis over the period of the lease.

n. Pension costs

The Company operates a defined benefit scheme and defined contribution schemes.

A full actuarial valuation using the projected unit method of the defined benefit scheme is carried out every three years with interim reviews in the intervening years.

The liability recognised in the balance sheet in respect of the defined benefit pension scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately through the Statement of Recognised Income and Expense in the period in which they arise.

Past service costs are recognised immediately in income.

For defined contribution plans, the Company pays into private or group administered plans and has no further obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

o. Financial instruments

Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement except where the derivative is a designated cash flow hedging instrument. The accounting treatment of derivatives classified as hedges depends on their designation, which occurs on the date that the derivative contract is committed.

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

1. Statement of significant accounting policies (continued)

The Company designates derivatives as:

- A hedge of the fair value of an asset or liability ('fair value hedge').
- A hedge of the income/cost of a highly probable forecasted transaction or commitment ('cash flow hedge').
- A hedge of a net investment in a foreign entity.

In order to qualify for hedge accounting, the Company is required to document in advance the relationship between the item being hedged and the hedging instrument. The Company is also required to document the relationship between the hedged item and the hedging instrument and demonstrate that the hedge will be highly effective on an on-going basis. This effectiveness testing is re-performed at each period end to ensure that the hedge remains highly effective.

Gains or losses on fair value hedges that are regarded as highly effective are recorded in the income statement along with the fair value gain or loss on the hedged item attributable to the hedged risk. Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability gains or losses previously recognised in equity are reclassified to profit or loss in the same period as the asset or liability affects profit or loss. Where the forecasted transaction or commitment results in a non-financial asset or a liability, then any gains or losses previously deferred in equity are included in the carrying amount of the related asset or liability. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the income statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are not recognised in equity, rather they are recognised immediately in the income statement.

For the portion of hedges deemed ineffective or transactions that do not qualify for hedge accounting under IAS 39, any change in assets or liabilities is recognised immediately in the income statement. Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the income statement when the committed or forecasted transaction is recognised in the income statement. However, where an entity applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the income statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. Where the Company hedges net investments in foreign entities through currency borrowings, the gains or losses on the translation of the borrowings are recognised in equity. If the Company uses derivatives as the hedging instrument, the effective portion of the hedge is recognised in equity with any ineffective portion being recognised in the income statement. The Company has not separated out the interest element of the fair value of the forward currency contract. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

Fair value estimation:

The fair value of the interest rate swaps and currency swaps is based on the market price of comparable instruments at the balance sheet date if they are publicly traded. The fair value of the forward currency contracts has been determined based on market forward exchange rates at the balance sheet date.

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are assumed to approximate to their book values.

p. Cost of sales

Cost of sales comprises the cost of purchasing products for the buy/sell operations, sports marketing costs, and design and development costs.

q. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, bank overdrafts and all highly liquid investments with original maturity dates of three months or less.

r. Dividends

Dividends are recognised in the financial statements in the period when they are paid.

s. Exceptional items

Exceptional items are those which are significantly large and unusual enough to require separate disclosure so that the underlying trends within the business can be identified.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

1. Statement of significant accounting policies (continued)

t. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

u. Trade receivables

Trade receivables are recognised initially at invoice value less provision for impairment. A provision for 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 of the receivables. 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 amount of the provision is the difference between the asset's carrying amount and the realizable value. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'selling and distribution costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and distribution costs' in the income statement.

v. Trade Payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

w. Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the consolidated financial statements, are as follows:

- Intangible assets
- Inventory provisions
- Discount provisions against trade receivables
- Defined benefit pension assumptions

x. Financial risk management

The Company's multinational operations expose it to a variety of financial risks that include the effects of changes in foreign exchange rates, credit risks, liquidity and interest rates. The Company has a risk management programme that aims to reduce uncertainty in the financial performance of the Company by using foreign currency financial instruments and credit insurance.

Foreign exchange risk

The Company has operations in the USA, receives royalties from its licensees worldwide, and sources product overseas. The Company is primarily exposed to US dollar exchange risks in respect of product sourcing and royalty income, and to Euro exchange risks in respect of a significant part of its royalty income.

The Company enters into forward foreign exchange contracts to buy US dollars and to sell Euros. The cash flow hedges typically extend for 12 months, and cover 70 to 100% of the anticipated requirements.

Interest rate risk

The Company is exposed to interest rate risk in respect of its UK borrowings. The Company has a policy to keep interest rate risk under constant review, but did not take out any financial instruments in either accounting period.

Credit risk

The Company has some concentration of credit risk in respect of its UK sales to major customers, but this risk is minimised by credit insurance cover. Credit limits are set and adhered to in order to restrict debt to the lower of credit insurance limits or internally approved levels. Credit checks are carried out on all customers before sales commence and monitored continuously thereafter.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

1. Statement of significant accounting policies (continued)

Liquidity risk

The Company actively maintains a mixture of long and short term facilities that are designed to ensure the Company has sufficient available funds for operations and planned expansions.

Company details

The Company is domiciled and incorporated in the United Kingdom under registration number 198168. The registered office is Umbro House, Lakeside, Cheadle Royal Business Park, Cheadle, Cheshire, SK8 3GQ.

2. Turnover

All turnover arises from the single activity of the sale of sports and leisurewear. The analysis of the Company's turnover is as follows:

Segmental Analysis

Business Analysis

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Turnover – Buy/sell operations		
Licensed apparel	32,115	29,648
Branded apparel	15,223	14,622
<i>Total apparel</i>	47,338	44,270
Footwear	9,482	15,095
Equipment and other	12,561	4,948
	69,381	64,313
Turnover – Royalty Income		
Licensed apparel	7,161	5,444
Branded apparel	14,509	11,612
<i>Total apparel</i>	21,670	17,056
Footwear	9,273	6,610
Equipment and other	5,368	3,657
	36,311	27,323
Total Turnover		
Licensed apparel	39,276	35,092
Branded apparel	29,732	26,234
<i>Total apparel</i>	69,008	61,326
Footwear	18,755	21,705
Equipment and other	17,929	8,605
	105,692	91,636

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

2. Turnover (continued)

Segment information

Primary reporting format- business segments

The segment results for 17 months ended 31 May 2009

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Turnover	69,381	36,311	-	105,692
Operating (loss)/profit	(35,585)	11,168	38,703	14,286
Net finance income	-	-	42	42
Profit before tax	(35,585)	11,168	38,745	14,328
Tax	-	-	(1,510)	(1,510)
Profit for the year	(35,585)	11,168	37,235	12,818

The segment results for year ended 31 December 2007

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Turnover	64,313	27,323	-	91,636
Operating profit	(38,345)	17,070	-	(21,275)
Net finance income	-	-	2,354	2,354
Profit before tax	(38,345)	17,070	2,354	(18,921)
Tax	-	-	5,015	5,015
Profit for the year	(38,345)	17,070	7,369	(13,906)

Segment information

Primary reporting format- business segments

Other non-cash segment items included in the income statement for 17 months ended 31 May 2009

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Depreciation	1,054	-	-	1,054
Amortisation of intangible assets	232	-	-	232
Impairment of trade receivables	89	2,115	-	2,204

Other non-cash segment items included in the income statement for year ended 31 December 2007

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Depreciation	739	-	-	739
Amortisation of intangible assets	655	-	-	655
Impairment of trade receivables	49	79	-	128

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

2. Turnover (continued)

**Segment assets and liabilities and capital expenditure for
17 month period ended 31 May 2009**

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Assets	134,161	8,387	107,035	249,583
Liabilities	157,807	2,166	21,882	181,855
Capital expenditure	3,997	-	-	3,997

**Segment assets and liabilities and capital expenditure for
year ended 31 December 2007**

	Buy/sell £'000	Licensee £'000	Unallocated £'000	Total £'000
Assets	91,560	9,437	104,294	205,291
Liabilities	95,089	1,836	50,252	147,177
Capital expenditure	1,556	-	-	1,556

The business at the date of these accounts comprises two segments: buy/sell and licensee. Items that cannot be reasonably allocated to these segments are classified as "unallocated".

The buy/sell business is that in which the Company sells product to customers as principal. The licensee business is that in which the Company licenses third parties to sell product containing the Company's trademarks in return for a royalty.

Unallocated represents exceptional items, holding Company costs, interest, share of associate's net profit, and tax in the income statement, and exceptional items, investment in associate, loans and pension deficit in the balance sheet.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

2. Turnover (continued)

Segmental Analysis

Geographical Analysis

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Turnover – Buy/sell operations		
United Kingdom	68,076	62,037
Rest of Europe	943	2,020
Asia Pacific	210	153
North and South America	152	103
	69,381	64,313
 Turnover – Royalty Income		
United Kingdom	3,119	3,294
Rest of Europe	18,219	13,032
Asia Pacific	10,199	7,043
North and South America	4,774	3,954
	36,311	27,323
 Total Turnover		
United Kingdom	71,192	65,331
Rest of Europe	19,165	15,052
Asia Pacific	10,409	7,196
North and South America	4,926	4,057
	105,692	91,636

Turnover and licensee royalty income is allocated based on where the customer is located.

Total assets and all capital expenditure are situated within the United Kingdom.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

3. Profit before tax

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Profit /(loss) before tax is stated after charging / (crediting):		
Cost of inventories	32,236	41,361
Sports marketing costs (included in cost of sales)	45,786	27,632
Design & development costs (included in cost of sales)	6,340	4,481
Staff costs	22,336	12,234
Depreciation of owned property plant and equipment	1,053	659
Depreciation of leased property plant and equipment	1	80
Amortisation of intangible assets (included in administration expenses)	232	655
Loss on sale of fixed assets	1,071	60
Audit services – fees payable to Company auditor for audit of parent company and consolidated accounts	-	104
Audit fees in respect of statutory audit	81	-
Non-audit services – fees payable to the Company's auditor for other services:		
Audit of the Parent company	10	10
Tax services	155	74
Operating lease rentals:		
Land and buildings	1,730	1,187
Plant and machinery	157	33
Impairment of trade receivables	2,204	128

In addition to the above services, the Company's auditors acted as auditor to the Umbro pension plan. The appointment of the auditors to the pension plan and the fees in respect of that audit are agreed by the trustees of the plan who act independently to the management of the Company. The fees paid to the auditor in respect of the pension plan were £7,000 (2007: £7,000).

4. Other operating income

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Rental	75	59
Commissions	4,198	4,100
Dividend from associated undertaking	245	-
Gains in respect of foreign exchange contracts	522	-
Loss on disposal of fixed assets	(1,071)	(60)
	3,969	4,099
Exceptional income – profit on disposal of trademarks	43,635	-
Exceptional income – profit on disposal of USISL Inc	962	-
	48,566	4,099

Rental income is in respect of money received for the leasing of unused warehouse space.

Commissions income relates to amounts earned for arranging stock purchases with suppliers, on behalf of customers.

The exceptional item trademark disposal relates to the sale of the non-UK Umbro trademarks to Nike Global Services PTE, a Singapore company and part of the Nike Inc group of companies. The tax effect of the disposal is a charge of £9,072,000.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

5. Finance costs

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Interest payable to ultimate parent undertaking	4,799	-
Interest payable to intermediate parent undertaking	294	212
Interest on bank loans and overdrafts	1,179	1,835
Interest on finance lease assets	-	3
Other interest payable	723	64
	6,995	2,114

6. Finance income

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Interest receivable from subsidiary companies	6,900	4,400
Other	137	68
	7,037	4,468

7. Taxation

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Analysis of charge for the year all relating to continuing operations		
Current tax		
UK Corporation tax		
Current tax on income at 28.34% (2007: 30%)	1,364	6,198
Adjustments in respect of prior years	(533)	(29)
	831	(6,227)
Foreign tax		
Corporation taxes	759	1,016
Total current tax charge/(credit)	1,590	(5,211)
Deferred tax		
Origination and reversal of timing differences	(80)	(147)
Timing differences on share incentive schemes	-	343
Tax charge / (credit) on profit on ordinary activities	1,510	(5,015)

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

7. Taxation (continued)

The tax rate applicable on profit from ordinary activities varied from the standard rate of corporation tax in the UK. The differences are explained below:

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Profit/(Loss) on ordinary activities before tax	14,328	(18,921)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.4% (2007: 30%)	4,012	(5,676)
Effects of:		
Adjustments to tax in respect of prior periods	(533)	(29)
Other timing differences	279	(255)
Capital allowances	(80)	(147)
Tax base of trademark disposal	(3,146)	-
Change in tax rate	(49)	-
Items not assessable for tax purposes:		
Other potentially disallowable costs	268	76
Withholding tax suffered	759	1,016
Tax charge/(credit) on profit on ordinary activities	1,510	(5,015)

The standard rate of corporation tax in the UK changed 30% to 28% with effect from 1 April 2008. Accordingly, the company's profit chargeable to corporation tax for this accounting period is taxed at the effective rate of 28.4% and will be taxed at 28% in the future.

Analysis of tax movements taken to reserves:

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Deferred tax on hedge reserve	1	(273)
Deferred tax on difference in market value and P&L charge of share incentives	42	312
Deferred tax on actuarial losses taken to reserves	(1,307)	978
	(1,264)	1,017

8. Exceptional expenses

	Period ended 31 May 2009 £'000	Year ended 31 December 2007 £'000
Exceptional items included under administration costs are:		
Legal costs associated with termination of licensee contract	2,740	484
Restructuring	4,293	-
Loss on disposal of associated undertaking (PNH Asia Limited)	507	-
Write off of inter-company balance with PNH Asia Limited on disposal	860	-
	8,400	484

The tax effect of the exceptional items is a credit for the period of £2,352,000 in the Company accounts.

A 75% interest in PNH Asia Limited, a company incorporated in Hong Kong, was both acquired and disposed of during the period. It was bought for consideration of £6,007,000 in January 2008 and disposed of for consideration of £5,500,000 in September 2008.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

9. Investments in subsidiaries

	2009 £'000	2007 £'000
Cost		
At 1 January	66,040	66,015
Acquisition of interest in USISL Inc	-	25
Disposal of Umbro Corp (USA) and USISL Inc (USA)	(1,039)	-
Acquisition of PNH Asia Limited	6,157	-
Disposal of PNH Asia Limited	(6,157)	-
At 31 May/December	65,001	66,040

	<u>Proportion of ordinary share capital held</u>	<u>Country of incorporation and operation</u>	<u>Nature of business</u>
Umbro Hong Kong Limited	100%	Hong Kong	Management company
Umbro Licensing Limited	100%	UK	Dormant company
Umbro Sportswear Ltd	100%	UK	Dormant company
Umbro.com Limited	100%	UK	Dormant company
Umbro Asia Sourcing Ltd	100%	Hong Kong	Sourcing company

In the opinion of the Directors the aggregate value of the Company's investments in subsidiary undertakings (including amounts owed by subsidiary undertakings) is not less than the amount at which they are stated in the accounts.

10. Investments in associates

	2009 £'000	2007 £'000
Cost		
At 1 January	26,840	6,798
Acquisition of 49% shareholding in Noël Soccer	-	9,671
Acquisition of 15% shareholding in Team and Sports Limited	-	9,355
Re-assessment of Team and Sports Limited deferred consideration	(722)	940
Acquisition of 49% shareholding in Club Website Limited	-	69
Acquisition of 25% shareholding in BBV Sport d.o.o.	-	7
At 31 May/December	26,118	26,840

In 2005 Umbro International Limited acquired a 25% interest in the A and B ordinary shares of Team and Sports Limited, a company incorporated in Hong Kong with interests in Hong Kong, China and Taiwan. The initial purchase consideration is payable as follows: £2.8m on acquisition (30 September 2005), £1.3m on 31 July 2006, and the balance of approximately £2.7m over the period January 2006 to January 2011. The latter payments are based on 1.5% of the sales of Team and Sport Limited, and are the best estimates based on the likely future sales. A total payment of £1,021,000 was made during the period.

In March 2007 Umbro International Limited acquired a further 15% interest (increasing the stake to 40%) in the A and B ordinary shares of Team and Sports Limited. The interest will be treated as an associate on the basis that the Umbro Group only has significant influence and not control of the financial and operating policies of the company. The purchase consideration of £10,295,000 was payable upon completion.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

10. Investments in associates

A re-assessment of the deferred consideration relating to the initial 25% stake purchased in 2005 led to a deduction of £722,000 from the cost of investment.

The following represents the gross financial information of Team and Sports Limited at 31 May 2009, unadjusted for intra-group transactions and group accounting policies:

	2009	2007
	US\$'000	US\$'000
Assets	36,819	64,283
Liabilities	(23,727)	(30,157)
Net profit for the year	3,955	8,045

In May 2007 Umbro International Limited acquired a 49% interest the ordinary share capital of Noël Soccer, a company incorporated in France. The interest will be treated as an associate on the basis that the Umbro Group only has significant influence and not control of the financial and operating policies of the company.

The purchase consideration was payable as follows; £8,306,000 upon completion with the balance of £1,365,000 payable upon achievement of future growth targets over the next 5 years. A payment of £498,000 in respect of these growth targets was paid in September 2008.

The following represents the gross financial information of Noël Soccer at 31 May 2009, unadjusted for intra-group transactions and group accounting policies:

	2009	2007
	€'000	€'000
Assets	28,220	17,079
Liabilities	(19,913)	(11,110)
Net profit for the year	948	1,260

In June 2007 Umbro International Ltd acquired a 49% stake in Club Website Limited, a company incorporated in the UK for which the purchase consideration (payable on completion) was £69,000.

In June 2007 Umbro International Ltd acquired a 25% stake in BBV Sport d.o.o, a company incorporated in Croatia for which the purchase consideration (payable on completion) was £7,000.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

11. Tangible fixed assets

	2009 £'000	2007 £'000
Plant and Equipment		
Cost		
At 1 January	8,211	7,008
Additions	3,221	1,556
Disposals	(2,374)	(353)
At 31 May/December	9,058	8,211
Depreciation		
At 1 January	5,153	4,658
Charge for the period	1,054	739
Disposals	(1,303)	(244)
At 31 May/December	4,904	5,153
Net Book Value		
At 31 May/December	4,154	3,058

The cost of fixed assets above includes assets held under finance leases amounting to £364,000 (2007: £364,000) and their net book value as at 31 May 2009 amounted to £68,000 (2007: £69,000).

Depreciation is charged to the Income Statement to various cost categories based on the department holding the asset.

12. Intangible assets

	2009 £'000	2007 £'000
Computer Software		
Cost		
At 1 January	2,353	2,315
Additions	776	38
At 31 May/December	3,129	2,353
Amortisation		
At 1 January	2,225	1,570
Charge for year	232	655
At 31 May/December	2,457	2,225
Net book value		
At 31 May/December	672	128
at 31 December	128	745

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS – 31 MAY 2009 (CONTINUED)

13. Deferred income tax asset

	Depreciation in advance of capital allowances £'000	Pension deficit £'000	Other £'000	Share incentive schemes £'000	Total £'000
At 1 January 2007	121	2,160	44	867	3,192
Credit to reserves	-	(978)	273	(312)	(1,017)
Income statement (charge)/credit	147	-	-	(343)	(196)
At 31 December 2007	268	1,182	317	212	1,979
At 1 January 2008	268	1,182	317	212	1,979
Credit to reserves	-	1,307	(1)	(42)	1,264
Income statement credit	80	-	-	-	80
At 31 May 2009	348	2,489	316	170	3,323

14. Inventories

	2009 £'000	2007 £'000
Finished goods	8,324	5,465

The net replacement value of inventories is not materially different from that stated in the balance sheet.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

15. Current assets – Trade and other receivables

	2009	2007
	£'000	£'000
Trade debtors	16,959	3,808
Less: provision for impairment	(2,393)	(189)
Trade debtors - net	14,566	3,619
Amount due from ultimate parent undertaking	21,341	-
Amount due from intermediate parent undertakings	80,384	73,038
Amount due from subsidiary undertakings	1,514	4,435
Other debtors	540	9
Prepayments and accrued income	11,052	11,246
	129,397	92,347

Concentration of credit risk in relation to trade receivables is limited due to the Company's customer base being large and unrelated. As a result management consider no further credit risk provision is required in excess of normal provisions for doubtful debts.

As of 31 May 2009 trade receivables of £2,393,000 (2007: £189,000) were impaired. The individually impaired receivables mainly relate to customers suffering in unexpectedly difficult economic conditions. The ageing of these receivables is as follows;

	2009	2007
	£'000	£'000
0 to 3 months	1,051	72
3 to 6 months	307	72
over 6 months	1,035	117
	2,393	189

As of 31 May 2009 trade receivables of £3,951,000 (2007: £2,869,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is;

	2009	2007
	£'000	£'000
up to 3 months	2,995	443
3 months and over	956	2,426
	3,951	2,869

The carrying amounts of the group's trade and other receivables are denominated in the following currencies;

	2009	2007
	£'000	£'000
Pounds	126,864	90,598
Euro	1,736	738
US Dollar	797	1,011
	129,397	92,347

Movements on the group provision for impairment of trade receivables are as follows;

	2009	2007
	£'000	£'000
At 1 January	189	183
Cash received	-	(122)
Charged to the income statement in selling and distribution expenses	2,204	128
At 31 May/December	2,393	189

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

16. Current liabilities – Trade and other payables

	2009 £'000	2007 £'000
Trade creditors	8,592	10,063
Amounts owed to affiliated group undertakings	64,809	-
Amounts owed to subsidiary undertakings	65,000	65,078
Deferred income	323	164
Other tax and social security	389	257
Other creditors	713	1,338
Accruals	16,108	16,482
	155,934	93,383

Included in the amounts owed to subsidiaries is £65,000,000 in respect of the investment in the subsidiary Umbro Licensing Limited. The amounts are interest free, unsecured and repayable on demand.

The ultimate parent undertaking, Nike Inc, issued a sterling loan facility of unlimited aggregate principal amount with an expiry date of 30 October 2010 to the Company on 27 May 2009.

The amounts owed to affiliated group undertakings attract interest at 6.4% and fall within the remit of the loan facility provided by Nike Inc.

17. Financial liabilities

	2009 £'000	2007 £'000
Current liabilities:		
Bank borrowings (secured, all £ sterling):		
Overdraft facility	-	41,654
Forward foreign exchange contracts	978	978
Obligations under finance leases	1	20
	979	42,652
Non-current liabilities:		
Obligations under finance leases	-	7

At 31 May 2009, the Company had issued fixed and floating charges over its assets and those of its subsidiaries in respect of the Group United Kingdom bank borrowings of £nil at that date (2007: £41.7m). All charges in respect of this facility were cancelled on 10 June 2009, when the £10m overdraft and guarantee facility, guaranteed by Nike Inc, was cancelled.

18. Other non-current liabilities

	2009 £'000	2007 £'000
Other creditors and accruals	12,155	3,702
Loan from immediate parent undertaking	3,413	3,212
	15,568	6,914

The parent undertaking has indicated that it is not its intention to require repayment within twelve months of the balance sheet date. The amounts attract interest in line with the Nike group at 6.4%, are unsecured and repayable on demand.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

19. Financial instruments

The Company enters into forward foreign currency contracts. The purpose of such transactions is to manage cash flow currency risks associated with:

- i. Stock purchases denominated in foreign currency;
- ii. Royalty receipts denominated in foreign currency; and
- iii. Capital investments

It is, and has been through the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

Fair values of financial assets and financial liabilities

With the exception of forward currency contracts, the book value of the Company's financial assets and liabilities approximates their fair value.

The fair value of the derivative financial instruments is no different from the values in note 17.

The net fair value losses at 31 May 2009 on open foreign exchange contracts that hedge the cash flow currency risks of anticipated future purchases are £1.0m. These are included in the hedge reserves and will be transferred to the income statement over the next 12 months. There were no derivatives outstanding at the balance sheet date that were designated as fair value hedges.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Company's financial liabilities during the period, other than short-term trade creditors and accruals, was as follows:

	Finance Leases £'000
17 months ended 31 May 2009	
Within one year, or on demand	1
Year ended 31 December 2007	
Within one year, or on demand	20
In more than one year but not more than two years	7
	27

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

19. Financial instruments (continued)

Borrowing facilities

The Company has the following undrawn committed borrowing facilities available during the period covered by the Financial Statements in respect of which all conditions precedent had been met at the balance sheet date:

	2009 £'000	2007 £'000
Expiring within 1 year	10,000	75,000

At 31 May 2009, the Company had an uncommitted £10m overdraft and guarantee facility. There are no fixed interest rate facilities in the above. The facility was cancelled on 10 June 2009.

The effective interest rates at the balance sheet date were:

	2009	2007
Bank overdraft	1.5%	6.5%
Revolving credit facility	-	6.65%
Finance leases	8.0%	8.0%
Nike Vapour Limited	6.4%	-

20. Share capital and reserves

	2009		2007	
	Number '000	£'000	Number '000	£'000
Issued:				
Ordinary shares of £1 each	200	200	200	200
Allotted, called up and fully paid:				
Ordinary shares of £1 each	160	160	160	160

Analysis of reserves

	Hedge reserve £'000	Capital reserve £'000	Retained profits £'000	Total £'000
At 1 January 2008	(636)	35,000	23,590	57,954
Cash flow hedges	(85)	-	-	(85)
Profit for financial period	-	-	12,818	12,818
Actuarial gain on pension fund	-	-	(4,990)	(4,990)
Deferred tax on pension deficit movement	-	-	1,307	1,307
Share options – value of employee services	-	-	606	606
Deferred tax on excess of market value over cost of share incentives	-	-	(42)	(42)
At 31 May 2009	(721)	35,000	33,289	67,568

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

21. Statement of changes in equity

	Share capital £'000	Capital reserve £'000	Hedge reserve £'000	Retained profits £'000	Total equity £'000
At 1 January 2007	160	35,000	(2,958)	36,260	68,462
Net fair value losses	-	-	2,322	-	2,322
Profit for financial period	-	-	-	(13,906)	(13,906)
Actuarial gains on pension fund	-	-	-	2,525	2,525
Deferred tax on pension deficit movement	-	-	-	(978)	(978)
Deferred tax on excess of market value over cost of share incentives	-	-	-	(311)	(311)
At 31 December 2007	160	35,000	(636)	23,590	58,114
At 1 January 2008	160	35,000	(636)	23,590	58,114
Net fair value losses	-	-	(85)	-	(85)
Profit for financial period	-	-	-	12,818	12,818
Actuarial losses on pension fund	-	-	-	(4,990)	(4,990)
Deferred tax on pension deficit movement	-	-	-	1,307	1,307
Share options – value of employee services	-	-	-	606	606
Deferred tax on excess of market value over cost of share incentives	-	-	-	(42)	(42)
At 31 May 2009	160	35,000	(721)	33,289	67,728

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

22. Employee costs and Directors' remuneration

	2009 £'000	2007 £'000
Staff costs (including Directors' remuneration) for the Company during the year were as follows:		
Wages and salaries	18,991	10,645
Social security costs	1,713	1,105
Other pension costs	900	560
Equity settled share based payments		
- Long Term Incentive Plan	606	(138)
- Save As You Earn Schemes	126	62
	22,336	12,234

Average monthly number of people (including executive Directors) employed	number	number
United Kingdom	231	202

	2009 £'000	2007 £'000
Key management compensation		
Salaries and short term employee benefits	3,590	1,017
Post employment benefits	189	83
	3,779	1,100

	2009 £'000	2007 £'000
Directors' remuneration		
Salaries and short term employee benefits	1,740	727
Termination payment to former director	374	-
Post employment benefits	258	76
	2,372	803

In the period, retirement benefits accrued to 2 directors (2007: 2) under defined contribution pension schemes.

	2009 £'000	2007 £'000
The amounts in respect of the highest paid Director are:		
Emoluments	424	328
Termination payment to former director	374	-
Company contributions to defined contribution pension schemes	19	37

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

23. Pension commitments

The Company operated defined benefit and defined contribution schemes and also contributed to Directors personal pension plans. The defined benefit scheme ('the Plan') provides benefits based on final pensionable pay. The assets of the Plan are held in a separate trustee administered fund. The Plan was closed to new entrants with effect from 6 April 2001. Under the projected unit method, the current service cost of this scheme will increase as the members approach retirement.

Contributions to the Plan are charged to the income statement so as to spread the cost of pensions over active employees' working lives with the Company. The rates of contribution are determined by a qualified actuary on the basis of triennial valuations.

The principal funds are those in the UK. Outside the UK there is one defined contribution scheme.

The most recent actuarial valuation of the Plan was carried out as at 6 April 2008 on the statutory Minimum Funding Requirement ('MFR') basis. The valuation has been updated to 31 May 2009 on an approximate basis. This was carried out by JLT, independent professionally qualified actuaries.

The contributions made by the employer over the financial period have been £234,603 (2007: £680,000), equivalent to 8.5% of pensionable pay plus £714,000. The employer contribution rate includes insurance premiums for death in service benefits, the expenses of running the Plan, and estimated levies payable to the Pensions Protection Fund. Member contributions are payable in addition at the rate of 8.0% of pensionable pay.

It is the policy of the Company to recognise all actuarial gains and losses in the year in which they occur outside the income statement in the statement of recognised income and expense.

The market value of the assets held in respect of all scheme members at the valuation date of 6 April 2008 was £15.9 million and the market value of the assets was sufficient to cover 69% of the liabilities on the statutory s179 basis.

The pension charge for the period for all defined contribution schemes was £491,000 (2007: £358,000). The creditor at the end of the year was £nil (2006: £nil).

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

	2009 £'000	2007 £'000
Defined benefit obligation at start of period	20,028	21,945
Current service cost	476	272
Interest cost	1,636	1,121
Contributions by plan participants	216	164
Actuarial gain	(923)	(3,091)
Benefits paid, death in service premiums and expenses	(1,008)	(383)
Defined benefit obligation at end of period	20,425	20,028

Reconciliation of opening and closing balances of the fair value of the plan assets

	2009 £'000	2007 £'000
Fair value of assets at start of year	15,806	14,743
Expected return on assets	1,703	1,168
Actuarial losses	(5,913)	(566)
Contributions by employer	947	680
Contributions by Plan participants	216	164
Benefits paid, death in service premiums and expenses	(1,008)	(383)
Fair value of assets at end of year	11,751	15,806

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

23. Pension commitments (continued)

Total expense recognised in income statement

	2009 £'000	2007 £'000
Current service cost	476	272
Interest on pension plan liabilities	1,636	1,121
Expected return on plan assets	(1,703)	(1,168)
Total included in employee benefit expense	409	225

Gains / (losses) recognised in the statement of recognised income and expense

	2009	2007
Difference between expected and actual return on plan assets:		
Amount (£'000)	(5,913)	(566)
Percentage of scheme assets (%)	50.3	3.6
Experience gains and losses arising on the plan liabilities:		
Amount (£'000)	(1,073)	230
Percentage of present value of plan liabilities (%)	5.2	1.1
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities:		
Amount (£'000)	1,996	2,861
Percentage of present value of plan liabilities (%)	9.8	14.3
Total amount recognised in the statement of recognised income and expense:		
Amount (£'000)	(4,990)	2,525
Percentage of present value of plan liabilities (%)	24.4	12.6

The cumulative amount of actuarial losses recognised in the statement of recognised income and expense since adoption of IAS19 is £3,318,000.

Allocation of plan assets

	2009	2007
Equities	81%	79%
Bonds	3%	1%
Property	16%	20%
Cash	-	-

None of the fair value of the assets shown above include any of the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

Expected long term rate of return

The expected long term return on cash is equal to base rates at the balance sheet date. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the balance sheet date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions at the balance sheet date.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

23. Pension commitments (continued)

	2009	2007
Equities	8.5%	7.8%
Bonds	4.4%	4.5%
Property	8%	7.8%
Cash	1.5%	5.5%
Overall for plan	8.3%	7.8%

Actual return on plan assets

The actual return on the plan assets over the period ended 31 May 2009 was -27.0% (2007: 4.0%).

Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	2009	2007
Inflation	3.50%	3.25%
Salary increases	4.00%	3.75%
Rate of discount	6.80%	5.80%
Pension in payment increases of RPI or 2.5% if less	2.40%	2.35%
Pension in payment increases of RPI or 5.0% if less	3.50%	3.25%
Pension in payment increases of RPI or 5.0% if less, minimum 3%	3.70%	3.50%
Revaluation rate for deferred pensioners	3.50%	3.25%
Allowance for cash commutation at retirement	None	None

The mortality assumptions imply the following life expectancies in years at age 65:

	2009	2007
Male currently age 40	24.6	20.5
Female currently age 40	27.0	23.4
Male currently age 65	22.2	20.5
Female currently age 65	24.6	23.4

Present value of defined benefit obligations, fair value of assets and liabilities

	2009 £'000	2007 £'000
Present value of funded obligations	(20,425)	(20,028)
Fair value of plan assets	11,751	15,806
Deficit in the scheme	(8,674)	(4,222)

As all actuarial gains and losses are recognised, the deficits shown above are those recognised in the balance sheet.

Summary movement in balance sheet deficit during the year

	2009 £'000	2007 £'000
Deficit in scheme at beginning of year	(4,222)	(7,202)
Total employee benefit expense	(409)	(225)
Actuarial gains / (losses) taken to reserves	(4,990)	2,525
Contributions	947	680
Deficit in scheme at end of year	(8,674)	(4,222)

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2009 (CONTINUED)

23. Pension commitments (continued)

Estimate of contributions to be paid to the plan for the year ending 31 May 2010

The estimated total contributions to be paid to the plan for the year ending 31 May 2010 £670,000.

Summary of key statistics for the current and previous four periods

	2009 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Fair value of assets	11,751	15,806	14,743	11,987	10,086
Defined benefit obligation	(20,425)	(20,028)	(21,945)	(19,995)	(15,450)
Deficit in plan	(8,674)	(4,222)	(7,202)	(8,008)	(5,364)
Experience adjustments on plan liabilities	(1,073)	230	178	(116)	825
Experience adjustments on plan assets	(5,158)	(566)	1,248	1,030	293
Effect of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	1,996	2,861	(955)	(3,356)	-

The parent company did not operate any defined benefit or contribution plans during the year.

24. Operating leases

The Company has lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The total of future minimum lease payments under non-cancellable operating leases are as follows:

	31 May 2009 £'000	31 December 2007 £'000
Falling due in the period		
Within one year	1,889	1,036
Within two to five years	6,540	4,205
After five years	4,423	1,138
	12,852	6,379

NOTES TO THE ACCOUNTS - 31 DECEMBER 2007 (CONTINUED)

25. Related party transactions

Umbro International Limited received royalty payments of £5,509,000 (2007: £4,925,000) from its associated undertaking Team and Sports Limited, and the balance outstanding on trade receivables at 31 May 2009 was £1,303,000 (2007: £19,000). The acquisition of the 25% stake is disclosed in notes 9.

Umbro International Limited received royalty payments of £4,153,000 (2007: £2,691,000) from its associated undertaking Noël Soccer SAS, and the balance outstanding on trade receivables at 31 May 2009 was £305,000 (2007: £15,000). The acquisition of the 49% stake is disclosed in notes 9.

Umbro International Limited incurred expenses of £2,438,000 (2007: £2,105,000) on behalf of Umbro Corp, an affiliated undertaking, during the period. Umbro International Limited received contribution in respect of these expenses totalling £2,438,000 (2007: £346,000). The amount owed to Umbro International Limited at 31 May 2009 was £999,000 (2007: £4,147,000).

Umbro International Limited incurred intercompany charges of £2,463,000 (2007: £1,290,000) payable to its subsidiary company Umbro Hong Kong Ltd during the period. Umbro International Ltd made payment in respect of these expenses totalling £2,303,000 (2007: £1,404,000). The amount owed by Umbro Hong Kong Ltd at 31 May 2009 was £19,000 (2007: £235,000).

Umbro International Limited incurred intercompany charges of £2,251,000 (2007: £611,000) payable to its subsidiary company Umbro Asia Sourcing Limited during the period. Umbro International Ltd made payment in respect of these expenses totalling £2,251,000 (2007: £586,000). The amount owed by Umbro Asia Sourcing Limited at 31 May 2009 was £496,000 (2007: £24,000 owed to Umbro Asia Sourcing Limited).

Umbro International Limited incurred intercompany charges of £201,000 (2007: £148,000) payable to its immediate parent company Umbro International Holdings Limited during the period. The amount owed to Umbro International Holdings Limited at 31 May 2009 is £3,413,000 (2007: £3,212,000).

Umbro International Limited accrued intercompany income from Umbro Finance Limited of £4,278,000 (2007: £4,144,000) during the period. The balance owed to Umbro International Limited at 31 May 2009 was £68,298,000 (2007: £64,020,000).

Umbro International Limited accrued intercompany income of £3,067,000 (2007: £9,138,000) from its intermediate parent company Umbro Limited during the period. The balance owed to Umbro International Limited at 31 May 2009 was £12,085,000 (2007: £9,018,000).

At 31 May 2009 Umbro International Limited owed £65,000,000 to its subsidiary company Umbro Licensing Limited (2007: £65,000,000).

Umbro International Limited incurred intercompany charges of £3,912,000 (2007:nil) payable to Nike Vapour Limited, an affiliated company. Umbro International Limited received advances from Nike Vapour Limited of £60,000,000 (2007:nil). The balance owed to Nike Vapour Limited as at 31 May 2009 was £63,912,000 (2007: nil).

Umbro International Limited incurred intercompany charges of £3,737,000 (2007:nil) payable to Nike Inc, its ultimate parent company. Umbro International Limited made payments to Nike Inc of £2,840,000 (2007:nil). The balance owed to Nike Inc as at 31 May 2009 was £897,000 (2007: nil).

Umbro International Limited incurred intercompany charges of £1,272,000 (2007:nil) payable to Neon BV, an affiliated company. Umbro International Limited made payments to Neon BV of £52,313,000 (2007:nil). The balance owed to Umbro International Limited as at 31 May 2009 was £21,341,000 (2007: nil).

The Company sold on 27 May 2009 its non-UK trademarks to an affiliated company, Nike Global Services PTE, a Singapore based company. The proceeds of sale were £43,635,000, which have been used to repay loans from Nike group companies. The Company simultaneously entered into a 3 year license agreement with Nike Global Services PTE, which will result in the Company continuing to receive 88% of its former licensee royalty income.

The Company sold its USA subsidiaries, Umbro Corp and USISL Inc, to Nike affiliated companies for a nominal amount and for £2,026,000 respectively in May 2008.

UMBRO INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2007 (CONTINUED)

26. Ultimate holding company

The immediate holding company is Umbro International Holdings Limited whose registered office is at Umbro House, Lakeside, Cheadle, Cheshire, SK8 3GQ.

The ultimate parent company of the smallest and largest group to consolidate these financial statements is Nike Inc whose accounts may be obtained from 1 Bowerman Drive, Beaverton, Portland, Oregon, USA.

27. Cash generated from operations

Reconciliation of net profit to net cash flow from operations

	2009	2007
	£'000	£'000
Net profit	12,818	(13,906)
Adjustments for:		
Tax	1,510	(5,015)
Depreciation	1,054	739
Amortisation of intangible assets	232	655
Interest income	(7,037)	(4,468)
Interest expense	6,995	2,114
Transfer from hedge reserve	(85)	290
SAYE and LTIP charges	606	-
Loss on disposal of fixed assets	1,071	60
Profit on disposal of investments	(455)	-
Profit on disposal of intellectual property	(43,635)	-
Changes in working capital		
Increase in stock	(2,859)	5,850
(Increase) / decrease in debtors	(30,150)	(2,895)
Increase/(decrease) in creditors	64,258	(3,014)
Net cash inflow from operations	4,323	(19,590)

28. Post balance sheet events

There are no post balance sheet events to report.

29. Contingent liabilities

A former licensee of the Company, Teamsport BV, has issued arbitration proceedings for €80 million for wrongful termination of its license agreement. The Company believes that it had strong grounds for the termination. The outcome of the litigation is uncertain, any compensation that may be payable if the action were lost cannot yet be quantified and consequently no provision is held.