

Registered number:
01075951

Adidas (U.K.) Limited
Annual Report and Financial Statements
For the Year Ended 31 December 2022

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Adidas (U.K.) Limited

Company Information

Directors	M Creighton KL Swarbrick
Company secretary	R Hughes
Registered number	01075951
Registered office	The Adidas Centre Pepper Road Hazel Grove Stockport Cheshire SK7 5SA

Adidas (U.K.) Limited

Contents

	Page
Strategic Report	1 - 6
Directors' Report	7 - 8
Directors' Responsibilities Statement	9
Independent Auditor's Report	10 - 13
Statement of Comprehensive Income	14
Balance Sheet	15 - 16
Statement of Changes in Equity	17
Notes to the Financial Statements	18 - 39

Adidas (U.K.) Limited

Strategic Report For the Year Ended 31 December 2022

Principal Activities

The principal activity of Adidas (U.K.) Limited ('the Company') during the year was the distribution and retail of sports goods to the sports trade in the UK, as well as own retail and eCommerce channels.

Business Model

Supported by strong overseas central functions which continuously strive to improve products and to optimize the supply chain, the Company focuses on the consumers and is committed to match and exceed consumer expectations and to provide them with the highest value. The Company aims to maintain and reinforce its market position in the UK by continuing to expand its cooperation with leading wholesalers.

Business review and results

Sales decreased by 4.3% (2021: 23.6% increase) from £1,291,628,000 to £1,236,099,000 versus prior year. This consisted of a decrease in sales of £37,907,226 in wholesale, an increase of £19,422,081 in our own retail stores, £17,115,326 in our eCommerce channel and a reduction of £54,160,000 in turnover reported from sales of Reebok products following the disposal of this brand on 28 February 2022.

Profit before tax decrease by 5% (2021: 63.6% increase) versus prior year to £37,461,139 (2021: £39,878,000) driven primarily by a lower revenue figure.

Key performance indicators

The core KPI's used to monitor the performance of the business include turnover £1,236,099,000 (2021: £1,291,628,000), gross profit margin 24% (2021: 21.5%) and operating profit margin 3.3% (2021: 3.2%). The following KPI's are also monitored by the business:

Wholesale

Brand Share
Market Growth
Sales and margin by Product Group
Sales and margin by Customer Group
Sales and Outstanding Orders and Contracts by Customer Group
Orderbook Conversion
Employee headcount, turnover and absence
Net Promoter Score
Employee Promoter Score

Retail and eCommerce

Footfall
Average transaction value
Units per transaction
Conversion (transaction value/footfall)

All financial KPI's are monitored compared to budget, forecast, and previous years.

Principal risks and uncertainties

The Company's primary commercial and operational risks include loss of market share to competitors, retailer trading environment, supply chain risk, bad debts and IT/power failures. The management of these risks include process manuals and documentation, annual risk assessments, internal audits, disaster recovery procedures, insurance and regular strategic commercial meetings.

Adidas (U.K.) Limited

**Strategic Report (continued)
For the Year Ended 31 December 2022**

Global challenges

2023 has started with high inflation and interest rate rises and the war in Ukraine continues.

The Company has also discontinued its Yeezy product line.

Despite the above challenges, the 2023 outlook remains positive with consumer demand still high for our products.

Credit Risk

The company's credit risk exposure is mainly influenced by individual customer characteristics. Under the company's credit policy, new customers are analysed for creditworthiness before standard payment and delivery terms and conditions are offered. Tolerance limits for accounts receivable are also established for each customer. Both creditworthiness and accounts receivable limits are monitored on an ongoing basis. Customers that fail to meet the company's minimum creditworthiness are, in general, allowed to purchase products only on a prepayment basis.

Other activities to mitigate credit risks include retention of title clauses. In case objective evidence of credit impairment is observed for accounts receivable from a specific customer, a detailed analysis of the credit risk is performed, and an appropriate individual loss allowance is recognized for this customer.

Risk Profile

We acknowledge the possibility of potential impacts from macroeconomic, socio-political, regulatory and currency risks materializing. We also acknowledge that we could be exposed to tax and customs regulations & therefore have a specialist department dedicated to focusing on this risk and taking external advice when necessary. The coronavirus pandemic also demonstrated how quickly things can change but the company is now better equipped to deal with the associated risks in the future. Given the Adidas groups' support for Adidas (UK) Limited, Management does not foresee any material uncertainty to the viability of the company as a going concern, refer to note 1.3. For further information, please refer to the 2022 Adidas Group accounts (<https://report.adidas-group.com/2022/en/>).

Future developments

We have maintained good relationships with our customers and continued to develop our business with them. We continue to place new product and marketing initiatives into the UK, whilst serving the consumer directly through our retail and eCommerce channels.

Adidas (U.K.) Limited

Strategic Report (continued)
For the Year Ended 31 December 2022

S172 Reporting

The Board considers that the successful delivery of our strategy depends on effective engagement with stakeholders. Adidas (UK) Ltd stakeholders are organisations, communities or people with an interest or concern in our strategy and who may be affected by it. With regard to section 172(1)(a) to (f) of the Companies Act 2006 we have identified our key stakeholders in accordance with s172 of the Companies Act 2006 to be; consumers, customers, suppliers, employees, the local community and shareholders. This focus ensures we continue to work effectively with our suppliers, make a positive contribution to local communities, provide office space in which our employees will enjoy working and achieve long-term sustainable returns for our investors.

Stakeholder	Stakeholder interest	Our commitment
Consumer	<ul style="list-style-type: none"> - high-quality products - the sustainability of the brand - product desirability 	<ul style="list-style-type: none"> - strive to improve products and the technology offering to improve performance - collaborate with global influencers to ensure our products are desirable
Customers	<ul style="list-style-type: none"> - long-term partnerships - high quality products - dependable deliveries 	<ul style="list-style-type: none"> - open communication channels - collaborate with global influencers to ensure our products are desirable - continually improve our supply chain - on time deliveries
Suppliers	<ul style="list-style-type: none"> - long-term partnerships - fair payment terms - collaborative approach 	<ul style="list-style-type: none"> - review and publish payment practices - collaboration with suppliers on projects
Employees	<ul style="list-style-type: none"> - opportunities for development and progression - diversity and inclusion - agile working patterns 	<ul style="list-style-type: none"> - offer tailored training programme - encourage leaders to practice succession planning - flexible working opportunities - excellent on-site facilities i.e. gym and wellness team
Local Community	<ul style="list-style-type: none"> - impact on the local economy - local disruption - our carbon footprint 	<ul style="list-style-type: none"> - covered by Sustainability report published by Group - committed to using clean energy - contribute to environmental initiatives such as Parley for the Oceans - offer sustainable products
Shareholders	<ul style="list-style-type: none"> - financial performance - dividends - our long-term strategy 	<ul style="list-style-type: none"> - regular reporting on results, risks and opportunities - work with advisors to ensure efficient tax strategy

Adidas (U.K.) Limited

Strategic Report (continued)
For the Year Ended 31 December 2022

S172 Reporting (continued)

Stakeholder	How we engage
Consumer	<ul style="list-style-type: none"> - monitor and anticipate market trends and review consumers' opinions through Net Promotor Score surveys - conduct focus groups - activate campaigns at grass roots levels to get detailed feedback
Customers	<ul style="list-style-type: none"> - dedicated service teams for key customers - self-service platform available to promote accessibility - sell-in and keeping in touch meetings
Suppliers	<ul style="list-style-type: none"> - offering creative freedom on select ad-hoc projects
Employees	<ul style="list-style-type: none"> - quarterly Get Informed meetings to provide business updates, high-level financial reviews, HR updates and upcoming brand activations and campaigns - monitor and review our employee opinions through Employee Net Promotor Score surveys
Local Community	<ul style="list-style-type: none"> - partner with a charity selected by our employees for a period of 2 years - support chosen charity through volunteering, donations - offer TOIL to employees wishing to perform volunteer work during work time
Shareholders	<ul style="list-style-type: none"> - regular reporting to Group on results, risks and opportunities - our parent (Adidas AG) provides regular updates, meetings, and hosts an Annual General Meeting

Emissions and energy consumption

Adidas consumes approximately 9,817,991 kWh of energy per annum, with total greenhouse gas emissions of 2,039 tonnes. This comprises of:

Utility	Energy Consumption		CHG Emissions	
	kWh/year	%	tCO2e/year	%
Electricity (scope 2)	8,374,917	76.8	1,953	80.1
Gas (Scope 1)	1,831,458	16.8	336	13.8
Transport (Scope 1)	695,351	6.4	148	6.1
Transport (Scope 3)	-	0.0	-	0.0
Total	10,901,726	100.0	2,437	100.0

Adidas (U.K.) Limited

**Strategic Report (continued)
For the Year Ended 31 December 2022**

Emissions and energy consumption (continued)

Scope 1 - All Direct Emissions from the activities of an organisation or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air-conditioning leaks.

Scope 2 - Indirect Emissions from electricity purchased and used by the organisation. Emissions are created during the production of the energy and eventually used by the organisation.

Scope 3 - All Other Indirect Emissions from activities of the organisation but occur from sources that they do not own or control. For SECR, companies are required to disclose energy use and related emissions from business travel in rental cars or employee-owned vehicles where they are responsible for purchasing fuel.

Site Details

Adidas' largest sites in terms of use and greenhouse gas emissions are the head office in Stockport and the distribution centre in Trafford Park. The financial information of Trafford Park Distribution Centre is not included in the financial statements of the Company, however S172 reporting in this report includes information of its site. Invoice data is available from the energy suppliers and has been used to calculate their GHG emissions.

Adidas also operate 28 retail stores in the UK. Of the 28 stores, we procure our own gas and electricity at 18 stores, with the remaining 10 stores being procured via a surcharge that we pay directly to our landlord as part of our lease agreements. For these sites, invoice data is available from the energy suppliers and has been used to calculate their GHG.

In addition to the retail stores, there are also offices in London (Herbal House) and Basingstoke which are managed by the landlord. Estimated data has been used in parts for these offices.

Intensity Ratio

Total intensity ratio has been obtained via our SECR report completed by Carbon Numbers on behalf of Adidas UK. Intensity ratio for 2022: $tCO_2e / m^2 = 0.0269$

Energy Efficiency Actions

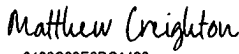
Adidas have engaged with Carbon Numbers Ltd to monitor and report on energy consumption, in addition to scoping and implementing energy saving projects, including the following;

1. Installation of additional water sub metering at Hazel Grove to help identify savings opportunities - Completed
2. Installation of additional electricity sub metering at Hazel Grove to help identify savings opportunities - Completed
3. Replacement of AC units at Trafford Park for more energy efficient units - Completed
4. Integration of mezz level AHU's (Air Handling Unit) into BMS (Building Management System) at Trafford Park to help with temperature and energy management - Completed
5. Installation of BMS at Battersea store - Completed
6. LED lighting upgrade with PIR (Passive Infra Red) detection in Samples (Hazel Grove) - Completed
7. Solar PV array & an upgrade to HVAC (Heating Ventilation & Air Cooling) system at Hazel Grove - Completed.

Adidas (U.K.) Limited

**Strategic Report (continued)
For the Year Ended 31 December 2022**

This report was approved by the board on 15 December 2023 and signed on its behalf by:

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M Creighton
Director

Adidas (U.K.) Limited

**Directors' Report
For the Year Ended 31 December 2022**

The directors present their report and the financial statements for the year ended 31 December 2022.

Results and dividends

The profit for the year, after taxation, amounted to £31,127,000 (2021: £32,285,000). No interim dividend was paid during the year (2021: £nil). The directors have not yet proposed a final ordinary dividend in respect of the current financial year however the 2021 dividend (£30,000,000) was paid in 2022.

Going Concern

The accounts are prepared on the going concern basis of preparation, full consideration of going concern is outlined in Note 1.3.

Directors

The directors who served during the year and as at the date of this report were as follows:

M Creighton (appointed 30 June 2022)
KL Swarbrick (appointed 24 January 2022)
AR Hackett (resigned 30 June 2022)
JA Hunt (resigned 24 January 2022)

Key highlights of 2022 and Future developments

The Off-Campus programme, a flexible working policy allowing employees to work up to 40% of their time from another location is now the normal way of working for the majority of office based employees. We continue to recognise that by offering more agile working it gives the opportunity of a better work/life balance, there is no drop off in productivity given the remote working tools at our disposal. We continue to invest in our onsite fitness facilities and our Wellness programme to promote the health and welfare of our employees. The Company continues to offer physio and doctor's appointments in person and remotely via our Wellness programme, to support both the physical and mental health of our employees.

Treatment of Reebok Sales in 2022 Financial Statements

On 28 February 2022 the Adidas AG Group (the Group) divested its interest in the Reebok brand to Authentic Brands Group LLC (ABG) via a Share and Asset Purchase Agreement.

From that date onwards the Company sourced and supplied Reebok branded products to customers at the instruction of ABG under the terms of certain agreements between the Group and ABG. The resulting net economic benefits from this arrangement were remitted to ABG by the Group, with the Group retaining a percentage of the benefit as a commission.

The Directors have considered the impact of these arrangements and determined that from 1 March 2022 the Company is acting as an agent on behalf of ABG. In accordance with the requirements of IFRS 15, from the 1 March 2022 the Company has recognised only the net fee that it expects to be entitled to from these arrangements within Turnover.

Adidas (U.K.) Limited

**Directors' Report (continued)
For the Year Ended 31 December 2022**

Political contribution

The Company made no political donations or incurred any political expenditure during the year (2021: nil).

Disclosure of information to auditors


Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following a change in the auditor at Adidas AG Group level, KPMG LLP will not be reappointed after their present term in office. PWC will be appointed as statutory auditor for the year ending 31 December 2023.

This report was approved by the board on 15 December 2023 and signed on its behalf.

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M Creighton
Director

Adidas (U.K.) Limited

**Statement Of Directors' Responsibilities In Respect Of The Annual Report
And The Financial Statements For the Year Ended 31 December 2022**

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with UK accounting standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Adidas (U.K.) Limited

Independent Auditor's Report to the Members of Adidas (U.K.) Limited

Opinion

We have audited the financial statements of Adidas (UK) Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Adidas (U.K.) Limited

Independent Auditor's Report to the Members of Adidas (U.K.) Limited (continued)

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Considering remuneration incentive schemes and performance targets for management, including directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet turnover targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue is overstated through recording revenue in the wrong period and the risk that Company management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of Company wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those journals with unusual descriptions and those posted to unusual accounts or with unexpected account combinations.
- Evaluated the business purpose of significant unusual transaction.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Adidas (U.K.) Limited

Independent Auditor's Report to the Members of Adidas (U.K.) Limited (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety; anti-bribery and employment law recognizing the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Fraud and breaches of laws and regulations - ability to detect

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Adidas (U.K.) Limited

Independent Auditor's Report to the Members of Adidas (U.K.) Limited (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Roger Nixon (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
15 December 2023

Adidas (U.K.) Limited

**Statement of Comprehensive Income
For the Year Ended 31 December 2022**

	Note	2022 £000	2021 £000
Turnover		1,236,099	1,291,626
Cost of sales		(939,731)	(1,014,548)
Gross profit		296,368	277,078
Distribution costs		(35,947)	(29,800)
Administrative expenses		(219,456)	(205,378)
Operating profit	2	40,965	41,900
Interest receivable and similar income	5	1,248	53
Interest payable and similar expenses	6	(4,752)	(2,075)
Profit before tax		37,461	39,878
Tax on profit	7	(6,334)	(7,593)
Profit for the financial year		31,127	32,285
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net loss on remeasurement of defined benefit pension	17	(3,750)	-
Tax on remeasurement of defined benefit pension		938	-
Loss on LTIP hedge		(410)	(109)
Other comprehensive income		(3,222)	(109)
Total comprehensive income for the year		27,905	32,176

The notes on pages 18 to 39 form part of these financial statements.

Adidas (U.K.) Limited
Registered number:01075951

Balance Sheet
As at 31 December 2022

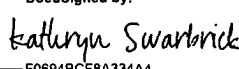
	Note	2022 £000	2021 £000
Fixed assets			
Tangible assets	9	66,084	52,132
Other fixed assets	9	145,927	136,260
		212,011	188,392
Current assets			
Stocks	10	23,709	14,737
Debtors: amounts falling due after more than one year	11	1,713	23,342
Debtors: amounts falling due within one year	11	120,955	132,120
Cash at bank and in hand		2,603	4,843
		148,980	175,042
Creditors: amounts falling due within one year	12	(155,163)	(174,447)
Current lease liabilities	12	(11,392)	(11,885)
Net current liabilities		(17,575)	(11,290)
Total assets less current liabilities		194,436	177,102
Creditors: amounts falling due after more than one year	12	(2,640)	(779)
Non-current lease liabilities	12	(148,834)	(132,730)
		(151,474)	(133,509)
Provisions for liabilities			
Other provisions	14	(4,894)	(6,583)
Defined benefit pension liability	17	(1,506)	-
Net assets		36,562	37,010
Capital and reserves			
Called up share capital	15	1,000	1,000
Other reserves		1,647	-
Profit and loss account		33,915	36,010
		36,562	37,010

Adidas (U.K.) Limited
Registered number:01075951

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 December 2023.

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M Creighton
Director

DocuSigned by:

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KL Swarbrick
Director

The notes on pages 18 to 39 form part of these financial statements.

Adidas (U.K.) Limited

Statement of Changes in Equity
For the Year Ended 31 December 2022

	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2021	1,000	-	27,834	28,834
Comprehensive income for the year				
Profit for the year	-	-	32,285	32,285
Other comprehensive income				
Loss on LTIP hedge	-	-	(109)	(109)
Total comprehensive income for the year	-	-	32,176	32,176
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(24,000)	(24,000)
Total transactions with owners	-	-	(24,000)	(24,000)
At 1 January 2022	1,000	-	36,010	37,010
Comprehensive income for the year				
Profit for the year	-	-	31,127	31,127
Other comprehensive income				
Net loss on remeasurement of defined benefit pension	-	-	(3,750)	(3,750)
Loss on LTIP hedge	-	-	(410)	(410)
Tax on remeasurement of defined benefit pension	-	-	938	938
Total comprehensive income for the year	-	-	27,905	27,905
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(30,000)	(30,000)
Gain on transfer of defined benefit scheme from RIL	-	1,647	-	1,647
Total transactions with owners	-	1,647	(30,000)	(28,353)
At 31 December 2022	<u>1,000</u>	<u>1,647</u>	<u>33,915</u>	<u>36,562</u>

The notes on pages 18 to 39 form part of these financial statements.

Dividends paid in 2022 and 2021 relate to the final ordinary dividend declared for the 2021 and 2020 financial years respectively. There is no final ordinary dividend declared for 2022 at the date these financial statements were authorised.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

1. Accounting policies

1.1 Basis of preparation of financial statements

Adidas (UK) Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 1075951 and the registered address is: The Adidas Centre, Pepper Road, Hazel Grove, Stockport, Cheshire, SK7 5SA.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company accounting policies.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash flow statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of the compensation of Key Management Personnel;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of related party transactions with wholly owned group companies;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures;
- Certain disclosures regarding revenue;
- Certain disclosures regarding leases;

The Company's ultimate parent undertaking, Adidas AG includes the Company in its consolidated financial statements. The consolidated financial statements of Adidas AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Adidas AG, Adi-Dassler-Strasse 1-2, D-91074 Herzogenaurach, Germany.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis. Non-current assets and disposal groups held for sale are stated at the lower of previous carrying amount and fair value less costs to sell.

Fair value of Long term incentive plans (LTIP) is based on the closing price of the Adidas AG share on December 31, 2022, adjusted for future dividend payments. Share price risks arising related to LTIP are addressed by Adidas AG which holds swaps and options to hedge against share price fluctuations. No hedges are held by Adidas UK limited.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

1. Accounting policies (continued)

1.3 Going concern

Notwithstanding net current liabilities of £17,575,000 as at 31 December 2022, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company, as part of the Adidas AG Group ('the Group'), meets its day to day working capital requirements from its own cash balances and the availability of the Group centralised treasury arrangements. Through centralised treasury arrangements there is inter-reliance of subsidiary companies within the Adidas AG Group.

The Directors have prepared base and sensitised cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that the Company will have sufficient funds through its existing cash balances and the availability of funds from the Group's committed and uncommitted bilateral credit lines. In assessing the going concern basis, the Directors have taken into account the learnings from the last 3 years of COVID and the various measures put in place so that Adidas is resilient and agile for future disruptions. The Company has seen its sales stable in 2022 vs 2021 which is better than expected considering the loss of the Yeezy business in 2022. The Directors have taken into account the current macro-economic outlook which includes high inflation impacting consumer spending power and the ongoing uncertainty over the war in Ukraine.

The Directors continue to keep a tight control on credit collection, optimising cash outflows by adjusting the order book and reducing operating expenses and capital expenditures to minimise the impacts of a fluctuating global landscape. Through such actions we have demonstrated the continued financial stability of our company. We have consciously used our factory outlets to reduce negative margin effects and avoid excess inventory. We have demonstrated that we can be agile in responding the challenges that could have an impact on us and adapting our approach remain a going concern.

The forecasts referred to above are dependent on Adidas AG not seeking repayment of the amounts currently due to the Group, which at 31 December 2022 amounted to £80,107,000 and providing additional financial support during that period. Adidas AG has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Adidas (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.4 Fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Adidas assesses at inception whether a contract is or contains a lease and should be reported as a right of use asset on the balance sheet. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether Adidas obtains substantially all the economic benefits from the use of that asset and whether Adidas has the right to direct the use of the asset.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount. Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold property	- 25 years
Plant and machinery	- 3 - 10 years
Fixtures and fittings	- 3 - 10 years
Computer equipment	- 3 - 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

Adidas recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured based on the present value of lease payments plus any initial direct costs incurred and the costs of obligations to refurbish the asset, less any incentives received. The ROU asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the ROU asset is subject to testing for impairment if there is any indication of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Adidas' calculated incremental borrowing rate. Generally, we use the Adidas rate as the discount rate. The incremental borrowing rate is calculated using the country risk free rate which is tailored to the lease by adjusting for the credit risk, location and the lease term.

The lease liability includes fixed payments that depend on an index (such as an inflation index). When the lease contains an extension, purchase or early termination option that Adidas considers reasonably certain to be exercised, the cost of the extension or option is included in the lease payments.

ROU assets are separately disclosed as a line in the balance sheet. The corresponding lease liability is separately disclosed as "lease liabilities" in current and non-current liabilities.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

1. Accounting policies (continued)

1.4 Fixed assets (continued)

The ROU asset is initially measured based on the present value of lease payments plus any initial direct costs incurred and the costs of obligations to refurbish the asset, less any incentives received. The ROU asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the ROU asset is subject to testing for impairment if there is any indication of impairment.

Lease contract renegotiations that result in changes to the original contractual conditions are treated as lease modifications. Depending on the circumstances these are either accounted for as a new separate contract or they trigger a remeasurement of the lease liability using the discounted future lease payments. In the latter case, a corresponding adjustment is made to the right-of-use asset. In the case of lease reassessments as a result of changes such as changing estimates surrounding existing extension and termination options, the lease liability is remeasured using the discounted or existing future lease payments and make a corresponding adjustment to the right-of-use asset.

Rentals not included within the IFRS 16 calculation are charged to the Profit and Loss Account on a straight line basis over the lease term. This includes leases where there is no fixed base rent payment but turnover rent only, or where the lease is unlikely to meet conditions to pay the base rent, low value leases and short term leases less than 12 months.

1.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Adidas (U.K.) Limited

Notes to the Financial Statements For the Year Ended 31 December 2022

1. Accounting policies (continued)

1.6 Financial instruments

Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost which is Fair value less any transaction costs; FV – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Trade and other debtors are now classified at amortised cost. Impairment losses for trade and other debtors measured at amortised cost or at fair value through other comprehensive income (debt) are recognized in accordance with IFRS 9 'Financial Instruments'. The standard requires that not only historical data, but also future expectations and projections are taken into consideration when accounting for impairment losses ('expected credit loss' model). Adidas consistently applies the simplified approach and recognizes lifetime expected credit losses for all accounts receivable.

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

At amortised cost

Financial liabilities at amortised cost are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

There have been no changes to the categorisation or fair value hierarchy of our financial instruments. The fair values of cash and cash equivalents, trade and other receivables, accrued income, and trade and other payables and borrowings are all deemed to approximate their carrying values and these can be identified on the face of the Balance Sheet and accompanying notes.

1.7 Dividends

Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

1. Accounting policies (continued)

1.8 Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss. Return assets are recognised in relation to products sold with right of return based on expected returns, as per IFRS 15.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

1. Accounting policies (continued)
1.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income. Current tax is calculated using the tax rates in force for the year and deferred tax is calculated using rates substantively enacted at the Balance Sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

1.11 Turnover

Revenue derived from the sale of goods is recognized when Adidas has satisfied the respective performance obligation by transferring the promised goods to the customer. The goods are transferred at the point in time when the customer obtains control of the respective goods. The timing of the transfer of control depends on the individual terms of the sales agreement (terms of delivery).

The amount of revenue to be recognized is determined based on the consideration Adidas expects to be entitled to in exchange for transferring the promised goods or services to the customer, taking into account returns, discounts, and rebates.

Under certain conditions and in accordance with contractual agreements, the company's customers have the right to return products and to either exchange them for similar or other products or to return the products against the issuance of a credit note. Amounts for estimated returns related to revenues are accrued based on past experience of average return rates and average actual return periods by means of a refund liability. The return assets are measured at the former carrying amount of the inventories/products, less any handling costs and any potential impairment.

Provided that the customers meet certain predefined conditions, Adidas grants its customers different types of globally aligned performance-based rebates. Examples include rebates for customers' increasing Adidas product sales, for customer loyalty, and for sell-out support, e.g., through retail space/franchise store management. As soon as it is assumed that the customer fulfills the requirements for being granted the rebate, this amount is recognized as a sales deduction via an accrued liability for marketing and sales.

On 28 February 2022 the Adidas AG Group (the Group) divested its interest in the Reebok brand to Authentic Brands Group LLC (ABG) via a Share and Asset Purchase Agreement.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

1. Accounting policies (continued)**1.11 Turnover (continued)**

From that date onwards the Company sourced and supplied Reebok branded products to customers at the instruction of ABG under the terms of certain agreements between the Group and ABG. The resulting net economic benefits from this arrangement were remitted to ABG by the Group, with the Group retaining a percentage of the benefit as a commission.

The Directors have considered the impact of these arrangements and determined that from 1 March 2022 the Company is acting as an agent on behalf of ABG. In accordance with the requirements of IFRS 15, from the 1 March 2022 the Company has recognised only the net fee that it expects to be entitled to from these arrangements within Turnover.

1.12 Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1.13 Impairment of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use.

The ROU asset is initially measured based on the present value of lease payments plus any initial direct costs incurred and the costs of obligations to refurbish the asset, less any incentives received. The ROU asset is subsequently depreciated using the straight-line method over the shorter of the lease term or the useful life of the underlying asset. In addition, the ROU asset is subject to testing for impairment if there is any indication of impairment.

1.14 Share based payment transactions

Where a member of the group grants cash settled awards to the Company's employees, and the Company has an obligation to settle the award, the Company accounts for these share based payments as cash settled.

1.15 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

1. Accounting policies (continued)**1.16 Key estimates and judgements****Revenue - provision for returns**

Under certain conditions and in accordance with contractual agreements, the Company's customers have the right to return products and to either exchange them for similar or other products or to return the products against the issuance of a credit note. Amounts for estimated returns related to revenues are provided based on past experience of average return rates and average actual return periods. The return assets are measured at the former carrying amount of the inventories/products, less any handling costs and any potential impairment.

Impairment of tangible fixed assets

For the purposes of assessing impairment in fixed assets, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

Provision for impairment of trade receivables

A provision is maintained for impairment of trade receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of the provision, management bases its estimates on the ageing of trade receivables, customer credit worthiness and changes in customer payment terms. Whilst, the provision is made based on management's best knowledge at the year end, this carries an inherent level of estimation uncertainty.

2. Operating profit

The operating profit is stated after charging:

	2022	2021
	£000	£000
Depreciation	31,662	28,009
Loss on sale of tangible assets	-	226
Charge relating to variable lease payments not included in the measurement of lease liabilities	1,388	1,785
Foreign exchange gains/losses	717	100
Grant income	-	(1,081)
Restructuring costs	207	1,679

Auditor's remuneration

Audit of these financial statements	<u>287</u>	<u>176</u>
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There were no fees paid to the auditor in the year other than the fee for the audit of these financial statements (2021: £nil).

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

3. Employees

Staff costs, including directors' remuneration, were as follows:

	2022	2021
	£000	£000
Wages and salaries	55,006	49,086
Social security costs	4,983	4,842
Cost of defined contribution scheme	2,455	2,103
	<u>62,444</u>	<u>56,031</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022	2021
	No.	No.
Office management	467	450
Distribution and retail	1,132	844
	<u>1,599</u>	<u>1,294</u>

4. Directors' remuneration

	2022	2021
	£000	£000
Directors' emoluments	983	1,487
Long term incentive plan	116	1,090
Company contributions to defined contribution pension schemes	8	12
	<u>1,107</u>	<u>2,589</u>

During the year retirement benefits were accruing to 3 directors (2021: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £550,000 (2021: £2,136,000) including LTIP arrangement (reference note 14) and settlement package.

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil (2021: £nil).

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

5. Interest receivable

	2022 £000	2021 £000
Interest receivable from group undertakings	36	51
Other interest receivable	-	2
Net interest income on net defined benefit pension liability (note 17)	1,212	-
	<u>1,248</u>	<u>53</u>

6. Interest payable and similar charges

	2022 £000	2021 £000
Amounts payable to group undertakings	966	55
Other interest payable	65	28
Interest expense on lease liabilities	2,557	1,992
Net interest expense on net defined benefit pension liability (note 17)	1,164	-
	<u>4,752</u>	<u>2,075</u>

7. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	6,487	7,823
Adjustments in respect of previous periods	(1,200)	(71)
Total current tax	<u>5,287</u>	<u>7,752</u>
Deferred tax		
Origination and reversal of timing differences	1,001	674
Changes to tax rates	(44)	(1,100)
Adjustment in respect of prior years	90	267
Total deferred tax	<u>1,047</u>	<u>(159)</u>
Tax on profit	<u>6,334</u>	<u>7,593</u>

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

7. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2021: *higher than*) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Profit on ordinary activities before tax	<u>37,461</u>	<u>39,878</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	7,118	7,577
Effects of:		
Non-deductible expenses	636	919
Adjustment in respect of prior years	(1,111)	198
Movement due to changes in tax rate	(44)	(1,101)
Income not taxable (Super Deduction Element)	(265)	-
Total tax charge for the year	<u>6,334</u>	<u>7,593</u>

Factors that may affect future tax charges

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The deferred tax asset at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related temporary/timing differences (2021: 19%).

8. Dividends

	2022 £000	2021 £000
Dividend paid	<u>30,000</u>	<u>24,000</u>

Dividends paid in 2022 and 2021 relate to the final ordinary dividend declared for the 2021 and 2020 financial years respectively. There is no final ordinary dividend declared for 2022 at the date these financial statements were authorised.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

9. Fixed assets

	Right of Use Assets £000	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation						
At 1 January 2022	170,908	9,200	16,046	85,368	13,989	295,511
Additions	25,131	-	359	28,867	963	55,320
Disposals	(1,293)	(39)	-	(45)	-	(1,377)
At 31 December 2022	194,746	9,161	16,405	114,190	14,952	349,454

Depreciation

At 1 January 2022	34,648	3,198	14,084	44,069	11,120	107,119
Charge for the year on owned assets	15,464	616	452	12,547	2,583	31,662
Disposals	(1,293)	-	-	(45)	-	(1,338)
At 31 December 2022	48,819	3,814	14,536	56,571	13,703	137,443

Net book value

At 31 December 2022	<u>145,927</u>	<u>5,347</u>	<u>1,869</u>	<u>57,619</u>	<u>1,249</u>	<u>212,011</u>
At 31 December 2021	<u>136,260</u>	<u>6,002</u>	<u>1,962</u>	<u>41,299</u>	<u>2,869</u>	<u>188,392</u>

Included in the cost of freehold property is £9.2 million (2021: £7.4 million) of depreciable assets. The fixtures and fittings additions are in relation to branded space investment with key retailers, own retail store investment and investment in head office facilities.

Of the total Right of Use asset net book value, £145,349,000 relates to freehold property and £577,927 relates to motor vehicles versus 2021 when £135,446,000 related to freehold property and £814,500 related to motor vehicles.

Depreciation related to Right of Use assets is split as follows, £15,149,918 relates to freehold property and £313,844 relates to motor vehicles.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

10. Stocks

	2022	2021
	£000	£000
Raw materials and consumables	<u>23,709</u>	<u>14,737</u>

Finished goods and merchandise are valued at the lower of cost or net realisable value, which is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Cost is determined using a standard valuation method, the 'average cost method'.

Finished goods and goods for resale recognised as cost of sales in the year amounted to £939,730,783 (2021: £990,315,613).

11. Debtors

	2022	2021
	£000	£000
Amounts falling due after more than one year		
Prepayments and accrued income	-	3,000
Deferred tax asset (see note 13)	1,713	2,303
Amounts owed by group undertakings	-	18,039
	<u>1,713</u>	<u>23,342</u>

Prepayments due after more than one year are in relation to the Arsenal Football Club marketing contract.

	2022	2021
	£000	£000
Amounts falling due within one year		
Trade debtors	73,887	80,654
Amounts owed by group undertakings	10,828	28,317
Other debtors	15,094	9,800
Prepayments and accrued income	7,568	8,824
Deferred tax asset (see note 13)	3,366	3,435
Corporation tax	10,212	1,090
	<u>120,955</u>	<u>132,120</u>

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

12. Creditors

	2022	2021
	£000	£000
Amounts falling due within one year		
Trade creditors	31,378	26,997
Amounts owed to group undertakings	72,376	95,832
Other taxation and social security	11,637	4,280
Other creditors	2,580	1,093
Accruals and deferred income	37,192	46,245
	<u>155,163</u>	<u>174,447</u>

	2022	2021
	£000	£000
Amounts falling due after more than one year		
Accruals and deferred income	<u>2,640</u>	<u>779</u>

Terms and repayment schedule of lease liabilities

The repayment schedule of the future lease liabilities at 31 December 2022 and 31 December 2021 were as follows:

	2022	2021
	£000	£000
Contractual payments for lease liabilities		
Within 1 year	11,392	11,885
Between 1 and 5 years	59,999	47,034
After 5 years	88,835	85,696
	<u>160,226</u>	<u>144,615</u>

The amount which lease liabilities are now stated represents the present value of the future payments for which the Company is liable up to the end of all the leases under which it is a lessee. The leases relate to the company's retail outlets and car contracts in the UK and the present value of the contractual payments due under them is stated after discounting at rates between 0.16% and 5.65% on the remaining life of the leases.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

12. Creditors (continued)

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	2022 £000	2021 £000
Interest expense on lease liabilities	2,557	1,992
Expenses relating to variable lease payments not included in the measurement of lease liabilities	1,388	1,785
	<u>3,945</u>	<u>3,777</u>

13. Deferred taxation

	2022 £000	2021 £000
At beginning of year	5,738	5,579
Deferred tax charged in OCI for the period	938	-
Movement arising from transfer of Reebok pension scheme	(550)	-
Charged to profit or loss	(1,047)	159
At end of year	<u>5,079</u>	<u>5,738</u>

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Tangible fixed assets	3,547	3,605
Temporary differences	1,532	2,133
	<u>5,079</u>	<u>5,738</u>

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

14. Provisions

	Longterm incentive plan £000	Restructuring provision £000	Dismantling provision £000	Total £000
At 1 January 2022	2,889	1,282	2,412	6,583
Charged to profit or loss	209	463	357	1,029
Utilised in year	(1,765)	(953)	-	(2,718)
At 31 December 2022	<u>1,333</u>	<u>792</u>	<u>2,769</u>	<u>4,894</u>

Long term incentive plan vests 3 years after the award year. Restructuring provision is expected to be utilised within 12 months. Dismantling provision utilisation depends on the end date of the underlying lease. Lease end dates are between 1 and 18 years.

15. Share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
1,000,000 (2021: 1,000,000) Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

16. Contingent liabilities

Adidas (U.K.) Limited has given guarantees to HM Customs & Excise in respect of VAT and duty deferment of £14,100,000 (2021: 12,000,000).

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

17. Pension commitments

As part of the Reebok divestment process (refer note 1.11), a carve out plan was undertaken and the transfer of the Reebok International Limited UK Defined Benefit pension scheme ("the Scheme") became part of the carve out plan and on 7 February 2022 the assets and obligations of the scheme were transferred to Adidas UK Limited through a Share Purchase Agreement (SPA) and a deed of substitution, amendment, apportionment, and cessation of participation ("the Deed") for the consideration of £2. As per the Deed, the Company will act as the new principal employer of the scheme from the date of the deed. This is the only post-employment defined benefit plan that the Company contributes to.

The Scheme is governed by a trust deed dated 22 August 2022 and Adidas Pensions Management Limited (Previously known as Reebok Pensions Management Limited) (the Trustee) is acting as trustee of the Scheme. The above-mentioned change in principal employer was in line with the provision of the Deed.

The defined benefit pension plan (or the Scheme) is in the United Kingdom and the Deed will be governed by the law of England and Wales.

As at 7 February 2022, the fair value of plan assets amounted to £55.349 million and the defined benefit obligation (DBO) of the transferred scheme was measured by the Company's actuary to £53.153 million. This resulted in an asset of £1.6m being recognised (net of deferred tax) in the balance sheet at 7 February 2022, with a corresponding gain being recorded in equity as other reserve.

Funding

Under the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to base on pensionable service to the valuation date. There are no active members in the Scheme so no contributions in respect of future accruals are to be paid in the future. There are currently no minimum funding requirements in place.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 18 years.

Other Characteristics of the Scheme

- i. the Scheme provides mainly final salary benefits. A separate section of the Scheme also provided defined contribution benefits which are not material to the financial statements; however, the arrangement is closed to new members and contributions.
- ii. Under the deed Adidas AG guarantees to the Trustee punctual performance by Adidas (U.K.) Limited of all obligations of Adidas (U.K.) Limited to make payments to the Scheme.
- iii. the Scheme is governed by the Board of Directors of the Trustee. One-third of directors of the trustee company must be member-nominated and elected by the members (unless the sole director or all the directors are independent).
- iv. The Trustee has appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustee's strategy whereby the level of investment risk reduces as the Scheme's funding level improves. In this capacity, and subject to agreed restrictions, the Scheme's assets are invested in multiclient collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")).

The defined benefit plan exposes the Company to actuarial risks, such as longevity risk, interest rate risk and market (investment) risk. However, the underlying investments of the Scheme are in a diversified portfolio through an appropriate asset allocation policy, hence the risk is minimized.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

17. Pension commitments (continued)

The information disclosed below is in respect of the whole of the plan for which the Company is the sponsoring employer:

	2022 £000	2021 £000
Present value of funded defined benefit obligations	(32,514)	-
Fair value of plan assets	31,008	-
Present value of funded defined benefit obligations	<u>(1,506)</u>	<u>-</u>

Movements in the present value of the defined benefit obligation during the year were as follows:

	2022 £000	2021 £000
At 1 January	-	-
Increase due to effect of transfer on 7 February 2022	53,153	-
Included in profit or loss		
Interest expense	1,164	-
Included in OCI		
Re-measurement - actuarial (gain)/loss from changes in demographic assumptions	(46)	-
Re-measurement - actuarial (gain)/loss from change in financial assumptions	(24,059)	-
Effect of experience adjustments	2,807	-
Other		
Benefits paid	(505)	-
At 31 December	<u>32,514</u>	<u>-</u>

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

17. Pension commitments (continued)

Movements in the fair value of plan assets during the year were as follows:

	2022 £000	2021 £000
At 1 January	-	-
Increase due to effect of transfer at 7 February 2022	55,349	-
Interest income	1,212	-
Benefits paid	(505)	-
Re-measurement - (loss)/gain from return on plan assets excluding interest	(25,048)	-
At 31 December	<u>31,008</u>	<u>-</u>

The costs of the pension plan during the period have been recognised as follows:

Components of plan cost recognised in profit of loss:

	2022 £000	2021 £000
Interest expense on DBO	1,164	-
Interest (income) on plan assets	(1,212)	-
Total net interest cost	<u>(48)</u>	<u>-</u>
Administrative expenses and/or taxes (not reserved within DBO)	-	-
Total defined benefit cost recognised in P&L:	<u>(48)</u>	<u>-</u>

	2022 £000	2021 £000
Re-measurements on the net defined benefit liability		
Re-measurements of DBO to OCI	(21,298)	-
Loss/(gain) from return on plan assets excluding interest	25,048	-
Total net loss from re-measurements for the period	<u>3,750</u>	<u>-</u>
Re-measurement net loss recognised in other comprehensive income	<u>3,750</u>	<u>-</u>

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

17. Pension commitments (continued)

The fair value of the plan assets at the end of the year for each category of investment was as follows:

	2022 Fair value £000	<i>2021</i> <i>Fair value</i> <i>£000</i>
Cash	174	-
Investment Funds	30,834	-
Total	<u>31,008</u>	<u>-</u>

Principal assumptions used for the purposes of the actuarial calculations (expressed as weighted averages) were as follows:

	2022 %	<i>2021</i> <i>%</i>
Discount rate	4.95	-
RPI inflation	3.15	-
CPI inflation	2.85	-
Deferred pension revaluation	2.85	-

In evaluating the obligation and cost of the defined benefit plan, mortality assumptions are based on latest standard actuarial mortality tables and include a 1.5% allowance for future improvements in longevity.

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

17. Pension commitments (continued)

The further life expectancy of pension scheme members at age 65 implied by the current mortality assumptions was as follows:

	2022	<i>2021</i>
	No. of	<i>No. of</i>
	years	<i>years</i>
Male currently aged 65	21.7	-
Female currently aged 65	23.9	-
Male currently aged 45	23.6	-
Female currently aged 45	25.6	-

The sensitivities around each key assumption in arriving at the stated amount of the defined benefit obligation at £32,514,000 as at the balance sheet date, other assumptions maintained, were as follows.

In valuing the liabilities of the pension fund if the discount rate had been decreased by 0.5%, the value of the reported liabilities at 31 December 2022 would have been £35,529,000 before deferred tax, and had the discount rate been increased by 0.5% the value of the reported liabilities at 31 December 2022 would have been £29,850,000.

In valuing the liabilities of the pension fund if the discount rate had been increased by 0.5%, the value of the interest expense on DBO on 31 December 2022 would have been £1,618,000 before deferred tax, and had the discount rate been decreased by 0.5% the value of the interest expense on DBO at 31 December 2022 would have been £1,574,000.

In valuing the liabilities of the pension fund at 31 December 2022, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2022 would have increased to £33,208,000 before deferred tax.

18. Related party transactions

As a wholly owned subsidiary of Adidas AG, the Company has taken advantage of the exemptions available under FRS 101 not to disclose related party transactions within the group. Details of the immediate and ultimate controlling parties are described in note 19.

19. Controlling party

The immediate parent company is Adidas International BV, incorporated in the Netherlands. The ultimate parent company is Adidas AG, incorporated in Germany. The consolidated accounts of the group may be obtained from our ultimate parent company at Adidas AG, Adi-Dassler-Strasse 1-2, D-91074 Herzogenaurach, Germany.

20. Post balance sheet events

Adidas (U.K.) Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2022**

The directors do not believe there are any post balance sheet events that need to be disclosed in these financial statements.