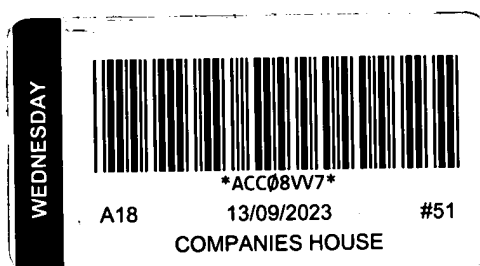


NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2022



NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

COMPANY INFORMATION

Directors

J S Davis
G Dicken
J E Preston
K M Doyle

Company secretary

P Gauron

Registered number

01616165

Registered office

Appleton House
430 Birchwood Boulevard
Birchwood
Warrington
Cheshire
WA3 7WD

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
St Peter's Square
1 Oxford Street
Manchester
M1 4PB

Bankers

HSBC Bank plc
P O Box 648
27 - 32 Poultry
London
EC2P 2BX

Solicitors

CMS Cameron McKenna Nabarro Olswang LLP
1-3 Charter Square
Sheffield
S1 4HS

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

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NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**STRATEGIC REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Introduction

To comply with the Companies Act 2006, the Company has provided below a review of the development and performance of the business during the year, including key financial performance indicators and a description of the principal risks and uncertainties facing the Company.

The strategic review contains forward looking statements and opinions that involve risks and uncertainties. These risks and uncertainties could cause results to differ materially from expectations. The principal risk factors are discussed in more detail below.

Business review

The profit for the year, after taxation amounted to £8,287,342 (2021: loss of £6,349,428).

The year-on-year improvement was driven by sales and margin growth across Wholesale and Direct to Consumer Channels where both consumer demand and brand strength continued to increase. There was a similar uplift in Intercompany sales as the trend seen within the UK Market was largely replicated across other subsidiaries. Cost base management continued to be a primary focus, but as with previous years there was on-going strategic investment in the UK, particularly in both the running and football categories, which continues to impact results.

Principal risks and uncertainties

The management of the business and execution of the Company's strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Company.

Financial risk

The Company uses various financial instruments which includes a clean import loan, cash and various items such as trade receivables and trade payables including intercompany receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The existence of these financial instruments exposes the Company to a number of financial risks which are described in more detail below.

The main risks arising from the Company's financial instruments are supply chain risk, foreign currency risk and economical risks. The directors review and agree policies for managing each of these risks and they are summarised below.

Supply chain

Our Far East factories are managed by external companies leading us to rely on a third party to deliver some of our products. This process is monitored closely to ensure the output is of the quality expected by ourselves and our customers.

Foreign currency

New Balance continue to limit any foreign currency exchange risk through forward contracts to reduce exposure to exchange rate movements.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Economical

Inflation, for both the short and mid-term continues to be a risk to the overall economy. Increasing uncertainties arise through consumer sentiment through the cost of living crisis. Higher production, energy and operational costs also impact across the industry. However, New Balance remains well positioned as demand for the brand remains high.

Financial key performance indicators

Turnover increased by 64.4% versus 2021 as growth was seen across Wholesale, Direct to Consumer and Intercompany channels.

Gross margin of 31.2% improved against 2021 (*29.9% in 2021 - as restated*) through increased Direct to Consumer sales and strong brand demand.

Operating profit of 3.3% improved against 2021 (*operating loss of 0.1% in 2021*) through improved sales, gross margin and cost base management as noted above. 2022 operating profit is £7.1m adversely impacted due to negative FX movement on open FX contracts relating to trade in 2023. Excluding open FX contracts, operating profit increases to 4.3%.

Net current liabilities of (£85.6m) reduces from (£93.8m) in 2021 as current assets increase through debtors following higher trading and inventory required to support demand into the next financial year.

Other key performance indicators

There are no Non-Financial Key performance indicators for the period.

Statement by the directors on performance of their statutory duties in accordance with S172 (1) of the companies act 2006

The Board of Directors of New Balance Athletic Shoes (U.K.) Limited consider, both individually and collectively, that they have acted in ways that they believe in good faith to be the most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and other matters set out in s172(1) of the Act) in the decisions they made during the year ended 31 December 2022. To ensure both short and long term strategic decision were to the success of the Company, the directors met regularly and closely monitored both financial results and strategy. When making decisions, the Board of Directors seek to understand the impact of these decisions on the wider stakeholders of the Group and act in the interest of these stakeholders while also seeking to generate sustainable growth for the business.

We recognise our associates as our most important asset and aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and wellbeing of our associates are of the highest importance and ensuring these is one of the primary considerations in the way we conduct business.

Caring for our customers is fundamental to the success of our business and we endeavour to serve them to the very best of our ability. We are committed to ensuring that our products are high quality, safe, and of value.

We also aim to act responsibly and fairly in our engagement with ownership, suppliers, regulators, bankers, creditors, insurers, landlords, charitable partners, community groups, governments and local authorities. All suppliers are paid in accordance with their agreed terms.

As the Board of Directors, our intention is always to act responsibly and to ensure that the business operates in a responsible manner, adhering to high standards of business conduct and good governance. We recognise that the maintenance of our good reputation, founded on responsible behaviour and integrity, is fundamental to our continuing ability to achieve profitable growth for the benefit of all our stakeholders in the future.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

This report was approved by the board on 30/8/2023 and signed on its behalf.

Kevin Doyle
K M Doyle
Director

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the 53 week period ended 31 December 2022.

Principal activity

The Company's principal activities are the manufacture and distribution of sports footwear and apparel.

Results

The profit for the period, after taxation, amounted to £8,287,342 (2021: loss £6,349,428). No dividends have been paid in the current or prior year.

Directors

The directors who served during period and after period end were:

J S Davis
G Dicken
J Preston
K Doyle

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). 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 and profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for safeguarding the assets of the group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Going Concern

The financial statements have been prepared on a going concern basis.

The company meets its day to day working capital requirements that are funded by an overdraft facility and trade finance facility. The trade financing facility is renewed on an annual basis and is expected to remain in place throughout the going concern period, to December 2024.

Should the renewal not take place, or the overdraft be withdrawn, the continuity of the Company's activities is dependent upon the support of its ultimate parent company, New Balance Inc. The directors have received assurances that the parent company will continue to support the Company for the going concern period and the foreseeable future.

The Company's forecasts and projections, taking account of reasonable changes in trading performance and foreign exchange volatility, show that the Company should be able to operate within the level of its current overdraft, trading and intercompany facilities to maintain liquidity.

Given the return to profitability, the risk sensitivity from credit agencies and insurers is expected to reduce going forward. Additionally, the Company anticipates credit limits will continue to be secured, with the provision of supporting financial information where necessary, without impacting operations.

On this basis the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Future developments

New Balance continues to invest in strategic sports categories such as running, football, tennis and basketball to promote the brand's athletic range, aligning with the brand's objective in building a Top 3 Global Athletic Brand. The Company continues to drive presence through Direct to Consumer channels, as targets for these operations are aligned across both financial and commercial metrics to support growth.

Within the UK, New Balance remains focused on promoting domestic manufacturing and continues to invest in Research and Development to create highly desirable footwear and sports clothing.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Streamlined Energy and Carbon Reporting (SECR) report

The FY 2022 SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total use of electricity, gas, transport fuel and energy efficiency actions summary taken during the relevant financial year.

	1st January 2022 to 31st December 2022	<i>1st January 2021 to 31st December 2021</i>
Energy consumption used to calculate emissions, kWh - Gas & Electricity, excl transport & Working From Home	2,248,199	2,241,656
Emissions from combustion of gas (Scope 1), including Working From Home, tonnes of CO ₂ e	196.7	168.0
Emissions from combustion of fuel for transport purposes (Scope 1), tonnes of CO ₂ e	50.4	22.6
Emissions from purchased electricity (Scope 2, Location Based), tonnes of CO ₂ e	299.4	315.4
Emissions from non-purchased electricity (Scope 2, Home working), tonnes of CO ₂ e	7.0	6.5
Total avoided emissions (Solar PV), tonnes of CO ₂ e	-23.0	-28.7
Total gross tonnes of CO ₂ e, Scopes 1 & 2, based on above	523.6	512.5
Intensity ratio (kWh per m ²), offices	96.6	92.5
Intensity ratio (kWh per m ²), factory	515.1	528.2

Energy efficiency background summary year to December 2022

New Balance Athletic Shoes (UK) Ltd continues to target savings in energy and associated carbon emissions with examples below:

- New Balance Athletic Shoes (UK) has ISO 50001: 2018 certification;
- New Balance is a signatory to the Fashion Industry Charter for Climate Action, which targets Net carbon Zero by 2050;
- New Balance works inline with industry standards of measurement and transparency and works with stakeholders to develop and implement a decarbonisation strategy in line with the Fashion Industry Charter for Climate Action.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Energy efficiency background summary year to December 2022 (continued)
Methodology notes

Reporting period	1st January 2022 – 31st December 2022	1st January 2021 – 31st December 2021
Boundary	Operational approach	Operational approach
Alignment with financial reporting	SECR disclosure has been prepared in line with the annual accounts made up to 31 st December 2022.	SECR disclosure has been prepared in line with the annual accounts made up to 31 st December 2021.
Reporting method	CHG Emissions reporting are in line with the Greenhouse gas (CHG) Protocol Corporate Accounting and Reporting Standard.	CHG Emissions reporting are in line with the Greenhouse gas (CHG) Protocol Corporate Accounting and Reporting Standard.
Emissions factor source	All CO ₂ e emissions are calculated using the UK Government Greenhouse Gas factors for 2022, which are valid from 01/06/2022 and cover more than 50% of the reporting year.	All CO ₂ e emissions are calculated using the UK Government Greenhouse Gas factors for 2021, which are valid from 01/06/2021 and cover more than 50% of the reporting year.
Calculation method	The methodology specified in the Energy Savings Opportunity Scheme, version 6, published 28/10/2019 has been used.	The methodology specified in the Energy Savings Opportunity Scheme, version 6, published 28/10/2019 has been used.
Other relevant information on calculation	No estimation was required for this report. All fuel data is reported using the appropriate BEIS GHG passenger vehicle carbon conversion factors. Precise fuel consumption data is not available.	All fuel data is calculated on the assumption that diesel cars average 45 mpg and petrol cars 35 mpg. Precise fuel consumption data is not available.
Intensity factors	The main intensity factors for gas and electricity are kWh per m ² of site area. All site areas are provided by New Balance Athletic Shoes (UK) Ltd and are accepted as true. The default intensity factor for business miles is kg of CO ₂ e per mile.	The main intensity factors for gas and electricity are kWh per m ² of site area. All site areas are provided by New Balance Athletic Shoes (UK) Ltd and are accepted as true. The default intensity factor for business miles is kg of CO ₂ e per mile.
Renewable electricity Total generated PV array	219,052 kWh	236,892 kWh
Renewable electricity Total used on site PV array	154,852 kWh	149,867 kWh
Information on PV array	GHG emissions have been calculated using the UK Government Greenhouse Gas factors for 2022.	GHG emissions have been calculated using the UK Government Greenhouse Gas factors for 2021.

The streamlined Energy and Carbon report has been prepared for the year to the end of December 2022.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Risk Management

As we continue to grow, it is vital that we effectively identify, evaluate, manage and mitigate the risks we face. For details of our principal risks and uncertainties, and how we manage our risk environment, please see the Strategic Report. The Board is also aware that an understanding of the future prospects of the Company is of vital importance to all stakeholders.

Employee engagement statement

During the year, the policy of providing employees with information about the Company has been continued through internal media methods. Regular updates have been held virtually with local Management and have been cascaded through teams where appropriate, and video updates from Senior Management shared globally to keep employees connected with the workplace, despite working remotely.

Employees

New Balance is committed to equality of opportunity for all current and prospective associates regardless of age, disability, race, religion or belief, sexual orientation, pregnancy and maternity, marriage and civil partnership and gender reassignment. We are an equal opportunity employer and support a culture of diversity and inclusion.

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions with any support needed and to provide training and career development and promotion to disabled employees wherever appropriate.

Financial instruments

The financial risk management of the Company are described in the Strategic Report.

Statement of engagement with suppliers, customers and others in a business relationship with the Company

Our strategy prioritises growth, both organically and through acquisition. Organic growth is driven through maximising direct to consumer opportunities and growth plans with existing customers. To do this, we need to develop and maintain strong customer relationships. We value all of our suppliers and treat them fairly and adhere to agreed payment terms.

Community and Environment

The Company's looks for ways to create positive change for the people and communities with which we interact, giving back wherever we can. We want to leverage our expertise and enable our people to support the communities around us and we encourage all employees to spend one day per year away from their job to volunteer in their local communities.

We recognise our responsibilities to achieve good environmental practice and to continue to strive for improvement in areas of environmental impact. We are committed to energy efficiency improvement and continue to take steps in a continuous improvement strategy. We believe in protecting our planet and are working fiercely to achieve our environmental commitments. We celebrate our ongoing efforts to minimize and prevent negative environmental impacts in our operations, across our global supply chain, and throughout our products.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

Culture and Values

The Board recognises the importance of having the right corporate culture. Our long-term success depends on achieving our strategic goals in the right way, so we look after the best interests of our employees, customers and other stakeholders. We are committed to domestic manufacturing. We have carefully developed corporate values which are embedded within the day-to-day interactions of the Company.

Post balance sheet events

There have been no significant events affecting the Company post year end.

Qualifying third party indemnity provisions

The Company has indemnified, by means of directors' and officers' liability insurance, one or more directors of the Company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force during the year and is in force as at the date of approving the Directors' Report.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30/8/2023 and signed on its behalf.

Kevin Doyle

K M Doyle
Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

Opinion

We have audited the financial statements of New Balance Athletic Shoes (U.K.) Limited (the 'Company') for the period from 26 December 2021 to 31 December 2022, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Company's business model including effects arising from macro-economic uncertainties such as the impact of cost inflation, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW BALANCE ATHLETIC SHOES (U.K.)
LIMITED (CONTINUED)**

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.

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.

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW BALANCE ATHLETIC SHOES (U.K.)
LIMITED (CONTINUED)**

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED (CONTINUED)

Auditor's 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 Auditor's 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the entity and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', Companies Act 2006 and the relevant tax compliance regulations.
- We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - Challenge assumptions and judgements, made by management in its significant accounting estimates;
 - Consideration for the potential for fraud in revenue recognition;
 - Identifying and testing journal entries; and
 - Identifying and testing related party transactions.
- We enquired of management whether they were aware of any instances of noncompliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews. From the procedures performed we did not identify any matters relating to non-compliance with laws and regulation or matters in relation to fraud.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED (CONTINUED)

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement; and
 - the entity's control environment, including management's knowledge of relevant laws and regulations and how the Company is complying with those laws and regulations, the adequacy of procedures for authorisation of transactions and procedures to ensure that possible breaches of law and regulations are appropriately resolved.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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.

Grant Thornton UK LLP

Michael Lowe
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
Date: 30/8/2023

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

	Note	2022 £	As restated 2021 £
Turnover	4	679,773,575	413,584,720
Cost of sales		(467,573,311)	(290,059,604)
Gross profit		212,200,264	123,525,116
Distribution costs		(182,540,803)	(134,985,976)
Administrative expenses		(23,402,929)	(19,251,970)
Other operating income (net)	5	16,036,031	30,255,577
Operating profit/(loss)	6	22,292,563	(457,253)
Interest payable and similar expenses	10	(15,659,171)	(6,058,473)
Profit/(loss) before tax		6,633,392	(6,515,726)
Tax on profit/(loss)	11	1,653,950	166,298
Profit/(loss) after tax		8,287,342	(6,349,428)
Retained earnings			
- as previously stated		(93,315,183)	(87,577,681)
- correction of a prior period error (see note 24)		(4,545,742)	(3,933,816)
At the beginning of the period as restated		(97,860,925)	(91,511,497)
Profit/(loss) for the period		8,287,342	(6,349,428)
Retained earnings at the end of the period		(89,573,583)	(97,860,925)

The notes on pages 19 to 39 form part of these financial statements.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED
REGISTERED NUMBER:01616165

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £	As restated 2021 £
Fixed assets			
Intangible assets	12	-	1
Tangible assets	14	6,877,959	6,829,668
		<u>6,877,959</u>	<u>6,829,669</u>
Current assets			
Stocks	15	208,261,349	85,426,438
Debtors: amounts falling due within one year	16	130,251,259	44,694,191
Cash at bank and in hand	17	2,580,042	11,022,123
		<u>341,092,650</u>	<u>141,142,752</u>
Creditors: amounts falling due within one year	18	(426,665,977)	(234,943,623)
Net current liabilities		<u>(85,573,327)</u>	<u>(93,800,871)</u>
Total assets less current liabilities		<u>(78,695,368)</u>	<u>(86,971,202)</u>
Creditors: amounts falling due after more than one year	19	(29,108)	(40,616)
Net liabilities		<u><u>(78,724,476)</u></u>	<u><u>(87,011,818)</u></u>
Capital and reserves			
Called up share capital	23	1,003	1,003
Share premium account	22	8,819,997	8,819,997
Other reserves	22	2,028,107	2,028,107
Profit and loss account	22	(89,573,583)	(97,860,925)
		<u><u>(78,724,476)</u></u>	<u><u>(87,011,818)</u></u>

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

Kevin Doyle

K M Doyle

Director 30/8/2023

The notes on pages 19 to 39 form part of these financial statements.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

	Note	2022 £	As restated 2021 £
Cash flows from operating activities			
Profit/(loss) for the financial period		8,287,342	(6,349,428)
Adjustments for:			
Depreciation of tangible assets		1,454,054	1,511,186
Loss on disposal of tangible assets		2,998	-
Interest paid		7,603,822	4,303,945
Interest received		-	(504,923)
Taxation charge		(1,653,950)	(166,298)
(Increase) in stocks		(122,834,909)	(14,897,770)
(Increase) in debtors		(16,646,344)	(3,624,390)
Increase in creditors		93,619,426	21,082,095
Decrease in amounts owed to groups		(42,294,085)	(12,408,953)
Corporation tax received		103,427	166,298
Realised FX Contracts		(311,773)	-
Unrealised loss on FX Contracts		7,112,681	-
Net cash used in operating activities		(65,557,311)	(10,888,238)
Cash flows from investing activities			
Purchase of tangible fixed assets		(1,573,123)	(960,447)
Sale of tangible fixed assets		67,781	2,911
Interest received		-	504,923
Net cash used in investing activities		(1,505,342)	(452,613)

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022**

	Note	2022 £	As restated 2021 £
Cash flows from financing activities			
Repayment of/new finance leases		-	(7,394)
Interest paid		(4,789,711)	(4,303,945)
Realised FX Contracts		311,773	-
Net cash used in financing activities		<u>(4,477,938)</u>	<u>(4,311,339)</u>
Net (decrease) in cash and cash equivalents	13	<u>(71,540,591)</u>	<u>(15,652,190)</u>
Cash and cash equivalents at beginning of period		<u>(43,874,274)</u>	<u>(28,222,084)</u>
Cash and cash equivalents at the end of period		<u><u>(115,414,865)</u></u>	<u><u>(43,874,274)</u></u>
Cash and cash equivalents at the end of period comprise:			
Cash at bank and in hand		2,580,042	11,022,123
Bank overdrafts		(117,994,907)	(54,896,397)
		<u><u>(115,414,865)</u></u>	<u><u>(43,874,274)</u></u>

The notes on pages 19 to 39 form part of these financial statements.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

1. General information

New Balance Athletic Shoes (U.K.) Limited is a private Company limited by shares and incorporated in England and Wales. It's registered office is located at Appleton House, 430 Birchwood Boulevard, Warrington, Cheshire WA3 7WD.

The Company's principal activities are the manufacture and distribution of footwear and apparel.

2. Accounting policies**2.1 Statement of compliance**

The financial statements of UK GAAP Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

2.2 Basis of preparation of financial statements

These financial statements are prepared on a going concern basis, under the historical cost convention. The Company's financial statements are presented in Sterling and all values are rounded to the nearest pound (£) except when otherwise stated.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

New Balance Athletic Shoes (U.K) Limited is wholly owned by New Balance Holding Inc. and is included within the consolidated financial statements of New Balance Holding Inc. (Incorporated in the United States of America). As a result of this, New Balance Athletic Shoes (U.K.) is exempt from the requirement of FRS102 section 33 to disclose transactions with other members of the group.

These financial statements are for the 53 week period from 26 December 2021 to 31 December 2022.

The following principal accounting policies have been applied:

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.3 Going concern**

The financial statements have been prepared on a going concern basis.

The company meets its day to day working capital requirements that are funded by an overdraft facility and trade finance facility. The trade financing facility is renewed on an annual basis and is expected to remain in place throughout the going concern period, to December 2024.

Should the renewal not take place, or the overdraft be withdrawn, the continuity of the Company's activities is dependent upon the support of its ultimate parent company, New Balance Inc. The directors have received assurances that the parent company will continue to support the Company for the going concern period and the foreseeable future.

The Company's forecasts and projections, taking account of reasonable changes in trading performance and foreign exchange volatility, show that the Company should be able to operate within the level of its current overdraft, trading and intercompany facilities to maintain liquidity.

Given the return to profitability, the risk sensitivity from credit agencies and insurers is expected to reduce going forward. Additionally, the Company anticipates credit limits will continue to be secured, with the provision of supporting financial information where necessary, without impacting operations.

On this basis the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The key revenue streams are considered to be Wholesale, Digital and Retail Channels. Revenue is measured as the fair value of the consideration received or receivable, net of discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods - Wholesale and Intercompany

The Company sells goods in the wholesale market. Sale of goods are recognised on despatch of the goods rather than when the customer receives the goods and the ownership of the goods is transferred to the customer. Management assess at year end if there are any material differences between the date of despatch and the date of customer receipt. Should there be any material differences, an adjustment would be made. Wholesale revenue includes sale to other subsidiaries controlled by New Balance Holding Inc.

Sale of goods - Digital

The Company sells goods in the digital market. Sale of goods are recognised on despatch of the goods rather than when the customer receives the goods and the ownership of the goods is transferred to the customer. Management assess at year end if there are any material differences between the date of despatch and the date of customer receipt. Should there be any material differences, an adjustment would be made.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.4 Revenue (continued)****Sale of goods - Retail**

The Company operates retail shops for the sale of sports apparel. Consideration is received at the point of purchase via either cash or card payment, at this point the risk and rewards of ownership of the goods is transferred and the revenue is recognised.

2.5 Government grants

Government grants received are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income.

Furlough income, which is a grant awarded by the government, is recognised in other operating income over the periods in which the Company recognises the related costs for which the grant is intended to compensate.

2.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. Website development is considered to have a useful economic life of three years, and is amortised over this life on a straight line basis.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	- Period of lease
Plant & machinery	- 10 - 50% p.a.
Motor vehicles	- 25% p.a.

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 profit or loss.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.8 Operating leases**

An operating lease is defined as a lease in which substantially all of the risks and rewards of incidental ownership of the leased asset remain with the lessor.

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.9 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 Statement of Financial Position 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.

2.10 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.12 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.13 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.14 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.

2.15 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Pensions**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.17 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.18 Intercompany recharges

Intercompany recharges are incurred for services the entity performs on behalf of other group entities. These services rendered to other group entities are recognised in other operating income in the accounting period in which the services are rendered.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

2. Accounting policies (continued)**2.19 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position 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 reporting date.

2.20 Provisions for liabilities

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 Statement of Income and Retained Earnings when the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position 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 Statement of Financial Position.

2.21 Distribution costs

Distribution costs are transport and warehousing for the distribution of finished goods and expenses related to the selling and marketing of finished goods. These costs include payroll costs related to selling, marketing and distribution functions, overheads attributable to the selling, marketing and distribution functions, advertising, commission and royalties.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates.

The items in the financial statements where significant estimates and judgements have been made include:

- Agent versus Principle (judgement) - For wholesale revenue sold to other subsidiaries controlled by New Balance Holding Inc, the goods are sold within the group on a cost plus model. For such sales, the entity is determined to be acting as a principle for the recognition of turnover and as such recognises the revenue in full. This is because the entity has exposure to significant risks and rewards of the associated sale of goods, through the primary responsibility of providing the goods, retaining inventory risk and bearing the customer's credit risk. This judgment is specifically in relation to when New Balance Athletic Shoes (U.K) Limited sell goods onto other group companies.

4. Turnover

	2022	2021
	£	£
Sale of apparel and footwear	679,773,575	413,584,720

Analysis of turnover by country of destination:

	2022	<i>As restated</i> 2021
	£	£
United Kingdom	160,066,897	110,148,193
Rest of Europe	509,027,815	295,546,966
Rest of the world	10,678,863	7,889,561
	679,773,575	413,584,720

Analysis of turnover by Distribution Channel is excluded from this note, as the directors choose not to disclose this information in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Note 68, Particulars of Turnover.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

5. Other operating income (net)

	2022	<i>As restated</i>
	£	2021
		£
Intercompany recharges	35,887,959	24,895,530
Government grant income	-	680,946
Insurance income	431,199	-
Customer freight billed	688,204	506,784
Trading exchange (losses)/gains	(20,971,331)	4,172,317
	<u>16,036,031</u>	<u>30,255,577</u>

In the prior year, government grant income related to furlough income and other government support received in relation to the COVID-19 outbreak.

6. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2022	<i>As restated</i>
	£	2021
		£
Warehousing and freight	68,698,781	51,847,770
Advertising and promotion	45,590,025	38,698,920
Royalty and commissions	41,280,822	24,694,920
Operating lease rental	11,354,477	5,321,627
Depreciation of owned tangible fixed assets	1,454,054	1,511,186
Turnover rent	364,335	182,949
Research & development	<u>1,595,885</u>	<u>1,404,801</u>

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

7. Auditor's remuneration

	2022	2021
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	150,000	108,500
Fees payable to the Company's auditor in respect of tax compliance	20,250	20,000
Other tax advisory services	34,000	17,000
Other assurance services	8,580	6,250
Accounts preparation costs	2,000	1,500
	64,830	44,750

8. Employees

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

	2022	<i>As restated</i> 2021
	£	£
Wages and salaries	25,866,887	23,298,322
Social security costs	2,492,858	2,010,949
Cost of defined contribution scheme	1,751,863	1,456,490
	30,111,608	26,765,761

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

	2022	2021
	No.	No.
Production Staff	293	279
Distribution Staff	248	225
Administration Staff	149	120
	690	624

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

9. Directors' remuneration

	2022	<i>2021</i>
	£	£
Directors' emoluments	245,160	<i>173,308</i>
	<u>245,160</u>	<u><i>173,308</i></u>

The highest paid director received remuneration of £245,160 (2021: £173,308).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,415 (2021: £11,492).

The remuneration of certain directors are paid by fellow Group companies. The directors are directors of both the parent entity and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of remuneration in respect of each Group company.

10. Interest payable and similar expenses

	2022	<i>As restated</i>
	£	<i>2021</i>
Bank loan interest payable	4,779,058	<i>1,375,561</i>
Group interest payable	2,814,111	<i>2,463,660</i>
CIL revaluation - exchange losses	8,377,775	<i>2,219,252</i>
Forward contracts exchange gains	(311,773)	<i>-</i>
	<u>15,659,171</u>	<u><i>6,058,473</i></u>

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

11. Taxation

	2022	2021
	£	£
Corporation tax		
Current tax on profits for the year	778,212	(160,967)
Adjustments in respect of previous periods	-	(7,673)
Foreign taxation	42,291	2,342
Total current tax	820,503	(166,298)
Deferred tax		
Origination and reversal of timing differences	(1,966,063)	-
Adjustments in respect of prior periods	112,473	-
Effect of changes in tax rates	(620,863)	-
Total deferred tax	(2,474,453)	-
Taxation on loss on ordinary activities	(1,653,950)	(166,298)

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

11. Taxation (continued)**Factors affecting tax charge for the period/year**

The tax assessed for the period/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	<i>As restated</i>
	£	2021
		£
Profit/(loss) on ordinary activities before tax	6,633,392	<i>(6,515,726)</i>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	1,260,344	<i>(1,237,988)</i>
Effects of:		
Expenses not deductible for tax purposes	1,991,919	<i>506,773</i>
Fixed asset differences	1,443	<i>10,532</i>
Adjustments to tax charge in respect of prior periods	112,473	<i>(7,673)</i>
Movement in deferred tax	(4,230,784)	<i>(8,049,644)</i>
Foreign tax expensed	42,291	<i>2,342</i>
Income not taxable for tax purposes	-	<i>(445)</i>
Remeasurement of deferred tax for changes in tax rates	(620,863)	<i>(1,309,044)</i>
R&D expenditure credits	-	<i>49,440</i>
Hybrid and other mismatches adjustment	-	<i>377,294</i>
Adjustment to losses	-	<i>9,653,082</i>
RDEC	(210,773)	<i>(160,967)</i>
Total tax charge for the period/year	(1,653,950)	<i>(166,298)</i>

A deferred tax asset of Nil was not recognised at the year end (2021: £5,566,822).

Factors that may affect future tax charges

The Finance Act 2021 states that the corporation tax main rate will remain at 19% up to and including 31 March 2023. From 1 April 2023, the UK corporation tax rate will increase to 25%, and therefore deferred taxes at the Statement of Financial Position date have been measured and reflected in these financial statements using the expected future tax rate of 25%.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

12. Intangible assets

	Web development £
At 1 January 2022	352,567
Disposals	(352,567)
At 31 December 2022	-
At 1 January 2022	352,566
Depreciation on disposals	(352,566)
At 31 December 2022	-
Net book value	
At 31 December 2022	-
At 31 December 2021	1

Amortisation on intangible assets is charged to admin expenses.

13. Analysis of net debt

	At 1 January 2022 £	Cash flows £	At 31 December 2022 £
Cash at bank and in hand	11,022,123	(8,442,081)	2,580,042
Bank overdrafts	(54,896,397)	(63,098,510)	(117,994,907)
	(43,874,274)	(71,540,591)	(115,414,865)

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2022

14. Tangible fixed assets

	Leasehold Property £	Plant & machinery £	Fixtures & fittings £	Computer equipment £	Office equipment £	Motor vehicles £	Total £
Cost or valuation							
At 1 January 2022	7,902,804	5,726,725	2,421,706	2,881,191	42,993	12,375	18,987,794
Additions	28,100	448,833	84,046	1,012,144	-	-	1,573,123
Disposals	-	(144,692)	(264,848)	(360,767)	-	-	(770,307)
At 31 December 2022	7,930,904	6,030,866	2,240,904	3,532,568	42,993	12,375	19,790,610
Depreciation							
At 1 January 2022	4,368,201	3,668,028	2,046,633	2,039,077	23,812	12,375	12,158,126
Charge for the year	483,567	409,973	162,714	396,286	1,513	-	1,454,053
Disposals	-	(144,634)	(242,933)	(311,961)	-	-	(699,528)
At 31 December 2022	4,851,768	3,933,367	1,966,414	2,123,402	25,325	12,375	12,912,651
Net book value							
At 31 December 2022	3,079,136	2,097,499	274,490	1,409,166	17,668	-	6,877,959
At 31 December 2021	3,534,603	2,058,697	375,073	842,114	19,181	-	6,829,668

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

15. Stocks

	2022	<i>As restated</i>
	£	<i>2021</i>
		£
Raw materials and consumables	2,704,680	2,597,659
Work in progress	237,052	59,345
Finished goods and goods for resale	205,319,617	82,769,434
	<u>208,261,349</u>	<u>85,426,438</u>

At the year end there was a provision against stock of £3,197,443 (2021: £3,810,747).

Stock recognised in cost of sales during the period as an expense was £455,006,142 (2021: £295,395,423).

16. Debtors

	2022	<i>2021</i>
	£	£
Trade debtors	36,769,382	21,333,211
Amounts owed by group undertakings	88,617,311	22,001,707
VAT recoverable	-	80,872
Prepayments and accrued income	2,390,113	1,099,068
Tax recoverable	-	179,333
Deferred taxation	2,474,453	-
	<u>130,251,259</u>	<u>44,694,191</u>

The amounts owed by group undertakings are repayable on demand, unsecured and interest is charged at 3% once the debtor becomes aged.

17. Cash and cash equivalents

	2022	<i>2021</i>
	£	£
Cash at bank and in hand	2,580,042	11,022,123
Less: bank overdrafts	(117,994,907)	(54,896,397)
	<u>(115,414,865)</u>	<u>(43,874,274)</u>

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

18. Creditors: Amounts falling due within one year

	2022	2021
	£	£
Bank overdrafts	117,994,907	54,896,397
Trade creditors	133,290,039	72,067,188
Amounts owed to group undertakings	115,565,290	88,429,661
Corporation tax	744,596	-
Other taxation and social security	8,372,474	446,724
Government grants received	11,508	11,508
Accruals and deferred income	43,574,482	19,092,145
Financial instruments - forward contracts	7,112,681	-
	<u>426,665,977</u>	<u>234,943,623</u>

The amounts owed to group undertakings are repayable on demand, unsecured and bear interest at 3%.

Financial instruments - forward contracts is the fair value of the forward contracts that New Balance Athletics Inc. takes out on behalf of the UK entity.

Secured loans

Bank overdrafts are secured by a fixed and floating charge over all of the assets of the Company.

19. Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Government grants received	<u>29,108</u>	<u>40,616</u>

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

20. Financial risk management

The Company has exposures to three main areas of risk- foreign exchange currency exposure, liquidity risk and customer credit exposure. To a lesser extent the Company is exposed to interest rate risk.

Foreign exchange transactional currency exposure

The Company is exposed to currency exchange rate risk due to a significant proportion of its purchases being denominated in non-Sterling currencies. Also, some customers also are invoiced and received in non-Sterling currencies. Non-Sterling bank accounts are maintained and forward contracts are taken to reduce this risk exposure.

Liquidity risk

The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Company meets its financial obligations through operating cash flows, credit facilities and the continuing support from its ultimate parent holding company.

Customer credit exposure

The Company offers credit terms to some of its customers, which allow payment of the debt after delivery of the goods. The Company is therefore at risk to the extent that a customer may be unable to pay the debt on the specified due date. This risk is mitigated by the strong on-going customer relationships and by credit insurance.

Interest rate risk

The Company borrows from its bankers, HSBC, using either overdrafts or term loans. The tenure of these will depend on management's risk assessment of the direction of interest rates in the future and also future borrowing needs.

21. Deferred taxation

	2022 £
Credited to profit or loss	2,474,453
At end of year	2,474,453

The deferred tax asset is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	125,479	-
Tax losses carried forward	2,348,974	-
	2,474,453	-

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

22. Reserves

Share premium account

The share premium account includes any premium received on the issue of share capital. Any transaction costs associated with the issue of shares are deducted from the share premium.

Other reserves

Other reserves represent capital contributions received by the Company.

Profit & loss account

The profit and loss account includes all current and prior period retained profits and losses.

23. Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
1,003 (2021: 1,003) Ordinary Share Capital shares of £1 each	1,003	1,003

There is a single class of ordinary shares. There are no restrictions on dividends and the repayment of capital.

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2022

24. Prior year adjustment

Following a review by management, a prior period adjustment has been recognised which restates Stock, Cost of Sales and Opening Reserves. During the current financial year the Stock Valuation methodology was corrected to remove storage and other warehousing related costs, which had been included within the cost of stock in the prior year. As such, the prior year adjustment is required to align comparatives to the presentation in the current financial year.

Prior Period Stocks previously reported as £89,972k have been restated to £85,426k and Closing Reserves previously reported as £93,315 have been restated to £97,861k.

Additionally and as a result of the prior period adjustment identified, Management has undertaken a comprehensive review of all costs and income within the Statement of Income and Retained Earning. This has identified errors, which are material, and as such there has been a restatement to the prior period presentation of both the Statement of Income and Retained Earning.

The effects of the prior year adjustment on the prior year financial statements are as follows:

	As previously stated £'000	Profit and loss reclass £'000	Warehousing adjustment £'000	As restated £'000
Statement of Income and Retained Earnings				
Cost of sales	(340,440)	50,380	-	(290,060)
Gross profit	73,145	50,380	-	123,525
Distribution costs	-	(135,598)	612	(134,986)
Administrative expenses	(75,655)	56,403	-	(19,252)
Other operating income (net)	405	29,851	-	30,256
Interest receivable	505	(505)	-	-
Interest payable	(4,304)	(1,754)	-	(6,058)
Loss before tax	(5,904)	-	(612)	(6,516)
Loss after tax	(5,737)	-	(612)	(6,349)
Statement of Financial Position				
Stocks	89,972	-	(4,546)	85,426
Current assets	145,688	-	(4,546)	141,142
Net current liabilities	(89,255)	-	(4,546)	(93,801)
Total assets less current liabilities	(82,425)	-	(4,546)	(86,971)
Net liabilities	(82,466)	-	(4,546)	(87,012)
Profit and loss account	93,315	-	4,546	97,861
Total capital and reserves	82,466	-	4,546	87,012
Statement of Cash Flows				
Loss for the period	(5,737)	-	(612)	(6,349)
Increase in stocks	(15,510)	-	612	(14,898)

25. Contingent liabilities

There are no contingent liabilities to disclose at the year end (2021: £Nil).

NEW BALANCE ATHLETIC SHOES (U.K.) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2022**

26. Capital commitments

At 31 December 2022 the Company had capital commitments as follows:

	2022	<i>2021</i>
	£	£
Contracted for but not provided in these financial statements	508,188	<i>501,740</i>

27. Pension commitments

The Company operates a defined contribution pension scheme for the benefit of the directors and employees. The assets of the scheme are administered by trustees in a fund independent from those of the Company. There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

28. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	<i>As restated</i> 2021
	£	£
Not later than 1 year	11,567,311	<i>11,591,891</i>
Later than 1 year and not later than 5 years	45,494,315	<i>45,119,377</i>
Later than 5 years	57,004,442	<i>65,777,322</i>
	114,066,068	<i>122,488,590</i>

29. Other financial commitments

There are no other financial commitments to disclose at the year end (2021: £Nil).

30. Related party transactions

As a wholly owned subsidiary of New Balance Holding Inc, the Company is exempt from the requirement of FRS102 section 33 to disclose transactions with other members of the group.

31. Controlling party

The immediate parent undertaking and controlling party is New Balance Intermediate Inc., a company incorporated in the United States of America.

The ultimate parent undertaking of the Company is New Balance Holding Inc., which is incorporated in the United States of America. This is the largest group of undertakings for which group accounts are prepared.