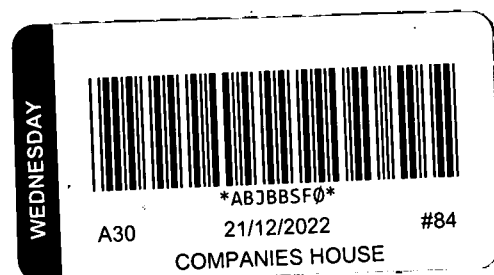


# **NIKE MERCURIAL I LIMITED**

## **Annual Report and Financial Statements For the year ended 31 May 2022**

Company Registered Number: 198168



## **NIKE MERCURIAL I LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2022**

The Directors present their report with the audited financial statements of NIKE Mercurial I Limited (hereinafter "the Company") for the year ended 31 May 2022. 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 2022. The Company's principle activity is the funding of the Umbro Pension Plan.

#### **Review of the business**

The Directors report an operating loss of £171,000 (2021: loss of £200,000).

The loss before income tax for the year was £175,000 (2021: loss of £305,000).

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

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

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

#### **Trading results and dividend**

The loss for the financial year was £180,000 (2021: loss of £309,000).

There was no dividend recommended or paid during the year to the immediate parent company (2021: £nil).

#### **Charitable contributions**

During the year the Company made no charitable contributions of sportswear and apparel, nor did it make donations (2021: £nil). No contributions were made to political organisations (2021: £nil), and no non-cash donations of product were made (2020: £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 (2021: nil tonnes).

#### **Directors**

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

A. L. Bell  
A. M. Miller

## **NIKE MERCURIAL I LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2022 (CONTINUED)**

#### **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.

#### **Pension risk**

The company has a closed defined benefit pension scheme which faces inherent risk as its funding position can be adversely impacted by investment performance and liability exposure to marketplace factors. The company actively engages with the Pension Trustee Board who utilise external professional investment fund managers and advisors on all investment management and support. Furthermore, the company has recently increased annual cash contributions to the scheme to assist in meeting the increased retirement benefit obligations over the long term.

#### **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 2022, there were no employees working for the Company (2021: 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. The Company cannot reasonably estimate the impacts of COVID-19 on our financial condition and cash flows due to the uncertainty of future developments. 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 2022 (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 UK-adopted international accounting standards.

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 UK-adopted international accounting standards 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

#### Directors' confirmations

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.

Approved and signed on behalf of the Board,



A. L. Bell  
Director

15 December 2022

Company Registered Number: 198168

## **NIKE MERCURIAL I LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIKE MERCURIAL I LTD.**

#### **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 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2022; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows 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**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

##### **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

## **NIKE MERCURIAL I LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIKE MERCURIAL I LTD. (CONTINUED)**

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 Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### ***Strategic report and Directors' report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 May 2022 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 Strategic report and 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to direct laws including UK tax legislation and compliance with the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to

## NIKE MERCURIAL I LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIKE MERCURIAL I LTD. (CONTINUED)

fraudulent journal entries, designed to improve the financial performance and/or position of the company and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inquiry with management in respect of potential non-compliance with laws and regulations;
- Reviewing financial statement disclosures and testing to supporting documentation;
- Testing journal entries meeting specific risk criteria, testing accounting estimates for indication of management bias, and evaluating the business rationale of any significant transactions outside the normal course of business; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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 obtained 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.

*Toni Alderson*

Toni Alderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
16 December 2022

NIKE MERCURIAL I LIMITED

**Income Statement**

For the year ended 31 May 2022

	Note	2022 £'000	2021 £'000
Other operating expenses		(171)	(200)
Operating loss		(171)	(200)
Finance costs	3	(769)	(773)
Finance income	4	765	668
Loss before income tax	2	(175)	(305)
Income tax	5	(5)	(4)
<b>Loss for the financial year</b>		<b>(180)</b>	<b>(309)</b>

The results shown are in respect of continuing activities.

The accompanying notes on pages 11 to 21 are an integral part of these financial statements

NIKE MERCURIAL I LIMITED

**Statement of Comprehensive Income**

For the year ended 31 May 2022

	Note	2022 £'000	2021 £'000
Loss for the financial year		(180)	(309)
Other comprehensive income:			
<i>Items not subsequently reclassified to the income statement</i>			
Actuarial profit	13	1,714	1,268
Net profit recognised directly in equity		1,714	1,268
Total comprehensive income		1,534	959


The accompanying notes on pages 11 to 21 are an integral part of these financial statements.

NIKE MERCURIAL I LIMITED

**Statement of Financial Position**  
As of 31 May 2022

	Note(s)	2022 £'000	2021 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	6	-	-
Retirement benefit asset	13	1,096	-
		1,096	-
<b>Current assets</b>			
Trade and other receivables	7,10	2,744	3,000
Cash and cash equivalents	8	4	33
		2,748	3,033
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	(9)	(27)
		(9)	(27)
<b>Net current assets</b>		2,739	3,006
<b>Non-current liabilities</b>			
Retirement benefit liability	13	-	(705)
		-	(705)
<b>Net assets</b>		3,835	2,301
<b>Shareholders' Equity</b>			
Equity share capital	11	160	160
Capital reserve		5,761	5,761
Share premium		74,312	74,312
Accumulated losses		(127,798)	(129,332)
<b>Total equity</b>		3,835	2,301

The accompanying notes on pages 11 to 21 are an integral part of these financial statements of NIKE MERCURIAL I LIMITED (registered number 198168). The financial statements on pages 7 to 21 were approved by the Directors on 15 December 2022 and were signed on their behalf by:

  
A. L. Bell  
Director

NIKE MERCURIAL I LIMITED

**Statement of Changes in Equity**  
For the year ended 31 May 2022

	Equity Share capital £'000	Capital reserve £'000	Share Premium £'000	Accumulated losses £'000	Total equity £'000
On 1 June 2020	160	57,161	74,312	(130,291)	1,342
Loss for the financial year	-	-	-	(309)	(309)
Actuarial profit on pension fund	-	-	-	1,268	1,268
<b>Total comprehensive income</b>	-	-	-	959	959
On 31 May 2021	160	57,161	74,312	(129,332)	2,301
On 1 June 2021	160	57,161	74,312	(129,332)	2,301
Loss for the financial year	-	-	-	(180)	(180)
Actuarial profit on pension fund	-	-	-	1,714	1,714
<b>Total comprehensive income</b>	-	-	-	1,534	1,534
On 31 May 2022	160	57,161	74,312	(127,798)	3,835

The accompanying notes on pages 11 to 21 are an integral part of these financial statements.

**Statement of Cash Flows**  
For the year ended 31 May 2022

	Note	2022 £'000	2021 £'000
<b>Cash flows from operating activities</b>			
Cash (outflow) / inflow from operations	17	(25)	82
Service cost		-	(90)
Interest and finance costs paid		(769)	(683)
Interest received		765	668
<b>Net cash outflow from operating activities</b>		(29)	(23)
<b>Net cash inflow from investing activities</b>		-	-
<b>Net cash inflow from financing activities</b>		-	-
<b>Net decrease in cash and cash equivalents</b>		(29)	(23)
Cash and cash equivalents at beginning of the year		33	56
<b>Cash and cash equivalents at end of the year</b>		4	33

The accompanying notes on pages 11 to 21 are an integral part of these financial statements.

## NIKE MERCURIAL I LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022

#### 1. Statement of significant accounting policies

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### a. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards. These financial statements have been prepared on a going concern basis under the historical cost basis of accounting.

The preparation of financial statements in accordance with UK-adopted international accounting standards 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 2022:

##### **International Accounting Standards**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 May 2022 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

##### b. Consolidation

The Company is a wholly owned subsidiary of NIKE, Inc. and is included in the consolidated financial statements of NIKE, Inc. which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 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 intercompany receivables and are accordingly measured and classified under amortised cost.

## NIKE MERCURIAL I LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

#### 1. Statement of significant accounting policies (continued)

##### d. Income tax

The tax expense represents the sum of the current tax and deferred tax.

The current tax is based on taxable profits for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been in force during the period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in business combination) of the assets and liabilities in a transaction that affects neither profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which the temporary differences can be utilised. Deferred tax is calculated at the average tax rates that are expected to apply in the period when the liability is settled, or the asset is realised.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

##### e. 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.

## NIKE MERCURIAL I LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

#### 1. Statement of significant accounting policies (continued)

##### f. 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.

##### g. 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.

##### h. 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.

##### i. Trade receivables

Trade receivables are classified and measured under amortised cost.

##### j. Trade payables

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

##### k. Critical accounting assumptions

The preparation of financial statements in accordance with UK-adopted international accounting standards 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 financial statements, are as follows:

- Defined benefit pension assumptions

##### l. 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.

## NIKE MERCURIAL I LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

#### 1. Statement of significant accounting policies (continued)

##### m. Credit risk

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

##### n. 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.

##### o. 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.

##### p. Company details

The Company is domiciled and incorporated in the United Kingdom under registration number 198168. The registered office is 4 Handyside Street, London, N1C 4DJ, United Kingdom.

##### q. 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. The Company cannot reasonably estimate the impacts of COVID-19 on our financial condition and cash flows due to the uncertainty of future developments. 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.

NIKE MERCURIAL I LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

2. Loss before income tax

	2022 £'000	2021 £'000
Loss before tax is stated after charging:		
Audit fees in respect of statutory audit	16	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

	2022 £'000	2021 £'000
Interest on pension plan liabilities	769	683
Service cost	-	90
	769	773

4. Finance income

	2022 £'000	2021 £'000
Interest receivable from group undertaking	10	17
Expected return on plan assets	755	651
	765	668

5. Income tax

	2022 £'000	2021 £'000
Current tax		
Corporation taxes	5	4
<b>Total current tax charge</b>	<b>5</b>	<b>4</b>
Tax per income statement	5	4

Factors affecting total tax charge for the current year

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

	2022 £'000	2021 £'000
Loss before income tax	(175)	(305)
Tax on Loss at standard UK tax rate of 19.00% (2021: 19.00%)	(33)	(58)
Effects of:		
Expenses not deductible	3	3
Amounts not recognised	35	59
<b>Total income tax</b>	<b>5</b>	<b>4</b>

# NIKE MERCURIAL I LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

### 5. Income tax (continued)

The Finance Act 2021 enacted on 10 June 2021 increased the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. The UK fiscal statement on 23 September 2022 included measures to target annual economic growth of 2.5%, encourage investment, higher wages and increased consumer spending. These measures included the cancellation of the planned increase in the corporation tax rate to 25%. The cancellation was not substantively enacted at the balance sheet date. Had the cancellation been substantively enacted at the balance sheet date, there would have been no impact on the company's deferred tax position as no deferred tax assets have been recognised at 31 May 2022.

	2022 £'000	2021 £'000
<b>Unrecognised deferred tax</b>		
Losses	2,613	2,545
Temporary differences non trading	(274)	176
	<b>2,339</b>	<b>2,721</b>

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

### 6. Investments in subsidiaries

	£'000	£'000
At 31 May 2022 and 2021	-	-

	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

The registered address of the subsidiary is as follows:

NIKE Mercurial Hong Kong Limited (formerly Umbro Hong Kong Limited) - 12/F, Manulife Place, 348 Kwun Tong Toad, Kwun Tong Kowloon, 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

	2022 £'000	2021 £'000
Amounts due from affiliated group undertakings	2,744	3,000
	<b>2,744</b>	<b>3,000</b>

As of 31 May 2022, £nil trade receivables were impaired (2021: £nil).

Amounts due from subsidiary undertakings are repayable on demand and are conducted under business-like market conditions.

# NIKE MERCURIAL I LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

### 8. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks.

### 9. Trade and other payables

	2022 £'000	2021 £'000
Amounts owed to ultimate parent undertaking	-	8
Corporate income tax payable	9	19
	9	27

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

### 10. Financial instruments

The Company did not have, nor entered into any forward foreign currency contracts in fiscal year 2022 or 2021. 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:

	2022 £'000	2021 £'000
Financial assets at amortised cost	2,744	3,033
Financial liabilities at amortised cost	-	8

Financial assets and financial liabilities at amortised cost are mainly due/owed from/to subsidiary undertakings, and are considered to be repayable on demand, therefore no impairment is required.

### 11. Equity share capital and other reserves

	2022		2021	
	Number	£	Number	£
<b>Issued:</b>				
Ordinary shares of £1 each	199,750	199,750	199,750	199,750
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of £1 each	160,002	160,002	160,002	160,002

### 12. Employee costs and Directors' remuneration

No Directors received any remuneration from the Company during the years ended 31 May 2022 and 31 May 2021. Their services to this company are of a non-executive nature and their remuneration is deemed to be wholly attributable to their services to the ultimate parent company.

During the years ended 31 May 2022 and 31 May 2021, the Company has not incurred any employee expenses and does not have any employees (2021: nil).

# NIKE MERCURIAL I LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

### 13. Retirement benefit

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 2022 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 (2021: £nil). The creditor at the end of the year was £nil (2021: £nil).

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

	2022 £'000	2021 £'000
Defined benefit obligation at start of year	38,778	40,480
Service cost	-	90
Interest cost	769	683
Actuarial profit arising from changes in financial assumptions	(8,608)	(553)
Actuarial (profit)/loss arising from changes in demographic assumptions	(51)	330
Effect of experience adjustments	1,586	(544)
Benefits paid, death in service premiums and expenses	(855)	(1,708)
Defined benefit obligation at end of year	31,619	38,778

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

	2022 £'000	2021 £'000
Fair value of assets at start of year	38,073	38,629
Interest Income	755	651
Employer contributions	101	-
(Loss) / return on plan assets (excluding interest income)	(5,359)	501
Benefits paid, death in service premiums and expenses	(855)	(1,708)
Fair value of assets at end of year	32,715	38,073

#### Total expense recognised in income statement

	2022 £'000	2021 £'000
Service cost	-	90
Interest on pension plan liabilities	769	683
Interest income on plan assets	(755)	(651)
Total included in employee benefit expense	14	122

# NIKE MERCURIAL I LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

### 13. Pension commitments (continued)

The £14,000 charge (2021: £122,000) has been recognised in finance costs and finance income within the statement of income. The administrative expenses in fiscal year 2022 and 2021 are paid by the Company and not via the Plan.

#### Allocation of plan assets

	2022	2021
Equity instruments	55%	47%
Debt instruments	39%	42%
Real estate	4%	6%
Assets held by insurance company	2%	2%
Cash and cash equivalents	1%	3%

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

#### Assumptions

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

	2022	2021
Inflation (RPI)	3.40%	3.20%
Inflation (CPI)	2.80%	2.50%
Salary increases	N/A	N/A
Discount rate	3.50%	2.00%
Revaluation of deferred pensions	2.50%	2.50%
Pension in payment increases of RPI or 5.0% if less	3.35%	3.20%
Pension in payment increases of CPI or 3.0% if less	2.35%	2.30%
Pension in payment increases of RPI or 2.5% if less	2.15%	2.10%
Pension in payment increases of RPI or 5.0% if less, minimum 3%	3.80%	3.60%

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

	2022	2021
Male currently age 45	23.2	23.1
Female currently age 45	25.6	25.6
Male currently age 65	22.3	22.3
Female currently age 65	24.6	24.6

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

	2022 £'000	2021 £'000
Present value of funded obligations	(31,619)	(38,778)
Fair value of plan assets	32,715	38,073
Net defined benefit asset / (liability) in the scheme at end of the year	1,096	(705)

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

# NIKE MERCURIAL I LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

### 13. Pension commitments (continued)

#### Summary movement in balance sheet deficit during the year

	2022 £'000	2021 £'000
Deficit in scheme at beginning of year	(705)	(1,851)
Total employee benefit expense	(14)	(122)
Actuarial profit taken to reserves	1,714	1,268
Employer Contributions	101	-
Net defined benefit asset / (liability) in the scheme at end of the year	1,096	(705)

#### Estimate of contributions to be paid to the plan for the year ending 31 May 2023

The estimated total contribution to be paid to the plan by the Company for the year ending 31 May 2022 is £113,000.

#### Sensitivity analysis

	2022 £'000	2021 £'000
<i>Present value of defined benefit obligations</i>		
Discount rate - 10 basis points	32,180	39,520
Discount rate + 10 basis points	31,074	38,057
Inflation rate - 10 basis points	31,123	38,170
Inflation rate + 10 basis points	32,098	39,366
Mortality -1-year Age Rating	32,797	40,223
<i>Weighted average duration of defined benefit obligation (in years)</i>		
Discount rate - 10 basis points	17.60	19.06
Discount rate + 10 basis points	17.40	18.86
	2022 £'000	2021 £'000
<i>Expected cash flows for following year</i>		
1. Expected employer contributions	113	83
2. Expected contributions to reimbursement rights	-	-
3. Expected total benefit payments		
Year 1	653	701
Year 2	675	721
Year 3	698	741
Year 4	722	763
Year 5	746	785
Next 5 years	4,130	4,274

No formal asset liability matching was in place during fiscal year 2022 and 2021, however an interactive investment strategy review was conducted.

### 14. Operating leases

The Company has no lease agreements (2021: £nil).

## NIKE MERCURIAL I LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 31 MAY 2022 (CONTINUED)

#### 15. Related party transactions

##### Related party transactions with ultimate parent undertaking

The balance owed by NIKE, Inc. as of 31 May 2022 was £74,318 (2021: owed to £8,474). NIKE Mercurial I Limited repaid nil owed to NIKE, Inc. during fiscal year 2022 (2021: £nil). The movement in the year mainly relates to intercompany charges to NIKE, Inc.

##### 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) on 31 May 2022 (2021: £nil). NIKE Mercurial I Limited made no payments to NIKE Mercurial Hong Kong Limited (formerly Umbro Hong Kong Limited) (2021: £nil).

##### Related party transactions with affiliated group undertakings

NIKE Mercurial I Limited incurred £nil (2021: £nil) payable to NIKE Retail B.V., an affiliated undertaking. NIKE Mercurial I Limited received payments from NIKE Retail B.V. of £340,000 (2021: NIKE European Operations Netherlands B.V. £180,000). The balance from NIKE Retail B.V. as of 31 May 2022 was £2,744,409 (2021: NIKE European Operations Netherlands B.V. £2,999,711).

As of 1 May 2022, NIKE European Operations Netherlands B.V. merged into NIKE Retail B.V. and therefore the balance moved from NIKE European Operations Netherlands B.V. to NIKE Retail B.V.

#### 16. Ultimate holding company

The immediate holding company is NIKE Vapor Limited whose registered office is at 4 Handyside Street, London, N1C 4DJ

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 2022. The consolidated financial statements of NIKE, Inc. may be obtained from 1 Bowerman Drive, near Beaverton, Portland, Oregon, USA

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#### 17. Cash (outflow) / inflow from operations

##### Reconciliation of net loss to net cash flow from operations

	2022 £'000	2021 £'000
Loss for the financial year	(180)	(309)
Adjustments for:		
Interest income	(765)	(668)
Interest expense	769	683
Service cost	-	90
Changes in working capital		
Decrease in debtors	256	161
(Decrease) / increase in income tax	(18)	3
Movement on pension creditor and reserves	(87)	122
Net cash (outflow) / inflow from operations	(25)	82