Company Registered Number: 198168

NIKE MERCURIAL I LIMITED
(Formerly Umbro International Limited)

Annual Report and Financial Statements
31 May 2014

NIKE MERCURIAL I LIMITED (FORMERLY UMBRO INTERNATIONAL LIMITED)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2014

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 May 2014.

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 2014.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The Directors announce an operating loss of £620,000 (2013: loss of £18,385,000).

The loss before tax for the year was £1,064,000 (2013: loss of £18,715,000).

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 year was £1,064,000 (2013: loss of £20,402,000).

There was no dividend paid during the year to the immediate parent company (2013: £nil).

CHARITABLE CONTRIBUTIONS

During the year the Company made no charitable contributions of sportswear and apparel, nor did it make donations (2013: £5,000 to Joshua Jennings and £4,685 to St. Anne's Hospice). No contributions were made to political organisations (2013: £nil), and no non-cash donations of product were made (2013: £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 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 CO_2 output of the Company was 0 tonnes in the year as no operations were conducted (2013: 607 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
R Wyett (Resigned 1 June 2013)

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

TREASURY

The Company's financial instruments comprise borrowings, some cash and liquid resources, and various items, such as remaining trade debtors 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. 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 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 2014, there were no employees working for the Company.

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 has provided a guarantee to the Trustees of the pension plan in respect of the Company's obligations to the pension plan.

Nike International Limited issued a sterling loan facility of unlimited aggregate principal amount to the Company in February 2013. This loan facility with Nike International Limited has been replaced with a credit facility with Nike UK Holding B.V. who issued a sterling loan facility of £40,000,000 with an expiry date of 6 April 2023.

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.

INDEPENDENT AUDITORS

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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2014 (CONTINUED)

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law 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 these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Section 418 of Companies Act 2006, each Director in office at the date the Directors' Report is approved, confirms that:

(a) So far each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

ON BEHALF OF THE BOARD

E Reynolds
Director

24 February 2015

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

Company Registered Number: 198168

NIKE MERCURIAL I LIMITED (FORMERLY UMBRO INTERNATIONAL LIMITED)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIKE MERCURIAL I LIMITED (FORMERLY UMBRO INTERNATIONAL LIMITED)

REPORT ON THE FINANCIAL STATEMENTS

Our opinion
In our opinion, Nike Mercurial I Limited's (formerly Umbro International 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 2014 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
Nike Mercurial I Limited's (formerly Umbro International Limited's) financial statements comprise:

- the Statement of Financial Position as at 31 May 2014;
- the Income Statement and the 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 applicable law and IFRSs as adopted by the European Union.
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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

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

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 and Financial Statements 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.

PricewaterhouseCoopers LLP

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Liverpool
24 February 2015

Income Statement
for the year ended 31 May 2014

	Note	**2014 £'000**	2013 £'000
Revenue		-	68,056
Cost of sales		-	(70,462)
Gross (loss)		-	(2,406)
Selling and distribution costs		-	(2,886)
Administrative expenses		**(620)**	(46,518)
Other operating income	3	-	33,425
Operating loss		**(620)**	(18,385)
Finance costs	4	**(1,273)**	(1,479)
Finance income	5	**829**	1,149
Loss before tax	2	**(1,064)**	(18,715)
Taxation	6	-	(1,687)
Loss for the year attributable to owners transferred from reserves	15	**(1,064)**	(20,402)

The results shown relate to operations discontinued.

The notes on pages 11 to 31 are an integral part of these financial statements

Statement of Comprehensive Income
for the year ended 31 May 2014

	Note	2014 £'000	2013 £'000
Loss for the financial year		**(1,064)**	(20,402)
Other comprehensive income:			
Cash flow hedges - net fair value (loss)/gain		-	(95)
Actuarial gain/(loss)	18	**136**	(2,234)
Deferred tax on market value of share incentives	17	-	(101)
Deferred tax on actuarial movement	6	-	(2,616)
Share options – value of employee services	17	-	(33)
Net loss recognised directly in equity		**136**	(5,079)
Total comprehensive income		**(928)**	(25,481)

The notes on pages 11 to 31 are an integral part of these financial statements.

Statement of Financial Position

as at 31 May 2014

	Note	**2014 £'000**	2013 £'000
Assets			
Non-current assets			
Investments in subsidiaries	7	**65,001**	65,001
Property, plant and equipment	8	**-**	-
Intangible assets	9	**-**	-
Deferred income tax asset	10	**-**	-
		65,001	65,001
Current assets			
Trade and other receivables	11	**2,254**	4,434
Financial Assets	12	**-**	70
Cash and cash equivalents		**386**	978
		2,640	5,482
Liabilities			
Current liabilities			
Trade and other payables	13	**(78,684)**	(79,119)
		(78,684)	(79,119)
Net current liabilities		**(76,044)**	(73,637)
Non-current liabilities			
Retirement benefit liability	18	**(5,337)**	(6,816)
		(5,337)	(6,816)
Net liabilities		**(16,380)**	(15,452)
Shareholders' Equity			
Equity share capital	15	**160**	160
Other reserves	15	**(16,540)**	(15,612)
Total equity	16	**(16,380)**	(15,452)

The notes on pages 11 to 31 are an integral part of these financial statements of NIKE MERCURIAL I LIMITED (formerly UMBRO INTERNATIONAL LIMITED) (registered number 198168). The financial statements on pages 6 to 31 were approved by the Directors on 24 February 2015 and were signed on its behalf by:

E Reynolds
Director

Statement of Changes in Equity
as at 31 May 2014

	Share capital £'000	Capital reserve £'000	Share Premium £'000	Hedge reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 June 2012	160	35,000	74,312	95	(99,538)	**10,029**
Net fair value loss	-	-	-	(95)	-	**(95)**
Loss for financial year	-	-	-	-	(20,402)	**(20,402)**
Actuarial loss on pension fund	-	-	-	-	(2,234)	**(2,234)**
Deferred tax on pension deficit movement	-	-	-	-	(2,616)	**(2,616)**
Share options – value of employee services	-	-	-	-	(33)	**(33)**
Deferred tax on excess of market value over cost of share incentives	-	-	-	-	(101)	**(101)**
At 31 May 2013	**160**	**35,000**	**74,312**	**-**	**(124,924)**	**(15,452)**
At 1 June 2013	160	35,000	74,312	-	(124,924)	**(15,452)**
Loss for financial year	-	-	-	-	(1,064)	**(1,064)**
Actuarial gain on pension fund	-	-	-	-	136	**136**
At 31 May 2014	**160**	**35,000**	**74,312**	**-**	**(125,852)**	**(16,380)**

The notes on pages 11 to 31 are an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 May 2014

	Note	**2014 £'000**	2013 £'000
Cash flows from operating activities			
Cash outflow from operations	22	**(148)**	(1,309)
Interest and finance costs paid		**(1,273)**	(1,479)
Interest received		**829**	1,149
Income tax paid		**-**	(1,063)
Net cash outflow from operating activities		**(592)**	(2,702)
Net cash generated/(used) in investing activities		**-**	-
Cash flows from financing activities			
Payments of non-current liabilities		**-**	(875)
Net cash (outflow)/inflow from financing activities		**-**	(875)
Net decrease in cash and cash equivalents		**(592)**	(3,577)
Cash and cash equivalents at beginning of the year		**978**	4,555
Cash and cash equivalents at end of the year		**386**	978

The notes on pages 11 to 31 are an integral part of these financial statements.

NIKE MERCURIAL I LIMITED (FORMERLY UMBRO INTERNATIONAL LIMITED)

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2014

1. Statement of significant accounting policies

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

New and amended standards effective in 2013/14 and adopted by the Company are detailed below:

- IAS 19 (amendment), 'Employee Benefits' (effective 1 January 2013)
- IAS 1(amendment), 'Presentation of Items of Other Comprehensive Income' (effective 1 July 2012)

New and amended standards effective in 2013/14 but not relevant to the Company are detailed below:

- IAS 27 (revised), 'Separate Financial Statements' (effective 1 January 2013)
- IAS 28 (revised), 'Investments in Associates and Joint Ventures' (effective 1 January 2013)
- IFRS 10 (revised), 'Consolidated Financial Statements' (effective 1 January 2013)
- IFRS 11 (revised), 'Joint Arrangements' (effective 1 January 2013)
- IFRS 12 (revised), 'Disclosure of Interests in Other Entities' (effective 1 January 2013)
- IFRS 13 (revised), 'Fair Value Measurement' (effective 1 January 2013)

Standards, amendments and interpretations effective in 2013/14 but not relevant to the Company are detailed below:

- IFRS 1 (amendment), 'First-time Adoption of International Financial Reporting Standards' (effective 1 January 2013)
- IFRS 7 (amendment), ' Financial Instruments: Disclosures' (effective 1 January 2013)

Standards and amendments early adopted by the Company

- There are no standards or amendments early adopted by the Company.

Standards, amendments and interpretations to existing standards that have been published and are mandatory for the Company's accounting periods beginning on or after 1 June 2014 or later periods, but the Company has not early adopted them are detailed below:

- IAS 32 (amendment), 'Financial Instruments: Presentation' (effective 1 January 2014)
- IAS 27 (amendment), 'Separate Financial Statements' (effective 1 January 2014)
- IAS 36 (amendment), 'Impairment of Assets' (effective 1 January 2014)
- IAS 39 (amendment), 'Financial Instruments: Recognition and Measurement ' (effective 1 January 2014)
- IFRS 9 (revised), 'Financial Instruments' (effective 1 January 2015)
- IFRS 10 (amendment), 'Consolidated Financial Statements' (effective 1 January 2014)
- IFRS 12 (amendment), 'Disclosure of Interests in Other Entities' (effective 1 January 2014)
- IFRS 15 (amendment), 'Revenue from Contracts with Customers' (effective 1 January 2017)
- IFRIC 21 (amendment), 'Levies' (effective 17 June 2014)

None of these changes are expected to have a material impact on the Company.

1. Statement of significant accounting policies (continued)

b. Consolidation

The results of the subsidiaries have not been consolidated into Nike Mercurial I Limited (formerly Umbro International 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. 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%

d. Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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	15-50%

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.

e. 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.

f. 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.

g. 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 substantively 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, 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.

1. Statement of significant accounting policies (continued)

h. 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.

i. Revenue recognition

1. Buy/sell operations

Turnover represents amounts charged to external customers after deduction of returns and allowances, discounts and VAT. Revenues are recognised when title passes and the risks and rewards of ownership have passed to the customer, based upon the terms of sale. This occurs upon shipment or upon receipt by the customer depending on the country of the sale and the agreement with the customer.

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.

'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).

j. Sports marketing costs

1. Basic payments

Payments under team and individual player sports marketing contracts are charged to the statement of comprehensive income 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.

1. Statement of significant accounting policies (continued)

k. Sports marketing costs (continued)

3. Impairment

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

k. 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.

l. 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 gains 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.

m. 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.

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.

1. Statement of significant accounting policies (continued)

n. Financial instruments (continued)

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 the income statement in the same period as the asset or liability affects comprehensive income. 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.

n. 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.

o. 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.

p. Dividends

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

q. 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.

r. 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.

1. Statement of significant accounting policies (continued)

s. 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.

t. Trade payables

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

u. 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
- Impairment of investments

v. 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.

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 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.

1. Statement of significant accounting policies (continued)

w. Financial risk management (continued)

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 tax

	2014 £'000	2013 £'000
Loss before tax is stated after charging:		
Cost of inventories	-	27,159
Sports marketing costs (included in cost of sales)	-	7,195
Royalty remitted to Nike Global Services PTE	-	9,131
Design & development costs (included in cost of sales)	-	1,227
Staff costs	**54**	17,586
Depreciation of owned property plant and equipment	-	275
Amortisation of intangible assets (included in administrative expenses)	-	414
Loss on sale of fixed assets	-	6,240
Audit fees in respect of statutory audit	**20**	44
Non-audit services – fees payable to the Company's auditors for other services:		
Tax services	**16**	22
Operating lease rentals:		
Land and buildings	-	1,863
Plant and machinery	-	191

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 impairment of trade receivables is charged to selling and distribution costs within the income statement.

3. Other operating income

	2014 £'000	2013 £'000
Recharge under cost sharing agreement	-	4,432
Loss on disposal of fixed assets	-	(6,240)
Sale of intellectual property	-	35,233
	-	33,425

In fiscal year 2013, a proportion of operating costs associated with the activities of the Company carried out on behalf of Nike Global Services PTE has been recharged to Nike Global Services PTE and amounts to £4,432,000.

In November 2012, the intellectual property of the company was sold to Iconix for a total consideration of £35,233,000.

4. Finance costs

	2014	2013
	£'000	£'000
Interest on pension plan liabilities	**1,215**	1,162
Interest payable to group undertaking	**58**	317
	1,273	1,479

5. Finance income

	2014	2013
	£'000	£'000
Interest receivable from group undertaking	**8**	11
Interest receivable from related companies	**-**	85
Expected return on plan assets	**821**	1,053
	829	1,149

6. Taxation

	2014	2013
	£'000	£'000
Foreign tax		
Corporation taxes	-	1,158
Total current tax charge/(credit)	-	1,158
Deferred tax		
Origination and reversal of timing differences	-	853
Adjustments in respect of prior years	-	(330)
Effect of changes in rate of tax	-	6
Tax charge on loss on ordinary activities	-	1,687

6. 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:

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	**(1,064)**	(18,715)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.67% (2013: 23.83%)	**(241)**	(4,460)
Effects of:		
Adjustments in respect of prior years	-	(330)
Effect of changes in rate of tax	-	6
Losses surrendered to group companies	-	3,591
Pension contributions in excess of P&L charge	-	(1,497)
Items not assessable for tax purposes:		
Other potentially disallowable costs	**119**	3,472
Withholding tax suffered	**122**	905
Tax charge on loss on ordinary activities	-	1,687

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Company's loss chargeable to corporation tax for the prior accounting year was taxed at the effective rate of 23.83% and at 22.67% in the current accounting year. From 1 April 2014 the main rate will be reduced to 21%, with this change not being substantively enacted at the balance sheet date and therefore has not been recognised in these financial statements. The impact of the proposed changes is not expected to be material to the balance sheet.

The effect of this reduction has been reflected within the current tax charge by use of a blended rate. The implications for deferred tax accounting have been reflected within the financial statements.

Analysis of tax movements taken to reserves:

	2014 £'000	2013 £'000
Deferred tax on difference in market value and income statement charge of share incentives	-	(101)
Deferred tax on actuarial (gains)/losses taken to reserves	-	(2,616)
	-	(2,717)

7. Investments in subsidiaries

	2014 **£'000**	2013 £'000
At 1 June	**65,001**	65,001
At 31 May	**65,001**	65,001

	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	Dormant 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 financial statements.

8. Property, plant and equipment

	2014 **£'000**	2013 £'000
Plant and Equipment		
Cost		
At 1 June	-	6,798
Additions	-	-
Disposals	-	(6,798)
At 31 May	-	-
Accumulated Depreciation		
At 1 June	-	4,103
Charge for the year	-	275
Disposals	-	(4,378)
At 31 May	-	-
Net Book Value		
At 31 May	-	-

Depreciation is charged to the income statement, to various cost categories based on the department holding the asset.

9. Intangible assets

	2014 £'000	2013 £'000
Computer Software		
Cost		
At 1 June	-	6,372
Additions	-	-
Disposals	-	(6,372)
At 31 May	-	-
Accumulated Amortisation		
At 1 June	-	2,144
Charge for year	-	414
Disposals	-	(2,558)
At 31 May	-	-
Net book value		
At 31 May	-	-

Amortisation is charged to the income statement, to various cost categories based on the department holding the asset.

10. Deferred income tax asset

	Depreciation in advance of capital allowances £'000	Pension deficit £'000	Share incentive schemes £'000	Total £'000
At 1 June 2012	383	2,616	247	3,246
Credit to reserves	-	(2,616)	(101)	(2,717)
Income statement credit	(383)	-	(146)	(529)
At 31 May 2013	-	-	-	-
At 1 June 2013	-	-	-	-
At 31 May 2014	-	-	-	-

In fiscal year 2014 no deferred tax assets have been recognised. In fiscal year 2013 deferred tax assets in relation to trading losses amounting to £36,811,000 have not been recognised because it is not probable that future taxable profits will be available against which the Company can utilise the benefits.

11. Trade and other receivables

	2014 £'000	2013 £'000
Trade debtors	-	3,186
Less: provision for impairment	-	-
Trade debtors – net	-	3,186
Amount due from intermediate parent undertakings	1,736	772
Amount due from subsidiary undertakings	101	64
Amounts due from affiliated group undertakings	267	-
Other debtors	150	409
Prepayments and accrued income	-	3
	2,254	4,434

As of 31 May 2014 no trade receivables were impaired (2013: £nil).

As of 31 May 2014 no trade receivables were past due but not impaired (2013: £2,000,000). The 2013 balances relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is;

	2014 £'000	2013 £'000
up to 3 months	-	1,459
3 months and over	-	541
	-	2,000

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

	2014 £'000	2013 £'000
Pounds	1,886	3,659
Euro	-	-
US Dollar	101	775
Argentine Peso	267	-
Hong Kong Dollar	-	-
	2,254	4,434

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

	2014 £'000	2013 £'000
At 1 June	-	11,166
Cash received	-	-
Utilised for write off	-	(11,166)
Charged to the income statement in selling and distribution expenses	-	-
At 31 May	-	-

12. Financial assets

	2014 £'000	2013 £'000
Current assets:		
Forward foreign exchange contracts	-	70

13. Trade and other payables

	2014 £'000	2013 £'000
Trade creditors	-	-
Amounts owed to ultimate parent undertaking	2,606	13
Amounts owed to affiliated group undertakings	10,087	12,414
Amounts owed to subsidiary undertakings	65,167	65,000
Other tax and social security	818	(946)
Accruals	6	2,638
	78,684	79,119

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 loan facility with Nike International Limited has been replaced with a credit facility with Nike UK Holding B.V. who issued a sterling loan facility of £40,000,000 with an expiry date of 6 April 2023.

The amounts owed to affiliated group undertakings attract interest at LIBOR plus 30 basis points (2013: 0.5%) and fall within the remit of the loan facilities provided by Nike, Inc.

14. Financial instruments

The Company did not have, nor entered into any forward foreign currency contracts in fiscal year 2014. 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.

15. Share capital and reserves

	2014 Number	2014 £	2013 Number	2013 £
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

	Hedge reserve £'000	Capital reserve £'000	Share premium £'000	Accumulated losses £'000	Total £'000
At 1 June 2013	-	35,000	74,312	(124,924)	**(15,612)**
Loss for financial year	-	-	-	(1,064)	**(1,064)**
Actuarial gain/(loss) on pension fund	-	-	-	136	**136**
At 31 May 2014	**-**	**35,000**	**74,312**	**(125,852)**	**(16,540)**

16. Statement of changes in equity

	Share capital £'000	Capital reserve £'000	Share Premium £'000	Hedge reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 June 2012	160	35,000	74,312	95	(99,538)	10,029
Net fair value gain	-	-	-	(95)	-	(95)
Loss for financial year	-	-	-	-	(20,402)	(20,402)
Actuarial loss on pension fund	-	-	-	-	(2,234)	(2,234)
Deferred tax on pension deficit movement	-	-	-	-	(2,616)	(2,616)
Share options – value of employee services	-	-	-	-	(33)	(33)
Deferred tax on excess of market value over cost of share incentives	-	-	-	-	(101)	(101)
At 31 May 2013	**160**	**35,000**	**74,312**	**-**	**(124,924)**	**(15,452)**
At 1 June 2013	160	35,000	74,312	-	(124,924)	**(15,452)**
Net fair value loss	-	-	-	-	-	-
Loss for financial year	-	-	-	-	(1,064)	**(1,064)**
Actuarial gain on pension fund	-	-	-	-	136	**136**
At 31 May 2014	**160**	**35,000**	**74,312**	**-**	**(125,852)**	**(16,380)**

17. Employee costs and Directors' remuneration

	2014 £'000	2013 £'000
Staff costs (including Directors' remuneration) for the Company during the year were as follows:		
Wages and salaries	**55**	15,621
Social security costs	**(1)**	1,653
Other pension costs	**-**	279
Equity settled share based payments	**-**	33
	54	17,586

Average monthly number of people (including executive Directors) employed	**number**	number
United Kingdom	**nil**	118

	2014 £'000	2013 £'000
Key management compensation		
Salaries and short term employee benefits	**-**	1,891
Post-employment benefits	**-**	236
	-	2,127

	2014 £'000	2013 £'000
Directors' remuneration		
Salaries and short term employee benefits	**-**	532
Compensation for loss of office	**-**	725
Post-employment benefits	**-**	101
	-	1,358

In the year, no retirement benefits were accrued (2013: 1) under defined contribution pension schemes.

	2014 £'000	2013 £'000
The amounts in respect of the highest paid Director are:		
Emoluments	**-**	532
Compensation for loss of office	**-**	725
Company contributions to defined contribution pension schemes	**-**	101

18. 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. 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.

A full actuarial valuation was carried out at 5 April 2011 and updated to 31 May 2014 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The Company did not pay an additional contribution during the year (2013: £4,500,000). For the following year 2013-2014, the Company is expected to contribute £1,800,000.

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

The pension charge for the year for all defined contribution schemes was £nil (2013: £279,000). The creditor at the end of the year was £nil (2013: £nil).

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

	2014 **£'000**	2013 £'000
Defined benefit obligation at start of year	**28,995**	25,530
Interest cost	**1,215**	1,162
Actuarial (gain)/loss	**(1,301)**	2,831
Benefits paid, death in service premiums and expenses	**(812)**	(528)
Defined benefit obligation at end of year	**28,097**	28,995

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

	2014 **£'000**	2013 £'000
Fair value of assets at start of year	**22,179**	14,669
Expected return on assets	**959**	1,053
Actuarial (loss)/gain	**(1,165)**	597
Contributions by employer	**1,737**	6,388
Benefits paid, death in service premiums and expenses	**(950)**	(528)
Fair value of assets at end of year	**22,760**	22,179

18. Pension commitments (continued)

Total expense recognised in income statement

	2014 £'000	2013 £'000
Interest on pension plan liabilities	**1,215**	1,162
Expected return on plan assets	**(821)**	(1,053)
Total included in employee benefit expense	**394**	109

The £394,000 charge (2013: £109,000 charge) has been recognised within administrative expenses within the statement of income.

Gains / (losses) recognised in the statement of comprehensive income

	2014	2013
Difference between expected and actual return on plan assets:		
Amount (£'000)	**1,165**	597
Percentage of scheme assets (%)	**5.1**	2.7
Experience gains and losses arising on the plan liabilities:		
Amount (£'000)	**(45)**	25
Percentage of present value of plan liabilities (%)	**0.2**	(0.1)
Total amount recognised in the statement of comprehensive income:		
Amount (£'000)	**136**	(2,234)
Percentage of present value of plan liabilities (%)	**(0.5)**	7.7

The cumulative amount of actuarial loss recognised in the statement of recognised income and expense since adoption of IAS19 is £11,793,000 (2013: £11,929,000).

Allocation of plan assets

	2014	2013
Equities	**30%**	29%
Bonds	**27%**	28%
Cash	**1%**	1%
Diversified Growth Fund	**42%**	42%

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 long-term expected rate of return on cash is determined by reference to bank base rates at the balance sheet dates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

18. Pension commitments (continued)

	2014	2013
Equities	**7.3%**	7.3%
Bonds	**3.1%**	3.1%
Property	**6.8%**	6.8%
Cash	**1.5%**	1.5%
Diversified Growth Fund	**7.3%**	7.3%
Overall for plan	**6.0%**	6.0%

Assumptions

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

	2014	2013
Inflation (RPI)	**3.40%**	3.30%
Inflation (CPI)	**2.50%**	2.40%
Salary increases	**n/a**	n/a
Rate of discount	**4.40%**	4.25%
Revaluation of deferred pensions of CPI or 5% if less	**2.50%**	2.40%
Pension in payment increases of RPI or 5.0% if less	**3.35%**	3.25%
Pension in payment increases of CPI or 3.0% if less	**2.35%**	2.25%
Pension in payment increases of RPI or 2.5% if less	**2.50%**	2.45%
Pension in payment increases of RPI or 5.0% if less, minimum 3%	**3.75%**	3.65%

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

	2014	2013
Male currently age 40	**23.9**	23.8
Female currently age 40	**26.1**	26.0
Male currently age 65	**21.6**	21.5
Female currently age 65	**23.7**	23.6

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

	2014 £'000	2013 £'000
Present value of funded obligations	**(28,097)**	(28,995)
Fair value of plan assets	**22,760**	22,179
Deficit in the scheme	**(5,337)**	(6,816)

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

	2014 £'000	2013 £'000
Deficit in scheme at beginning of year	**(6,816)**	(10,861)
Total employee benefit (expense) / credit	**(394)**	(109)
Actuarial gains/(losses) taken to reserves	**136**	(2,234)
Contributions	**1,737**	6,388
Deficit in scheme at end of year	**(5,337)**	(6,816)

18. Pension commitments (continued)

Estimate of contributions to be paid to the plan for the year ending 31 May 2015

The estimated total contribution to be paid to the plan by the Company for the year ending 31 May 2015 is £1,855,000.

Summary of key statistics for the current and previous four years

	2014 **£'000**	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of assets	**22,760**	22,179	14,669	13,607	14,721
Defined benefit obligation	**(28,097)**	(28,995)	(25,530)	(22,371)	(27,364)
Deficit in plan	**(5,337)**	(6,816)	(10,861)	(8,764)	(12,643)
Experience adjustments on plan liabilities	**(45)**	25	(740)	60	(20)
Experience adjustments on plan assets	**1,165**	597	(1,173)	1,165	1,762

19. Operating leases

The Company has no lease agreements.

20. Related party transactions

Related party transactions with ultimate parent undertaking

Nike Mercurial I Limited (formerly Umbro International Limited) incurred no intercompany charges (2013: £3,484,000) payable to Nike, Inc., its ultimate parent company. Nike Mercurial I Limited (formerly Umbro International Limited) made no payments to Nike, Inc. (2013: £121,000). The balance owed to Nike, Inc. as at 31 May 2014 was £2,606,000 (2013: £2,368,000).

Related party transactions with parent undertaking

Nike Mercurial I Limited (formerly Umbro International Limited) incurred no intercompany charges (2013: £nil) payable to Nike Vapor Limited, its parent company. The balance owed to Nike Vapor Limited as at 31 May 2014 was £nil (2013: £nil).

Related party transactions with subsidiary undertakings

Nike Mercurial I Limited (formerly Umbro International Limited) incurred no intercompany charges (2013: £93,000) payable to its subsidiary company Umbro Asia Sourcing Limited during the year. The amount owed to Umbro Asia Sourcing Limited at 31 May 2014 was £167,000 (2013: (£2,174,000)).

At 31 May 2014 Nike Mercurial I Limited (formerly Umbro International Limited) owed £65,000,000 to its subsidiary company Nike Mercurial Licensing Limited (formerly Umbro Licensing Limited) (2013: £65,000,000).

Nike Mercurial I Limited (formerly Umbro International Limited) incurred no intercompany charges (2013: £1,324,000) payable to its subsidiary company Nike Mercurial Hong Kong Limited (formerly Umbro Hong Kong Limited) during the year. Nike Mercurial I Limited (formerly Umbro International Limited) made no payments in respect of these expenses (2013: £1,810,000). The amount owed from Nike Mercurial Hong Kong Limited at 31 May 2014 was £101,000 (2013: £139,000).

Related party transactions with affiliated group undertakings

Nike Mercurial I Limited (formerly Umbro International Limited) received no payments (2013: £1,175,000) from Umbro Corp, an affiliated group undertaking, during the year. Nike Mercurial I Limited (formerly Umbro International Limited) incurred no intercompany charges (2013: £419,000) on behalf of Umbro Corp. Nike Mercurial I Limited (formerly Umbro International Limited) made no sales to Umbro Corp (2013: £493,000). The amount owed to Nike Mercurial I Limited (formerly Umbro International Limited) at 31 May 2014 was £nil (2013: £598,000).

Nike Mercurial I Limited (formerly Umbro International Limited) received no payments (2013: £11,675,000) from its subsidiary undertaking Umbro France S.A.S. during the year. Nike Mercurial I Limited (formerly Umbro International Limited) made no sales to Umbro France S.A.S. (2013: £2,888,000). The balance owed by Umbro France S.A.S. as at 31 May 2014 was £nil (2013: £ nil).

20. Related party transactions (continued)

Related party transactions with affiliated group undertakings (continued)

Nike Mercurial I Limited (formerly Umbro International Limited) incurred no intercompany charges (2013: £4,446,000) payable to Nike Global Services PTE, an affiliated undertaking. Nike Mercurial I Limited (formerly Umbro International Limited) received no contributions in respect of these expenses (2013: £9,160,000). The balance owed to Nike Global Services PTE, as at 31 May 2014 was £nil (2013: £nil).

Nike Mercurial I Limited (formerly Umbro International Limited) received no payments (2013: £11,000) from Nike Retail Spain, an affiliated undertaking, during the year. The amount owed to Nike Mercurial I Limited (formerly Umbro International Limited) at 31 May 2014 was £nil (2013: £nil).

Nike Mercurial I Limited (formerly Umbro International Limited) received no payments (2013: £nil) from Nike Spain, an affiliated undertaking, during the year. The amount owed to Nike Mercurial I Limited (formerly Umbro International Limited) at 31 May 2014 was £nil (2013: £nil).

Nike Mercurial I Limited (formerly Umbro International Limited) received no payments (2013: £29,000) from Nike Retail UK, an affiliated undertaking, during the year. Nike Mercurial I Limited (formerly Umbro International Limited) made no sales to Nike Retail UK (2013: £71,000). The balance owed to Nike Retail UK as at 31 May 2014 was £nil (2013: from £nil).

Nike Mercurial I Limited (formerly Umbro International Limited) received no payments (2013: £23,000) from Nike Retail BV, an affiliated undertaking, during the year. Nike Mercurial I Limited (formerly Umbro International Limited) made no sales to Nike Retail BV (2013: £9,000). The balance owed from Nike Retail UK as at 31 May 2014 was £nil (2013: £nil).

Nike Mercurial I Limited (formerly Umbro International Limited) incurred no intercompany charges (2013: £773,000) payable to Nike 360 Holdings BV, an affiliated undertaking. Nike Mercurial I Limited (formerly Umbro International Limited) made no payments in respect of these expenses (2013: £783,000). The balance owed to Nike 360 Holdings BV, as at 31 May 2014 was £nil (2013: £45,000).

Nike Mercurial I Limited (formerly Umbro International Limited) received no payments (2013: £152,000) from Nike Sports (China) Co, an affiliated undertaking, during the year. Nike Mercurial I Limited (formerly Umbro International Limited) made no sales to Nike Sports (China) Co (2013: £140,000). The balance owed from Nike Sports (China) Co as at 31 May 2014 was £nil (2013: £nil).

Nike Mercurial I Limited (formerly Umbro International Limited) incurred no intercompany charges (2013: £2,458,000) payable to Nike European Operations Netherlands B.V., an affiliated undertaking. Nike Mercurial I Limited (formerly Umbro International Limited) made payments to Nike European Operations Netherlands B.V. of £1,100,000 (2013: £2,928,000). The balance owed from Nike European Operations Netherlands B.V. as at 31 May 2014 was £1,736,000 (2013: £598,000).

Nike Mercurial I Limited (formerly Umbro International Limited) owed £10,087,000 to Nike UK Holding B.V., an affiliated undertaking, as at 31 May 2014 (2013: £nil).

Nike Mercurial I Limited (formerly Umbro International Limited) owed £267,000 from Nike Argentina S.R.L., an affiliated undertaking, as at 31 May 2014 (2013: £nil).

21. 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 2014. The consolidated financial statements of Nike, Inc. may be obtained from 1 Bowerman Drive, Beaverton, Portland, Oregon, USA

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22. Cash outflow from operations

Reconciliation of net loss to net cash flow from operations

	2014	2013
	£'000	£'000
Net loss	**(1,064)**	(20,402)
Adjustments for:		
Tax	-	1,687
Depreciation	-	275
Amortisation of intangible assets	-	414
Interest income	**(829)**	(1,149)
Interest expense	**1,273**	1,479
Movement in respect of financial assets and liabilities	-	32
Loss on disposal of fixed assets	-	6,240
Changes in working capital		
Decrease/(increase) in inventory	-	13,401
Decrease in debtors	**2,251**	68,871
Decrease in operating creditors	**(435)**	(65,649)
Movement on pension creditor and reserves	**(1,344)**	(6,279)
Other non-cash movements	-	(229)
Net cash inflow / (outflow) from operations	**(148)**	(1,309)