NIKE MERCURIAL I LIMITED

Annual Report and Financial Statements
For the year ended 31 May 2017

Company Registered Number: 198168

DIRECTORS REPORT FOR THE YEAR ENDED 31 MAY 2017

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 May 2017.

Small company provisions

This report has been prepared in accordance with the special provisions of Part 15 of the small companies' regime of the Companies Act 2006, relating to small companies.

Principal activities

The Company has had no business activity during the financial year ended 31 May 2017. The Company's principle activity is the funding of the Umbro Pension Plan.

Review of the business and future developments

The Directors report an operating loss of £435,000 (2016: loss of £522,000).

The loss before income tax for the year was £547,000 (2016: loss of £696,000).

The Company's parent, Nike, Inc., have indicated their intention to continue to fund the Company to enable it to settle its liabilities.

Trading operations of the Company ceased during 2013 following the sale of the trademark and licenses to Iconix.

In July 2013 the Company changed its name from Umbro International Limited to Nike Mercurial I Limited.

Trading results and dividend

The loss for the financial year was £547,000 (2016: loss of £696,000).

There was no dividend recommended or paid during the year to the immediate parent company (2016: £nil).

Charitable contributions

During the year the Company made no charitable contributions of sportswear and apparel, nor did it make donations (2016: £nil). No contributions were made to political organisations (2016: £nil), and no non-cash donations of product were made (2016: £nil).

Future developments

After cessation of trading in May 2013, the Company has and will continue to perform activities in connection with on-going funding of the pension plan. Nike, Inc. has provided a guarantee to the Trustees of the pension plan in respect of the Company's obligations to the pension plan.

Environmental policy

The CO2 output of the Company was nil tonnes in the year as no operations were conducted (2016: nil tonnes).

Directors

The Directors who served on the Board during the year and up to the date of signing the financial statements were as follows:

G Hanson
E Reynolds

The Company Secretary during the year and up to the date of signing the financial statements was E Reynolds.

Treasury

The Company's financial instruments comprise borrowings, some cash and liquid resources, and various items that have arisen from its past operations.

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.

Interest rate risk

The Company finances its operations through Nike group loans. 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 limited exposure to foreign currency risk and does not hedge these risks.

Employees

During the fiscal year ended 31 May 2017, there were no employees working for the Company (2016: nil).

Going concern

Trading operations of the Company ceased during 2013 following the sale of the trademark and licenses to Iconix. The Company continues to perform activities in connection with on-going funding of the defined benefit pension plan. Nike, Inc. has provided a guarantee to the Trustees of the pension plan in respect of the Company's obligations to the pension plan.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future to meet these ongoing obligations. For this reason, they continue to adopt the going concern basis in preparing the financial statements, as the Company has received a letter of financial support from Nike, Inc.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- *make judgements and accounting estimates that are reasonable and prudent; and*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Third party indemnity provision
Nike, Inc. has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as a director of any associated company). There provisions were in place throughout the financial year and at the date of this report.

ON BEHALF OF THE BOARD

E Reynolds
Director

10 November 2017

Nike Office, Camberwell Way
Doxford International Business Park
Sunderland
England
SR3 3XN

Company Registered Number: 198168

NIKE MERCURIAL I LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIKE MERCURIAL I LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, NIKE MERCURIAL I LIMITED's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 May 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 May 2017;
- the Income Statement and Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether this report includes the disclosures required by applicable legal requirements.

Edward Moss

Edward Moss (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
10 November 2017

NIKE MERCURIAL I LIMITED

Income Statement

For the year ended 31 May 2017

	Note	**2017 £'000**	2016 £'000
Other operating expenses		**(435)**	(522)
Operating loss		**(435)**	(522)
Finance costs	3	**(1,154)**	(1,185)
Finance income	4	**1,042**	1,011
Loss before income tax	2	**(547)**	(696)
Income tax	5	**-**	-
Loss for the financial year		**(547)**	(696)

The results shown relate to discontinued operations.

The accompanying notes on pages 10 to 23 are an integral part of these financial statements

Statement of Comprehensive Income
For the year ended 31 May 2017

	Note	**2017 £'000**	2016 £'000
Loss for the financial year		**(547)**	(696)
Other comprehensive expense:			
Items not subsequently reclassified to the income statement			
Actuarial loss	14	**(4,181)**	(93)
Net loss recognised directly in equity		**(4,181)**	(93)
Total comprehensive expense		**(4,728)**	(789)

The accompanying notes on pages 10 to 23 are an integral part of these financial statements.

Statement of Financial Position
As at 31 May 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investments in subsidiaries	6	-	-
		-	-
Current assets			
Trade and other receivables	7	**1,429**	14
Cash and cash equivalents	8	**30**	455
		1,459	469
Liabilities			
Current liabilities			
Trade and other payables	9	**(3,298)**	(3,011)
		(3,298)	(3,011)
Net current liabilities		**(1,839)**	(2,542)
Non-current liabilities			
Retirement benefit liability	14	**(6,625)**	(4,243)
		(6,625)	(4,243)
Net liabilities		**(8,464)**	(6,785)
Shareholders' Equity			
Equity share capital	11	**160**	160
Other reserves	11	**(8,624)**	(6,945)
Total equity		**(8,464)**	(6,785)

The accompanying notes on pages 10 to 23 are an integral part of these financial statements of NIKE MERCURIAL I LIMITED (registered number 198168). The financial statements on pages 6 to 23 were approved by the Directors on 10 November 2017 and were signed on its behalf by:

E Reynolds
Director

Statement of Changes in Equity
For the year ended 31 May 2017

	Equity Share capital £'000	Capital reserve £'000	Share Premium £'000	Accumulated losses £'000	Total equity £'000
At 1 June 2015	160	47,800	74,312	(128,268)	(5,996)
Loss for the financial year	-	-	-	(696)	(696)
Actuarial loss on pension fund	-	-	-	(93)	(93)
Total comprehensive expense	**-**	**-**	**-**	**(789)**	**(789)**
At 31 May 2016	160	47,800	74,312	(129,057)	(6,785)
At 1 June 2016	160	47,800	74,312	(129,057)	(6,785)
Capital contribution	-	3,049	-	-	3,049
Loss for the financial year	-	-	-	(547)	(547)
Actuarial loss on pension fund	-	-	-	(4,181)	(4,181)
Total comprehensive expense	**-**	**-**	**-**	**(4,728)**	**(4,728)**
At 31 May 2017	**160**	**50,849**	**74,312**	**(133,785)**	**(8,464)**

The accompanying notes on pages 10 to 23 are an integral part of these financial statements.

Statement of Cash Flows
For the year ended 31 May 2017

	Note	**2017 £'000**	2016 £'000
Cash flows from operating activities			
Cash (outflow) / inflow from operations	18	**(3,362)**	343
Interest and finance costs paid		**(1,154)**	(1,185)
Interest received		**1,042**	1,011
Net cash (outflow) / inflow from operating activities		**(3,474)**	169
Net cash generated/(used) in investing activities		**-**	-
Cash flows from financing activities			
Capital contribution	11	**3,049**	-
Net cash inflow from financing activities		**3,049**	-
Net (decrease) / increase in cash and cash equivalents		**(425)**	169
Cash and cash equivalents at beginning of the year		**455**	286
Cash and cash equivalents at end of the year		**30**	455

The accompanying notes on pages 10 to 23 are an integral part of these financial statements.

1. Statement of significant accounting policies

Nike Mercurial I Limited is a company registered in the United Kingdom and limited by shares.

Significant accounting policies used in the preparation of these financial statements are set out below and were consistently applied to all the years presented.

a. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as issued by the International Accounting Standards Board (IASB) as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements have been prepared on a going concern basis under the historical cost basis of accounting.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of significant events in notes to the financial statements.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Although these estimates are based on management's best knowledge of the account, event or actions, actual results may differ from those estimates.

The accounting policies adopted are consistent with those of the previous year.

Amendments in IFRS

Standards and interpretations

Adoption of new and revised standards

The following standards, amendments to standards, improvements or interpretations became effective during the year to 31 May 2017:

International Accounting Standards (IAS/IFRSs)

a) New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 June 2016:

- Annual improvements 2012-2014 (effective 1 January 2016)
- Amendment to IFRS 11, 'Joint arrangements 'on acquisition of an interest in a joint operation', (effective 1 January 2016)
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation (effective 1 January 2016)
- Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants (effective 1 January 2016)
- Amendments to IAS 27, 'Separate financial statements' on equity accounting (effective 1 January 2016)
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28,'Investments in associates and joint ventures' on applying the consolidation exemption (effective 1 January 2016)
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative (effective 1 January 2016)

The adoption of the new and amended standards above has not had a material impact on the Group Financial Statements.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following new standards and amendments to standards, which have been issued but are not yet effective, and have not been early adopted by the Company:

- IFRS 9, 'Financial Instruments' (effective 1 January 2018)

1. Statement of significant accounting policies (continued)

- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018)
- IFRS 16, 'Leases' (effective 1 January 2019)

The Company expects that the implementation of these standards will not have a material impact on the financial statements.

b. Consolidation

The results of the subsidiaries have not been consolidated into Nike Mercurial I Limited, as permitted by s401 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking and not about its group.

c. Investments

Investments are stated at cost less any provision for impairment.

The Company performs annual impairment tests on investments with indefinite lives in the fourth quarter of each fiscal year, or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit or intangible assets with an indefinite life below its carrying value.
The impairment analysis involves estimating the fair value of the reporting unit. Fair value is determined using an equal weighting of the income approach (discounted cash flow analysis) and the market approach (guideline public company analysis). Fair value is then compared to the carrying value of the investment (net assets) to determine if evidence of potential impairment exists.

d. Foreign Currency

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 financial statements are presented in sterling ('£') which is the Company's functional and presentation currency.

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.

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 profit 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.

1. Statement of significant accounting policies (continued)

Pension Costs

The Company operates a defined benefit scheme (closed to future accrual as of 5 April 2010) 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 profits and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately through the Statement of changes in equity 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.

Financial instruments

The Company did not have any derivative contracts in 2017 and 2016.

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.

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.

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.

Equity 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.

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.

1. Statement of significant accounting policies (continued)

Trade payables

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

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:

- Discount provisions against trade receivables
- Defined benefit pension assumptions
- Impairment of investments

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.

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 limited credit risk as all receivables relate to intercompany receivables.

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.

Capital management

The Company continues to perform activities in connection with on-going funding of the defined benefit pension plan. Nike, Inc. has provided a guarantee to the Trustees of the pension plan in respect of the Company's obligations to the pension plan. The Company will pay annual contribution to the pension plan of £2.0 million in fiscal year 2018.

Company details

The Company is domiciled and incorporated in the United Kingdom under registration number 198168. The registered office is Nike Office, Camberwell Way, Doxford International Business Park, Sunderland, England SR3 3XN.

2. Loss before income tax

	2017 £'000	2016 £'000
Loss before tax is stated after charging:		
Audit fees in respect of statutory audit	**16**	16
Non-audit services – fees payable to the Company's auditors for other services:		
Tax services	**-**	167

In addition to the above services, the Company's auditors acted as auditors 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.

3. Finance costs

	2017 £'000	2016 £'000
Interest on pension plan liabilities	**1,154**	1,185
	1,154	1,185

4. Finance income

	2017 £'000	2016 £'000
Interest receivable from group undertaking	**6**	3
Expected return on plan assets	**1,036**	1,008
	1,042	1,011

5. Income tax

	2017 £'000	2016 £'000
Current tax		
Corporation taxes	-	-
Total current tax charge/(credit)	-	-
Tax per income statement	-	-

Factors affecting total tax charge for the current period
The charge for the year can be reconciled to the income statements as follows:

	2017 £'000	2016 £'000
Loss before income tax	**(547)**	(696)
Tax on loss at standard UK tax rate of 19.83% (2016: 20.00%)	**(108)**	(139)
Effects of:		
Income not taxable	**(81)**	-
Amounts not recognised	**189**	-
Expenses not deductible	-	65
Deferred tax not recognised on losses	-	394
Deferred tax not recognised on pensions	-	(320)
Total income tax	-	-

Corporation tax is calculated at 19.83% (2016: 20.00%) of the estimated taxable profit for the year.

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020. In addition, the Finance Act 2016 which was substantively enacted on 6th September 2016 introduced a further reduction in the main rate of corporation tax from 18% to 17% from 1 April 2020. Accordingly these rates have been applied when calculating deferred tax assets and liabilities as at 31 May 2017.

Unrecognised deferred tax	2017 £'000	2016 £'000
Losses	**1,434**	984
Temporary differences non trading	**1,126**	770
	2,560	1,754

There is no expiry date on any of the above unrecognised deferred tax assets.

6. Investments in subsidiaries

	2017 £'000	2016 £'000
At 1 June	-	-
At 31 May	-	-

	Proportion of ordinary share capital held	Country of incorporation and operation	Nature of business
Nike Mercurial Hong Kong Limited *(Formerly: Umbro Hong Kong Limited)*	100%	Hong Kong	Management company
Nike Mercurial Licensing Limited* *(Formerly: Umbro Licensing Limited)*	100%	UK	Dormant company
Umbro Asia Sourcing Limited **	100%	Hong Kong	Inactive Company
Umbro Sports Commercial Shanghai Co. Ltd.	100%	PRC of China	Dormant company

* At 26 August 2016 Nike Mercurial Licensing Limited was legally dissolved.
** At 15 April 2016 Umbro Asia Sourcing Limited was legally dissolved.

The registered address of each subsidiary is as follows:

Nike Mercurial Hong Kong Limited - 31/F., Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong
Nike Mercurial Licensing Limited – The Shard, 32 London Bridge Street, London, United Kingdom
Umbro Asia Sourcing Limited - 1401 Hutchison House, 10 Harcourt Road, Hong Kong
Umbro Sports Commercial Shanghai Co. Ltd - Room 2501B, 2502, 2503, Level 25, 1266 West Nanjing Road, Jing An District, Shanghai

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 financial statements.

7. Trade and other receivables

	2017 £'000	2016 £'000
Amount due from subsidiary undertakings	-	14
Amounts due from affiliated group undertakings	1,429	-
	1,429	14

As of 31 May 2017 £13,873 trade receivables were impaired (2016: £nil).

As of 31 May 2017 *no trade receivables were past due but not impaired (2016: £nil).*

Amounts due from subsidiary undertakings are repayable on demand and do not bear interest.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks.

9. Trade and other payables

	2017	2016
	£'000	£'000
Amounts owed to ultimate parent undertaking	**3,186**	2,772
Amounts owed to affiliated group undertakings	**-**	127
Other tax and social security	**112**	112
	3,298	3,011

Amounts owed to parent and group undertakings are repayable on demand, do not bear interest and no security has been granted over these liabilities.

10. Financial instruments

The Company did not have, nor entered into any forward foreign currency contracts in fiscal year 2017 or 2016. It is, and has been through the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

Fair values of financial assets and financial liabilities

The book value of the Company's financial assets and liabilities approximates their fair value.

The company has the following financial assets and liabilities:

	2017	2016
	£'000	£'000
Loans and receivables	**1,429**	14
Financial liabilities at amortised cost	**3,074**	2,899

All loans and receivables are due from subsidiary undertakings, and are considered to be repayable on demand, therefore no impairment is required.

11. Equity share capital and other reserves

	2017		2016	
	Number	**£**	Number	£
Issued:				
Ordinary shares of £1 each	**199,750**	**199,750**	199,750	199,750
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**160,002**	**160,002**	160,002	160,002

Analysis of reserves

	Capital reserve £'000	Share premium £'000	Accumulated losses £'000	Total £'000
At 1 June 2016	47,800	74,312	(129,057)	(6,945)
~~Capital contribution~~	~~3,049~~			~~3,049~~
Loss for the financial year	-	-	(547)	(547)
Actuarial loss on pension fund	-	-	(4,181)	(4,181)
At 31 May 2017	**50,849**	**74,312**	**(133,785)**	**(8,624)**

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2017 (CONTINUED)

12. Statement of changes in equity

	Equity Share capital	Capital reserve	Share Premium	Accumulated losses	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 June 2015	160	47,800	74,312	(128,268)	(5,996)
Loss for financial year	-	-	-	(696)	(696)
Actuarial loss on pension fund	-	-	-	(93)	(93)
Total comprehensive expense	-	-	-	**(789)**	**(789)**
At 31 May 2016	160	47,800	74,312	(129,057)	(6,785)
At 1 June 2016	160	47,800	74,312	(129,057)	(6,785)
Capital contribution	-	3,049	-	-	3,049
Profit for the financial year	-	-	-	(547)	(547)
Actuarial loss on pension fund	-	-	-	(4,181)	(4,181)
Total comprehensive expense	-	-	-	**(4,728)**	**(4,728)**
At 31 May 2017	**160**	**50,849**	**74,312**	**(133,785)**	**(8,464)**

13. Employee costs and Directors' remuneration

No employees or Directors were remunerated through this company, nor were any costs

14. 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 and closed to future accrual on 6 April 2010.

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 actuarial valuation is updated as per 31 May 2017 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The pension charge for the year for all defined contribution schemes was £nil (2016: £nil). The creditor at the end of the year was £nil (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2017 (CONTINUED)

14. Pension commitments (continued)

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

	2017 £'000	2016 £'000
Defined benefit obligation at start of year	**32,471**	33,213
Interest cost	**1,154**	1,185
Actuarial loss/(profit) arising from changes in financial assumptions	**8,146**	(819)
Actuarial profit arising from changes in demographic assumptions	**(745)**	(313)
Benefits paid, death in service premiums and expenses	**(2,052)**	(795)
Defined benefit obligation at end of year	**38,974**	32,471

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

	2017 £'000	2016 £'000
Fair value of assets at start of year	**28,228**	27,431
Interest Income	**1,036**	1,008
Return on plan assets (excluding interest income)	**3,220**	(1,225)
Contributions by employer	**1,917**	1,809
Benefits paid, death in service premiums and expenses	**(2,052)**	(795)
Fair value of assets at end of year	**32,349**	28,228

Total expense recognised in income statement

	2017 £'000	2016 £'000
Interest on pension plan liabilities	**1,154**	1,185
Interest income on plan assets	**(1,036)**	(1,008)
Total included in employee benefit expense	**118**	177

The £118,000 charge (2016: £177,000 charge) has been recognised in finance costs and finance income within the statement of income. The administrative expenses are in fiscal year 2017 and 2016 paid by the Company and not via the Plan.

14. Pension commitments (continued)

Allocation of plan assets

	2017	2016
Equities	**57%**	26%
Bonds	**42%**	27%
Cash	**1%**	0%
Diversified Growth Fund	**0%**	47%

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.

Assumptions

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

	2017	2016
Inflation (RPI)	**3.25%**	2.95%
Inflation (CPI)	**2.35%**	2.05%
Salary increases	**n/a**	n/a
Discount rate	**2.60%**	3.60%
Revaluation of deferred pensions of CPI or 5% if less	**2.35%**	2.05%
Pension in payment increases of RPI or 5.0% if less	**3.20%**	2.90%
Pension in payment increases of CPI or 3.0% if less	**2.10%**	1.85%
Pension in payment increases of RPI or 2.5% if less	**2.25%**	2.10%
Pension in payment increases of RPI or 5.0% if less, minimum 3%	**3.65%**	3.55%

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

	2017	2016
Male currently age 45	**23.5**	23.9
Female currently age 45	**25.5**	26.1
Male currently age 65	**22.1**	22.2
Female currently age 65	**24.0**	24.2

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

	2017 £'000	2016 £'000
Present value of funded obligations	**(38,974)**	(32,471)
Fair value of plan assets	**32,349**	28,228
Deficit in the scheme	**(6,625)**	(4,243)

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

Summary movement in balance sheet deficit during the year

	2017 £'000	2016 £'000
Deficit in scheme at beginning of year	**(4,243)**	(5,782)
Total employee benefit expense	**(118)**	(177)
Actuarial losses taken to reserves	**(4,181)**	(93)
Contributions	**1,917**	1,809
Deficit in scheme at end of year	**(6,625)**	(4,243)

14. Pension commitments (continued)

Estimate of contributions to be paid to the plan for the year ending 31 May 2018

The estimated total contribution to be paid to the plan by the Company for the year ending 31 May 2018 is £2,000,000.

Sensitivity analysis

	2017 £
Present value of defined benefit obligations	
Discount rate - 25 basis points	40,978
Discount rate + 25 basis points	37,097
Inflation rate - 25 basis points	37,407
Inflation rate + 25 basis points	40,628
Mortality -1 year Age Rating	40,230
Weighted average duration of defined benefit obligation (in years)	
Discount rate - 25 basis points	20.1
Discount rate + 25 basis points 21.0	19.7

	2017 £
Expected cash flows for following year	
1. Expected employer contributions	2,000
2. Expected contributions to reimbursement rights	-
3. Expected total benefit payments	
Year 1	1,053
Year 2	1,086
Year 3	1,119
Year 4	1,154
Year 5	1,190
Next 5 years	6,525

No formal asset liability matching was in place during fiscal year 2017, however an interactive investment strategy review was conducted.

15. Operating leases

The Company has no lease agreements.

16. Related party transactions

Related party transactions with ultimate parent undertaking

The balance owed to Nike, Inc. as at 31 May 2017 was £3,186,267 (2016: £2,771,748). Nike Mercurial I Limited made no payments to Nike, Inc. (2016: £nil).

Related party transactions with subsidiary undertakings

Nike Mercurial I Limited is owed £nil from its subsidiary Nike Mercurial Hong Kong Limited (formerly Umbro Hong Kong Limited) at 31 May 2017 (2016: £13,873). Nike Mercurial I Limited made no payments to Nike Mercurial Hong Kong Limited (2016: £nil).

Related party transactions with affiliated group undertakings

Nike Mercurial I Limited incurred £0 (2016: £40,000) payable to Nike European Operations Netherlands B.V., an affiliated undertaking. Nike Mercurial I Limited received payments from Nike European Operations Netherlands B.V. of £2,072,639 (2016: £2,500,000). The balance from Nike European Operations Netherlands B.V. as at 31 May 2017 was £1,429,216 (2016: owed to Nike European Operations Netherlands £126,758).

17. Ultimate holding company

The immediate holding company is Nike Vapor Limited whose registered office is at Nike Camberwell Way, Doxford International Park, Sunderland, SR3 3XN.

The ultimate parent undertaking and controlling party is Nike, Inc. a company incorporated in the United States of America.

Nike, Inc. is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 May 2017. The consolidated financial statements of Nike, Inc. may be obtained from 1 Bowerman Drive, Beaverton, Portland, Oregon, USA

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18. Cash (outflow) / inflow from operations

Reconciliation of net loss to net cash flow from operations

	2017 £'000	2016 £'000
Loss for the financial year	**(547)**	(696)
Adjustments for:		
Interest income	**(1,042)**	(1,011)
Interest expense	**1,154**	1,185
Changes in working capital		
(Increase)/decrease in debtors	**(1,415)**	2,343
Increase in operating creditors	**287**	154
Movement on pension creditor and reserves	**(1,799)**	(1,632)
Net cash (outflow) / inflow from operations	**(3,362)**	343