Company Registered Number 3674789

UMBRO LTD

Report and Accounts
31 May 2011

UMBRO LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2011

The Directors present their report and the audited accounts of the Company for the year ended 31 May 2011

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company acted, and will continue to act, as a holding company The Company has incurred amounts of inter-company interest on balances with other Umbro group companies

A provision for impairment of the investment in subsidiary has been recognised to reduce the value of the investment to its estimated realisable value that will ensue from a group reconstruction to be executed in early 2012 This reconstruction will result in the sale of subsidiary assets to other group companies and no proceeds from the sale will be realised by the Company

The Company has received a letter of support from its parent undertaking guaranteeing to provide funding sufficient to pay all liabilities as they fall due

TRADING RESULTS AND DIVIDEND

The loss for the year after taxation was £108,932,000 (2010 £179,000), including the provision for impairment of the subsidiary investment of £108,779,000

The Directors do not propose payment of a dividend (2010 £nil)

DIRECTORS AND THEIR INTERESTS

The Directors who served on the Board since the date of last year's accounts were as follows

G J Brown
G W Hanson
J Allaker (resigned 18/07/11)
E McLaughlin (resigned 22/02/11)

None of the Directors had any interest in the shares of the Company at 31 May 2011 or 31 May 2010

GOING CONCERN

After making appropriate enquiries, including a review of budgets and other plans, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future For this reason, they continue to adopt the going concern basis in preparing the accounts

FINANCIAL RISK MANAGEMENT

IFRS 7 requires disclosure on financial risk management in financial statements and accordingly this is presented in the accounting policies On this basis, no discussion of financial risk management is made in the Directors' Report

AUDITORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITES

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB) Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the Company for that period In preparing these financial statements, the Directors are required to

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

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

The Directors confirm the following

So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all steps that ought to have been taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

BY ORDER OF THE BOARD

David Hare

Company Secretary

30 March 2012

Umbro House
Lakeside
Cheadle
Cheshire
SK8 3GQ

Company Registered Number 3674789

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UMBRO LTD

We have audited the financial statements of Umbro Ltd for the year ended 31 May 2011 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, the Accounting Policies and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 2, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 May 2011 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- 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

PricewaterhouseCoopers LLP

Martin Heath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester

30 March 2012

UMBRO LTD

Income Statement

for the year ended 31 May 2011

	Note	**Year ended 31 May 2011 £'000**	Year ended 31 May 2010 £'000
Fınance costs	3	**(211)**	(248)
Provısıon for ımpaırment of subsıdıary ınvestment	5	**(108,779)**	-
Loss before tax	2	**(108,990)**	(248)
Taxatıon	4	**58**	69
Loss for the perıod attrıbutable to equıty holders transferred from reserves	8	**(108,932)**	(179)

The notes on pages 8 to 13 are an ıntegral part of these financıal statements
The results shown are ın respect of contınuıng actıvıtıes
There are no recognısed gaıns or losses other than those shown ın the ıncome statement

UMBRO LTD

Statement of Financial Position

as at 31 May 2011

	Note	**31 May 2011 £'000**	31 May 2010 £'000
Assets			
Non-current assets			
Investment in subsidiary	5	**-**	108,779
Liabilities			
Current liabilities			
Trade and other payables	6	**(12,417)**	(12,264)
Net current liabilities		**(12,417)**	(12,264)
Net (liabilities)/assets		**(12,417)**	96,515
Shareholders' equity			
Equity share capital	7	**1,467**	1,467
Share premium account	8	**89,933**	89,933
Reserves	8	**(103,817)**	5,115
Total (deficit)/equity	9	**(12,417)**	96,515

The notes on pages 8 to13 are an integral part of these financial statements of UMBRO LIMITED (registered number 3674789) The financial statements on pages 4 to 13 were approved by the Directors on 30 March 2012 and were signed on its behalf by

G J Brown
Director

UMBRO LTD

Statement of Changes in Equity
for the year ended 31 May 2011

	Year ended 31May 2011 £'000	Year ended 31 May 2010 £'000
Loss for the financial year	**(108,932)**	(179)
Total losses recognised since last financial statements	**(108,932)**	(179)

The notes on pages 8 to 13 are an integral part of these financial statements

UMBRO LTD

Statement of Cash Flows
for the year ended 31 May 2011

	Note	**2011** **£'000**	2010 £'000
Cash flows from operating activities	12	-	-
Interest and finance costs paid		-	-
Tax received		-	-
Net cash from operating activities		-	-
Cash flows from financing activities			
Issue of ordinary shares		-	-
Dividends paid		-	-
Net cash used in finance activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		-	-

The notes on pages 8 to 13 are an integral part of these financial statements

UMBRO LTD

NOTES TO THE ACCOUNTS - 31 MAY 2011

1 STATEMENT OF ACCOUNTING POLICIES

a Basis of preparation

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRSs) and IFRIC interpretations and with those of the Companies Act 2006 applicable to companies reporting under IFRS The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held for trading A summary of the more important policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

New and amended standards adopted by the company are detailed below

-IAS 27 (revised), 'Consolidated and separate financial statements' (effective for periods beginning 1 July 2009)

Standards, amendments and interpretations effective in 2010/11 but not relevant to the Company are detailed below

-IAS 39 (amendment), 'Financial instruments Recognition and measurement' on 'Eligible hedged items' (effective 1 July 2009)
-IAS 32 (amendment), 'Financial instruments Presentation on classification of rights issues' (effective 1 February 2010)
-IFRS 1 (revised), 'First time adoption' (effective for periods beginning 1 July 2009)
-IFRS 1 (amendment), additional exemptions (effective 1 January 2010)
-IFRS 2 (amendment), 'Share based payments – Group cash-settled share-based payment transactions' (effective 1 January 2010)
-IFRS 3 (revised), 'Business combinations' (effective for periods beginning 1 July 2009)
-IFRIC 15, 'Agreements for construction of real estates' (effective for periods beginning 1 January 2009, EU endorsed for 1 January 2010)
-IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for periods beginning 1 October 2008, EU endorsed for 1 July 2009)
-IFRIC 17, 'Distributions of non-cash assets to owners' (effective for periods beginning 1 July 2009)
-IFRIC 18, 'Transfer of assets from customers' (effective for periods beginning 31 October 2009)

Standards and amendments early adopted by the Company

-There are no standards and amendments early adopted by the Company

Standards, amendments and interpretations to existing standards that have been published and are mandatory for the Company's accounting periods beginning on or after 1 June 2011 or later periods, but the Company has not early adopted them are detailed below

-IAS 1 (amendment), 'Presentation of financial statements' on 'OCI' (effective 1 July 2012)
-IAS 12 (amendment), 'Income taxes' on 'Deferred tax' (effective 1 January 2012)
-IAS 19 (revised 2011), 'Employee benefits' (effective 1 January 2013)
-IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011)
-IAS 27 (revised 2011), 'Separate financial statements' (effective 1 January 2013)
-IAS 28 (revised 2011), 'Associates and joint ventures' (effective 1 January 2013)
-IFRS 1 (amendment), 'First time adoption' (effective 1 July 2010)
-IFRS 1 (amendment), 'Hyperinflation and fixed dates' (effective 1 July 2011)
-IFRS 7 (amendment), 'Financial instruments Disclosures' (effective 1 July 2011)
-IFRS 9, 'Financial instruments' (effective for periods beginning 1 January 2013)
-IFRS 10, 'Consolidated financial statements' (effective 1 January 2013)
-IFRS 11, 'Joint arrangements' (effective 1 January 2013)
-IFRS 12, 'Disclosure of interests in other entities' (effective 1 January 2013)
-IFRS 13, 'Fair value measurement' (effective 1 January 2013)
-IFRIC 14 (amendment), 'Prepayments of a minimum funding requirement' (effective 1 January 2011)
-IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010)

It is not expected that these changes will have substantial impact on the Company's accounts

b Consolidation

The results of the subsidiaries have not been consolidated into Umbro Limited, as permitted by S401 of the Companies Act 2006 The financial statements present information about the Company as an individual undertaking and not about its group

c Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other segments The Company operates in a single segment as a holding and finance Company and within the UK

d Investments

Investments are stated at cost less any provision for impairment

The Company performs annual impairment tests on investments with indefinite lives in the fourth quarter of each fiscal year, or when events occur or circumstances change that would, more likely than not, reduce the fair value of a reporting unit or intangible assets with an indefinite life below its carrying value
The impairment analysis involves estimating the fair value of the reporting unit Fair value is determined using an equal weighting of the income approach (discounted cash flow analysis) and the market approach (guideline public company analysis) Fair value is then compared to the carrying value of the investment (net assets) to determine if evidence of potential impairment exists

e Deferred taxation

Deferred tax is recognised on all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date Deferred tax assets are recognised only to the extent that, based on all available evidence, it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted by the balance sheet date

f Cash equivalents

The Company considers all highly liquid investments with original maturity dates of three months or less to be cash equivalents g Dividends

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

h Financial Risk Management

Interest rate Risk

The Company, headed up by Umbro Limited, finances its operations through a mixture of retained profits and intra-group borrowings The Company's operating activities are principally financed by floating rate borrowings The Company currently does not hedge its interest rate risks, although this policy is reviewed regularly

Liquidity Risk

Short-term flexibility is achieved by intra-group borrowings, which are sufficient to meet the Company's foreseeable working capital requirements

Company details

The Company is domiciled and incorporated in the United Kingdom under registration number 3674789 The registered office is Umbro House, Lakeside, Cheadle Royal Business Park, Cheadle, Cheshire, SK8 3GQ

2 LOSS FOR THE YEAR

The auditors' remuneration is borne by Umbro International Limited, which does not recharge the cost No Directors received any remuneration from the Company during the period ended 31 May 2011 (2010 £nil) Directors' remuneration is also borne by Umbro International Limited and the cost is not recharged No employee costs are included in these financial statements

3 FINANCE INTEREST

	2011 £'000	2010 £'000
Interest payable to group companies	211	248

UMBRO LIMITED

NOTES TO THE ACCOUNTS - 31 MAY 2011 (continued)

4 TAXATION

The taxation credit comprises

	2011 £'000	2010 £'000
UK corporation tax on taxable losses for the year	**(58)**	(69)

The tax credit applicable on losses from ordinary activities is lower than (2010 the same as) the standard charge for corporation tax in the UK The differences are explained below

	2011 £'000	2010 £'000
Loss on ordinary activities before tax	**(108,990)**	(248)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 27 66% (2010 28 0%)	**(30,147)**	(69)
Effect of disallowable items	**30,089**	-
Tax credit on profit on ordinary activities	**(58)**	(69)

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011 Accordingly, the Company's loss chargeable to corporation tax for the prior accounting period was taxed at the effective rate of 28 0% and at 27 66% in the current accounting period From 1 April 2012 the main rate will be reduced to 25%, with a further 1% reduction each year until 2014 so that from 1 April 2014 the rate will be 23% However, a further announcement was made in the 2012 Budget on 21 March 2012, which will result in the rate reducing to 24% from 1 April 2012, with further 1% reductions per annum to 22% by 1 April 2014 These changes had not been substantively enacted at the balance sheet date and therefore are not recognised in these financial statements The impact of the proposed changes is not expected to be material to the balance sheet

5 INVESTMENT IN SUBSIDIARY

	2011 £'000	2010 £'000
Cost At 31 May	**108,779**	108,779
Provision for impairment	**(108,779)**	-
Net book value	**-**	108,779

	Proportion of ordinary share capital held	Country of incorporation and operation	Nature of business
Umbro Finance Limited	100%	UK	Holding company

A provision for impairment of the investment in subsidiary has been recognised to reduce the value of the investment to its estimated realisable value that will ensue from a group reconstruction to be executed in early 2012 This reconstruction will result in the sale of subsidiary assets to other group companies and no proceeds from the sale will be realised by the Company

6 **TRADE AND OTHER CREDITORS**

	2011 £'000	2010 £'000
Amount owed to subsidiary undertaking	**12,417**	12,264

The amounts owed to subsidiary undertakings attract interest at 1 7% (2010 2 1%) and are repayable upon demand The Company has received a letter of financial support from its parent undertaking to provide finance to meet all the Company's obligations

7 **SHARE CAPITAL**

	2011 Number '000	2011 £'000	2010 Number '000	2010 £'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**146,741**	**1,467**	146,741	1,467

8 **RESERVES**

	2011 Share Premium £'000	2011 Reserves £'000	2010 Share Premium £'000	2010 Reserves £'000
At 1 June	**89,933**	**5,115**	89,933	5,294
Loss for the financial year	**-**	**(108,932)**	-	(179)
At 31 May	**89,933**	**(103,817)**	89,933	5,115

9 **STATEMENT OF CHANGES IN EQUITY**

	Share capital £'000	Share premium £'000	Reserves £'000	Total equity £'000
At 1 June 2010	1,467	89,933	5,115	96,515
Loss for financial year	-	-	(108,932)	(108,932)
At 31 May 2011	**1,467**	**89,933**	**(103,817)**	**(12,417)**

10 **ULTIMATE HOLDING COMPANY**

The immediate parent company is Nike Vapor Limited, whose registered office is 1 Victory Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XF

The ultimate parent company of the smallest and largest group to consolidate these financial statements is Nike Inc whose accounts may be obtained from 1 Bowerman Drive, Beaverton, Portland, Oregon, USA

11 **RELATED PARTY TRANSACTIONS**

Umbro Limited accrued intercompany charges of £211,000 (2010 £248,000) payable to its subsidiary company Umbro International Limited during the period The balance owed to Umbro International Limited at 31 May 2011 was £12,417,000 (2010 £12,264,000)

UMBRO LTD

NOTES TO THE ACCOUNTS - 31 MAY 2011 (continued)

12 CASH GENERATED FROM OPERATIONS

Reconciliation of net profit to net cash flow from operations

	2011	2010
	£'000	£'000
Loss before income tax	**(108,990)**	(248)
Adjustments for.		
Finance costs (note 3)	**211**	248
Provision for impairment (note 5)	**108,779**	-
Net cash inflow from operations	-	-

13 POST BALANCE SHEET EVENT

A group reconstruction programme will take place in early 2012, the result of which will be that a subsidiary lower in the chain of holding companies in the Umbro group will be sold to the Company's parent undertaking As a consequence of this reconstruction programme, the Company's subsidiary, Umbro Finance Limited, will cease to have any material assets and accordingly, the Company's investment in subsidiary will require writing off In advance of this reconstruction, but in the knowledge of its consequences, the Directors have taken the decision to book a provision for the impairment of the subsidiary in the current year's accounts