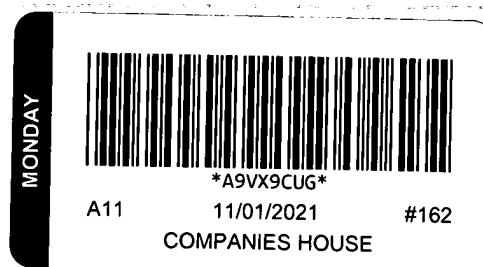


NIKE MERCURIAL I LIMITED

Annual Report and Financial Statements For the year ended 31 May 2020

Company Registered Number: 198168



NIKE MERCURIAL I LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2020

The Directors present their report with the audited financial statements of NIKE Mercurial I Limited (hereinafter "the Company") for the year ended 31 May 2020. The Company's registered number is 198168.

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.

Principal activities

The Company is incorporated in the United Kingdom as a private limited company. The Company has had no business activity during the financial year ended 31 May 2020. The Company's principle activity is the funding of the Umbro Pension Plan.

Review of the business

The Directors report an operating loss of £177,000 (2019: loss of £246,000).

The profit before income tax for the year was £562,000 (2019: loss of £564,000).

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 profit for the financial year was £548,000 (2019: loss of £569,000).

There was no dividend recommended or paid during the year to the immediate parent company (2019: £nil).

Charitable contributions

During the year the Company made no charitable contributions of sportswear and apparel, nor did it make donations (2019: £nil). No contributions were made to political organisations (2019: £nil), and no non-cash donations of product were made (2019: £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 (2019: nil tonnes).

NIKE MERCURIAL I LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

Directors

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

A. L. Bell
A. M. Miller

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

A. L. Bell

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.

Credit risk

The risk of (affiliated) counterparty default or failure may be heightened during economic downturns and events, such as COVID-19. In the event of default or failure of one or more of our (affiliated) counterparties, the Company could incur a heightened credit risk. Company's management has assessed that the likelihood of non-recoverability of accounts receivables from affiliated group undertakings is low as at the financial reporting date.

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 2020, there were no employees working for the Company (2019: 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. Given the dynamic nature of COVID-19, the Company cannot reasonably estimate the impacts of COVID-19 on our financial condition and cash flows in the future. 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.

NIKE MERCURIAL I LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2020 (CONTINUED)

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). These provisions were in place throughout the financial year and at the date of this report.

On behalf of the Board,



A. L. Bell
Director

22 December 2020

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 AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, NIKE Mercurial I Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2020 and of its profit 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.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 May 2020; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 May 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

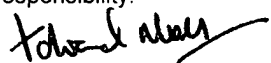
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

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 in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.


Edward Moss (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 December 2020

NIKE MERCURIAL I LIMITED

Income Statement
For the year ended 31 May 2020

	Note	2020 £'000	2019 £'000
Other operating expenses		(177)	(246)
Operating loss		(177)	(246)
Finance costs	3	(857)	(1,284)
Finance income	4	1,596	966
Profit / (Loss) before income tax	2	562	(564)
Income tax	5	(14)	(5)
Profit / (Loss) for the financial year		548	(569)

The results shown relate to discontinued operations.

The accompanying notes on pages 10 to 20 are an integral part of these financial statements

Statement of Comprehensive Income
For the year ended 31 May 2020

	Note	2020 £'000	2019 £'000
Profit / (Loss) for the financial year		548	(569)
Other comprehensive expense:			
<i>Items not subsequently reclassified to the income statement</i>			
Actuarial loss	14	(613)	(1,177)
Net loss recognised directly in equity		(613)	(1,177)
Total comprehensive expense		(65)	(1,746)

The accompanying notes on pages 10 to 20 are an integral part of these financial statements.

NIKE MERCURIAL I LIMITED

Statement of Financial Position

As at 31 May 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investments in subsidiaries	6	-	-
		-	-
Current assets			
Trade and other receivables	7,10	3,161	2,675
Cash and cash equivalents	8	56	18
		3,217	2,693
Liabilities			
Current liabilities			
Trade and other payables	9	(24)	(77)
		(24)	(77)
Net current assets		3,193	2,616
Non-current liabilities			
Retirement benefit liability	14	(1,851)	(1,209)
		(1,851)	(1,209)
Net assets		1,342	1,407
Shareholders' Equity			
Equity share capital	11,12	160	160
Other reserves	11,12	1,182	1,247
Total equity		1,342	1,407

The accompanying notes on pages 10 to 20 are an integral part of these financial statements of NIKE MERCURIAL I LIMITED (registered number 198168). The financial statements on pages 6 to 20 were approved by the Directors on 22 December 2020 and were signed on their behalf by:



A. L. Bell
Director

Statement of Changes in Equity

For the year ended 31 May 2020

	Equity Share capital £'000	Capital reserve £'000	Share Premium £'000	Accumulated losses £'000	Total equity £'000
At 1 June 2018	160	57,161	74,312	(128,480)	3,153
Loss for the financial year	-	-	-	(569)	(569)
Actuarial loss on pension fund	-	-	-	(1,177)	(1,177)
Total comprehensive expense	-	-	-	(1,746)	(1,746)
At 31 May 2019	160	57,161	74,312	(130,226)	1,407
At 1 June 2019	160	57,161	74,312	(130,226)	1,407
Profit for the financial year	-	-	-	548	548
Actuarial loss on pension fund	-	-	-	(613)	(613)
Total comprehensive expense	-	-	-	(65)	(65)
At 31 May 2020	160	57,161	74,312	(130,291)	1,342

The accompanying notes on pages 10 to 20 are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 May 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Cash (outflow) / inflow from operations	18	(701)	178
Service cost		-	(357)
Dividend income		740	-
Interest and finance costs paid		(857)	(927)
Interest received		856	965
Net cash inflow / (outflow) from operating activities		38	(141)
Net cash inflow from investing activities		-	-
Cash flows from financing activities			
Capital contribution	11	-	-
Net cash inflow from financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		38	(141)
Cash and cash equivalents at beginning of the year		18	159
Cash and cash equivalents at end of the year		56	18

The accompanying notes on pages 10 to 20 are an integral part of these financial statements.

NIKE MERCURIAL I LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020

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 IFRS Interpretations Committee (IFRS IC) 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.

Adoption of new and revised standards

The following standards, amendments to standards, improvements or interpretations became effective during the year to 31 May 2020:

International Accounting Standards (IAS/IFRSs)

a) New and amended standards adopted by the Company

There are no new and amended standards endorsed by the European Union that are adopted by the Company.

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

There are no amendments to IFRS that are not yet effective and that have been endorsed by the European Union that are relevant to the Company.

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. Financial assets and liabilities

The Company's financial assets completely consist of Trade receivables and are measured and classified accordingly under amortised cost.

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

1. Statement of significant accounting policies (continued)

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.

e. Pension Costs

The Company operates a defined benefit scheme (closed to future accrual as of 6 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.

f. 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.

g. 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.

h. Trade receivables

Trade receivables are classified and measured under amortised cost.

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

1. Statement of significant accounting policies (continued)

i. Trade payables

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

j. 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

k. 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.

l. Credit risk

The Company has limited credit risk as all receivables relate to intercompany receivables.

m. 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.

n. 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.

o. 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.

p. Going concern

Given the dynamic nature of COVID-19, the Company cannot reasonably estimate the impacts of COVID-19 on our financial condition and cash flows in the future. After making appropriate enquiries, including a review of budgets and other plans, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have received a letter of support from the parent company to guarantee the payment of any liabilities that fall due for at least 12 months from the signing date of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

NIKE MERCURIAL I LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

2. Profit / (Loss) before income tax

	2020 £'000	2019 £'000
Profit / (Loss) before tax is stated after charging:		
Audit fees in respect of statutory audit	15	15
Non-audit services – fees payable to the Company's auditors for other services:		
Tax services	-	-

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

	2020 £'000	2019 £'000
Interest on pension plan liabilities	857	927
Service cost	-	357
	857	1,284

4. Finance income

	2020 £'000	2019 £'000
Interest receivable from group undertaking	28	30
Expected return on plan assets	828	936
Dividend income	740	-
	1,596	966

5. Income tax

	2020 £'000	2019 £'000
Current tax		
Corporation taxes	14	5
Total current tax charge	14	5
Tax per income statement	14	5

Factors affecting total tax charge for the current year

The charge for the year can be reconciled to the income statements as follows:

	2020 £'000	2019 £'000
Profit / (Loss) before income tax	562	(564)
Tax on Profit / (Loss) at standard UK tax rate of 19.00% (2019: 19.00%)	107	(107)
Effects of:		
Income not taxable	(141)	-
Amounts not recognised	48	112
Total income tax	14	5

NIKE MERCURIAL I LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

5. Income tax (continued)

Corporation tax is calculated at 19.00% (2019: 19.00%) of the estimated taxable profit for the year.

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020. The UK Budget which took place on 11 March 2020 confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The rate reduction reversal was substantively enacted on 17 March 2020 by way of a special resolution. Accordingly, deferred tax has been provided at 19% being the rate at which temporary differences are expected to reverse.

	2020 £'000	2019 £'000
Unrecognised deferred tax		
Losses	1,902	1,664
Temporary differences non trading	360	179
	2,262	1,843

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

6. Investments in subsidiaries

	2020 £'000	2019 £'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	100%	Hong Kong	Management company

The registered address of the subsidiary is as follows:

NIKE Mercurial Hong Kong Limited - 31/F., Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Hong Kong

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

	2020 £'000	2019 £'000
Amounts due from affiliated group undertakings	3,161	2,675
	3,161	2,675

As of 31 May 2020 £nil trade receivables were impaired (2019: £nil).

Amounts due from subsidiary undertakings are repayable on demand and are conducted under businesslike market conditions.

NIKE MERCURIAL I LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

8. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks.

9. Trade and other payables

	2020 £'000	2019 £'000
Amounts owed to ultimate parent undertaking	10	24
Amounts owed to affiliated group undertakings	-	-
Other tax and social security	14	53
	24	77

Amounts owed to parent and group undertakings are repayable on demand and are conducted under businesslike market conditions.

10. Financial instruments

The Company did not have, nor entered into any forward foreign currency contracts in fiscal year 2020 or 2019. 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:

	2020 £'000	2019 £'000
Financial assets at amortised cost	3,161	2,675
Financial liabilities at amortised cost	-	-

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

	2020		2019	
	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 2019	57,161	74,312	(130,226)	1,247
Profit for the financial year	-	-	548	548
Actuarial loss on pension fund	-	-	(613)	(613)
At 31 May 2020	57,161	74,312	(130,291)	1,182

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

12. Statement of changes in equity

	Equity Share capital £'000	Capital reserve £'000	Share Premium £'000	Accumulated losses £'000	Total equity £'000
At 1 June 2018	160	57,161	74,312	(128,480)	3,153
Loss for the financial year	-	-	-	(569)	(569)
Actuarial loss on pension fund	-	-	-	(1,177)	(1,177)
Total comprehensive expense	-	-	-	(1,746)	(1,746)
At 31 May 2019	160	57,161	74,312	(130,226)	1,407
At 1 June 2019	160	57,161	74,312	(130,226)	1,407
Profit for the financial year	-	-	-	548	548
Actuarial loss on pension fund	-	-	-	(613)	(613)
Total comprehensive expense	-	-	-	(65)	(65)
At 31 May 2020	160	57,161	74,312	(130,291)	1,342

13. Employee costs and Directors' remuneration

No employees or Directors were remunerated through this company, nor were any costs (2019: £nil).

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 2020 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 (2019: £nil). The creditor at the end of the year was £nil (2019: £nil).

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

14. Pension commitments (continued)

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

	2020 £'000	2019 £'000
Defined benefit obligation at start of year	35,977	33,382
Service cost	-	357
Interest cost	857	927
Actuarial loss arising from changes in financial assumptions	4,269	2,627
Actuarial profit arising from changes in demographic assumptions	(67)	(292)
Effect of experience adjustments	(169)	-
Benefits paid, death in service premiums and expenses	(1,043)	(1,024)
Defined benefit obligation at end of year	39,824	35,977

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

	2020 £'000	2019 £'000
Fair value of assets at start of year	34,768	33,698
Interest Income	828	936
Return on plan assets (excluding interest income)	3,420	1,158
Contributions by employer	-	-
Benefits paid, death in service premiums and expenses	(1,043)	(1,024)
Fair value of assets at end of year	37,973	34,768

Total expense recognised in income statement

	2020 £'000	2019 £'000
Service cost	-	357
Interest on pension plan liabilities	857	927
Interest income on plan assets	(828)	(936)
Total included in employee benefit expense	29	348

The £29,000 charge (2019: £348,000) has been recognised in finance costs and finance income within the statement of income. The administrative expenses in fiscal year 2020 and 2019 are paid by the Company and not via the Plan.

Allocation of plan assets

	2020	2019
Equity instruments	53%	49%
Debt instruments	40%	45%
Real estate	6%	5%
Cash and cash equivalents	1%	1%

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.

NIKE MERCURIAL I LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

14. Pension commitments (continued)

Assumptions

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

	2020	2019
Inflation (RPI)	2.80%	3.20%
Inflation (CPI)	2.10%	2.10%
Salary increases	N/A	N/A
Discount rate	1.70%	2.40%
Revaluation of deferred pensions	2.10%	2.20%
Pension in payment increases of RPI or 5.0% if less	2.60%	3.05%
Pension in payment increases of CPI or 3.0% if less	2.05%	1.80%
Pension in payment increases of RPI or 2.5% if less	1.90%	2.05%
Pension in payment increases of RPI or 5.0% if less, minimum 3%	3.40%	3.65%

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

	2020	2019
Male currently age 45	23.1	23.2
Female currently age 45	25.3	25.2
Male currently age 65	21.8	21.8
Female currently age 65	23.7	23.7

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

	2020 £'000	2019 £'000
Present value of funded obligations	(39,824)	(35,977)
Fair value of plan assets	37,973	34,768
Net defined benefit liability in the scheme at end of the year	(1,851)	(1,209)

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

	2020 £'000	2019 £'000
(Surplus) / deficit in scheme at beginning of year	(1,209)	316
Total employee benefit expense	(29)	(348)
Actuarial loss taken to reserves	(613)	(1,177)
Contributions	-	-
Net defined benefit liability in the scheme at end of the year	(1,851)	(1,209)

Estimate of contributions to be paid to the plan for the year ending 31 May 2021

The estimated total contribution to be paid to the plan by the Company for the year ending 31 May 2021 is £nil.

NIKE MERCURIAL I LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

14. Pension commitments (continued)

Sensitivity analysis

	2020 £'000
<i>Present value of defined benefit obligations</i>	
Discount rate - 10 basis points	40,572
Discount rate + 10 basis points	39,095
Inflation rate - 10 basis points	39,187
Inflation rate + 10 basis points	40,475
Mortality -1 year Age Rating	41,261
<i>Weighted average duration of defined benefit obligation (in years)</i>	
Discount rate - 10 basis points	18.61
Discount rate + 10 basis points	18.48

	2020 £'000
<i>Expected cash flows for following year</i>	
1. Expected employer contributions	-
2. Expected contributions to reimbursement rights	-
3. Expected total benefit payments	
Year 1	600
Year 2	613
Year 3	627
Year 4	642
Year 5	656
Next 5 years	3,513

No formal asset liability matching was in place during fiscal year 2020, however an interactive investment strategy review was conducted.

15. Operating leases

The Company has no lease agreements (2019: £nil).

16. Related party transactions

Related party transactions with ultimate parent undertaking

The balance owed to NIKE, Inc. as at 31 May 2020 was £9,736 (2019: £24,337). NIKE Mercurial I Limited repaid £14,601 owed to NIKE, Inc. during fiscal year 2020 (2019: £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 2020 (2019: £nil). NIKE Mercurial I Limited made no payments to NIKE Mercurial Hong Kong Limited (2019: £nil).

Related party transactions with affiliated group undertakings

NIKE Mercurial I Limited incurred £nil (2019: £nil) 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 £330,000 (2019: £80,000). The balance from NIKE European Operations Netherlands B.V. as at 31 May 2020 was £3,160,990 (2019: NIKE European Operations Netherlands B.V. £2,675,006).

NIKE MERCURIAL I LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2020 (CONTINUED)

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 for the year ended 31 May 2020. The consolidated financial statements of NIKE, Inc. may be obtained from 1 Bowerman Drive, near Beaverton, Portland, Oregon, USA

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18. Cash outflow / (inflow) from operations

Reconciliation of net profit / (loss) to net cash flow from operations

	2020 £'000	2019 £'000
Profit / (Loss) for the financial year	548	(569)
Adjustments for:		
Dividend income	(740)	-
Interest income	(856)	(965)
Interest expense	857	927
Service cost	-	357
Changes in working capital		
Increase / (decrease) in debtors	(486)	51
Decrease / (increase) in operating creditors	(53)	29
Movement on pension creditor and reserves	29	348
Net cash outflow / (inflow) from operations	(701)	178