Nike Chelsea Merchandising Limited

Registered number: 10586258

Annual report

For the year ended 31 May 2023

COMPANY INFORMATION

Directors	A G Tamsma J C G Bonington R K Milham C R Evans D Atkinson S Bail
Company secretary	C R Evans
Registered number	10586258
Registered office	5 Fleet Place London England EC4M 7RD
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants & Statutory Auditors Level 5 and 6 Central Square South Orchard Street Newcastle Upon Tyne NE1 3AZ

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2023

The directors present their report and the audited financial statements for the year ended 31 May 2023.

Principal activities

In extension of the sponsorship terms between Nike and Chelsea FC, Nike obtained the exclusive rights to use and sub-license the (a) Retail operations (manage the Chelsea FC Megastore) and (b) licensing business for certain product categories. For these purposes, Nike set up a legal entity, Nike Chelsea Merchandising Limited to operate these rights, with main offices and activities based at Stamford Bridge. The foregoing rights were held and operated by Nike Chelsea Merchandising Limited until 1 October 2023.

Effective 1 October 2023, Nike and Chelsea FC agreed to re-structure the rights in the sponsorship agreement such that Nike would no longer have the right to operate the mono-branded merchandising and retail rights that were operated by Nike Chelsea Merchandising Limited up to that date. Chelsea FC (via its subsidiary, Chelsea FC Merchandising Limited) will operate those rights going forward.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

A G Tamsma
J C G Bonington
R K Milham
C R Evans
G J Laurence (resigned 17 June 2022)
D Atkinson
S Bail

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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 United Kingdom Accounting Standards, comprising FRS 102 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Future developments

Nike and Chelsea FC have agreed to re-structure the rights in the sponsorship agreement such that, effective 1 October 2023, Nike no longer has the right to operate the mono-branded merchandising and retail rights operated by the company prior to that date. Chelsea FC (via its subsidiary, Chelsea FC Merchandising Limited) will operate those rights going forward.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2023

Going concern

The directors have made the decision to cease operations and as outlined in the post balance sheet events note, agreed to re-structure the rights in the sponsorship agreement, effective 1 October 2023, with a view of closing the company by 31 May 2024. In light of this the directors do not consider the going concern basis to be appropriate and these financial statements have therefore been prepared on a basis other than going concern.

Economic impact of global events

UK business are facing many uncertainties and challenges caused by political, economic, social, technological, legal and environmental factors. These uncertainties have contributed to an environment where there exists a range of issues and risks, including inflation, rising interest rates, labour shortages, disrupted supply chains and new ways of working.

Qualifying third party indemnity provisions

As permitted by the Companies Act 2006, Nike, Inc. (the ultimate parent company) has indemnified the directors and officers of the company, who are also directors of Nike, Inc. in respect of proceedings which may be brought by third parties and such indemnification was in place throughout the year and at the date of approval of these financial statements. Neither the indemnity nor insurance provides cover in the event that a director or officer is proved to have acted fraudulently or dishonestly. No claim or notice of claim in respect of these indemnities has been received in the year.

Post balance sheet events

Nike and Chelsea FC have agreed to re-structure the rights in the sponsorship agreement such that, effective 1 October 2023, Nike no longer has the right to operate the mono-branded merchandising and retail rights operated by the company prior to that date. Chelsea FC (via its subsidiary, Chelsea FC Merchandising Limited) will operate those rights going forward.

After the year end, all lease agreements have been transferred from the company to Chelsea FC.

Independent auditors

The auditors, PricewaterhouseCoopers LLP will not be reappointed in accordance with section 485 of the Companies Act 2006 as the company is being liquidated.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The directors have also taken advantage of the small company exemptions provided by Section 414B of the Companies Act 2006 and have not prepared a Strategic report.

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

DocuSigned by:
Dave Atkinson
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D Atkinson
Director

Date: 2/28/2024

Independent auditors' report to the members of Nike Chelsea Merchandising Limited

Report on the audit of the financial statements

Opinion

In our opinion, Nike Chelsea Merchandising Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of financial position as at 31 May 2023; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Emphasis of matter - financial statements prepared on a basis other than going concern

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 to the financial statements which describes the directors' reasons why the financial statements have been prepared on a basis other than going concern.

Reporting on other information

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

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

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

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

Independent auditors' report to the members of Nike Chelsea Merchandising Limited (continued)

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 May 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to direct laws including compliance with the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase profits through the creation of fictitious sales or manipulation of classification of expenses, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

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

Independent auditors' report to the members of Nike Chelsea Merchandising Limited (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Toni Alderson

Toni Alderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle upon Tyne
28 February 2024

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2023

	Note	2023 £	2022 £
Turnover	4	11,309,125	5,371,003
Cost of sales		(5,565,174)	(2,690,335)
Gross profit		5,743,951	2,680,668
Administrative expenses		(5,291,585)	(2,465,830)
Operating profit	5	452,366	214,838
Interest payable and similar expenses		(77,727)	(2,589)
Profit before tax		374,639	212,249
Taxation	7	(217,769)	(55,229)
Profit for the financial year		156,870	157,020
Other comprehensive income		-	-
Total comprehensive income for the year		156,870	157,020

The Statement of comprehensive income has been prepared on the basis that all operations are discontinuing operations.

The notes on pages 10 to 24 form part of these financial statements.

NIKE CHELSEA MERCHANDISING LIMITED
REGISTERED NUMBER: 10586258

STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2023

	Note		2023 £		2022 £
Fixed assets					
Tangible assets	8		-		17,851
			-		17,851
Current assets					
Tangible assets	8	8,289		-	
Stocks	9	684,021		673,742	
Debtors	10	720,948		513,216	
Cash at bank and in hand	11	6,078,355		2,551,699	
		7,491,613		3,738,657	
Creditors: amounts falling due within one year	12	(6,091,736)		(2,513,501)	
Net current assets			1,399,877		1,225,156
Total assets less current liabilities			1,399,877		1,243,007
Net assets			1,399,877		1,243,007
Capital and reserves					
Called up share capital	14		100,000		100,000
Profit and loss account			1,299,877		1,143,007
Total equity			1,399,877		1,243,007

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

DocuSigned by:
Dave Atkinson
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D Atkinson
Director

Date: 2/28/2024

The notes on pages 10 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2023

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 June 2021	100,000	985,987	1,085,987
Comprehensive income for the year			
Profit for the financial year	-	157,020	157,020
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	157,020	157,020
At 31 May 2022 and 1 June 2022	100,000	1,143,007	1,243,007
Comprehensive income for the year			
Profit for the financial year	-	156,870	156,870
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	156,870	156,870
At 31 May 2023	100,000	1,299,877	1,399,877

The notes on pages 10 to 24 form part of these financial statements.

1. General information

Nike Chelsea Merchandising Limited is a private company, limited by shares and incorporated in England and Wales. The company's registered number is 10586258. The address of its registered office is 5 Fleet Place, London, England, EC4M 7RD.

In extension of the sponsorship terms between Nike and Chelsea FC, Nike obtained the exclusive rights to use and sub-license the (a) Retail operations (manage the Chelsea FC Megastore) and (b) licensing business for certain product categories. For these purposes, Nike set up a legal entity, Nike Chelsea Merchandising Limited to operate these rights, with main offices and activities based at Stamford Bridge. The foregoing rights were held and operated by Nike Chelsea Merchandising Limited until 1 October 2023.

Effective 1 October 2023, Nike and Chelsea FC agreed to re-structure the rights in the sponsorship agreement such that Nike would no longer have the right to operate the mono-branded merchandising and retail rights that were operated by Nike Chelsea Merchandising Limited up to that date. Chelsea FC (via its subsidiary, Chelsea FC Merchandising Limited) will operate those rights going forward.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006. The financial statements have been prepared on a basis other than going concern. The historical cost of convention approximates the recoverable value of assets and settlement value of liabilities.

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 (see note 3).

The financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the company operates and is rounded to the nearest pound.

The following principal accounting policies have been applied consistently, other than where new policies have been adopted:

2. Accounting policies (continued)

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Nike, Inc. (United States) as at 31 May 2023 and these financial statements may be obtained from One Bowerman Drive - JM2 Beaverton, OR 97005-6453.

2.3 Going concern

The directors have made the decision to cease operations and as outlined in the post balance sheet events note, agreed to re-structure the rights in the sponsorship agreement, effective 1 October 2023, with a view of closing the company by 31 May 2024. In light of this the directors do not consider the going concern basis to be appropriate and these financial statements have therefore been prepared on a basis other than going concern.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2. Accounting policies (continued)

2.5 Tangible 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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 improvements	- 3 years
Plant and machinery	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.6 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 weighted average basis.

At each reporting 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 the Statement of comprehensive income.

2.7 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.

2.8 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.

2. Accounting policies (continued)

2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable. The entity is applying sections 11 and 12 of FRS 102 in respect of the recognition and measurement of financial instruments.

Financial assets

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 identified, an impairment loss is recognised in profit or loss.

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.

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

Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitute a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transactions price and subsequently measured at amortised costs.

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.

2.10 Creditors

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

2. Accounting policies (continued)

2.11 Foreign currency translation

Functional and presentation currency

The company's functional and presentation 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'Administrative expenses'.

2.12 Interest payable and similar expenses

Interest payable and similar expenses 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.

2.13 Operating leases: the company as lessee

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. Accounting policies (continued)

2.14 Finance leases

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined, the group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

2.15 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans. Short term benefits, including holiday pay and other similar non-monetary benefits.

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. Accounting policies (continued)

2.17 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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 reporting 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.

2.18 Called up share capital

Ordinary shares are classified as equity liabilities.

2.19 Distributions to equity holders

Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the Statement of changes in equity.

2.20 Related parties

The company discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

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

Critical judgements in applying the company's accounting policies

The critical judgements that the directors have made in the process of applying the company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

Recoverability of receivables

The company establishes a provision for receivables that are estimated not to be recoverable. When assessing the recoverability the directors consider factors such as the ageing of the receivables, and the credit profile of individual or group of customers. The company no longer has a deferred tax asset (2022: £150,887) which related to fixed asset and short term timing differences. This is deemed to be irrecoverable by the directors as they expect the business to be closed by 31 May 2024, therefore was written off during the year.

Assessing indicators of stock impairment

In assessing whether there have been any indicators of stock impairment, the directors have considered if the events or circumstances have changed which indicate that the carrying amounts of the stock may not be recoverable. The directors have assessed whether the carrying value of the stock can be supported by its net realisable value. Nike Chelsea Merchandising Limited generally includes a provision for the stock in the year end inventory that will not be sold during the immediate year after. The provision for the obsolete stock decreased to £85,000 (2022: £138,269).

4. Turnover

The company derives its turnover from its retail operations and licensing business for certain product categories (refer to note 1 for further information).

An analysis of turnover by the above is as follows:

	2023 £	2022 £
Sales of goods	11,022,599	5,076,803
Licensee revenue	286,526	294,200
	11,309,125	5,371,003

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	11,309,125	5,340,013
Rest of the world	-	30,990
	11,309,125	5,371,003

5. Operating profit

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

	2023 £	2022 £
Depreciation on tangible fixed assets	11,277	40,669
Exchange losses	297	324
Operating lease rentals	631,669	521,653
Audit fee	39,981	35,157
Impairment of inventory	85,000	138,269
Transfer pricing adjustment	857,871	(129,028)
Chelsea FC plc endorsee expense	1,310,236	-

There were overruns incurred in respect of the current year audit of £15,000 (2022: £20,000).

6. Employees

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

	2023 No.	2022 No.
Average number of employees during the year	51	55

Staff costs were as follows:

	2023 £	2022 £
Wages and salaries	1,190,836	1,133,207
Social security costs	116,138	107,701
Other pension costs	51,071	53,054
	1,358,045	1,293,962

During the current and prior year, all directors were remunerated by Nike Retail B.V., the immediate parent company. Their services to this company and to a number of fellow subsidiaries are of a non-executive nature and their remuneration is deemed to be wholly attributable to their services to the parent company. Accordingly, the above details include no remuneration in respect of the directors.

7. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	66,746	30,869
Adjustments in respect of previous periods	136	3,163
Total current tax	66,882	34,032
Deferred tax		
Origination and reversal of timing differences	17,434	16,110
Effects of changes in the tax rate	4,354	5,087
Deferred tax write-off due to provision of closing down the company	129,099	-
Total deferred tax	150,887	21,197
Taxation on profit	217,769	55,229

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2022: higher than) the standard rate of corporation tax in the UK of 20% (2022: 19%). The differences are explained below:

	2023 £	2022 £
Profit on tax	374,639	212,249
Profit multiplied by standard rate of corporation tax in the UK of 20% (2022: 19%)	74,928	40,327
Effects of:		
Expenses not deductible for tax purposes	12,396	13
Income not taxable	(86)	(4,445)
Transfer pricing adjustments	-	11,084
Adjustments in respect of previous periods	136	3,163
Tax rate changes	4,356	5,087
Share options	(3,060)	-
Deferred tax write-off due to provision of closing down the company	129,099	-
Total tax charge for the year	217,769	55,229

7. Taxation (continued)

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

8. Tangible assets

	Leasehold improvements £	Plant and machinery £	Total £
Cost			
At 1 June 2022	706,437	916,307	1,622,744
Additions	-	1,715	1,715
At 31 May 2023	706,437	918,022	1,624,459
Depreciation			
At 1 June 2022	702,937	901,956	1,604,893
Charge for the year	3,500	7,777	11,277
At 31 May 2023	706,437	909,733	1,616,170
Net book value			
At 31 May 2023	-	8,289	8,289
At 31 May 2022	3,500	14,351	17,851

During the year, the net book value of the fixed assets have been reclassified to current assets from tangible fixed assets in light of the decision to cease trading with a view of closing the company by 31 May 2024.

9. Stocks

	2023 £	2022 £
Finished goods and goods for resale	684,021	673,742

10. Debtors

	2023 £	2022 £
Due after more than one year		
Deferred tax asset	-	150,887
	-	150,887
Due within one year		
Trade debtors	365,957	252,298
Amounts owed by group undertakings	-	1,057
Other debtors	24,188	40,886
Prepayments and accrued income	330,803	68,088
	720,948	513,216

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

11. Cash at bank and in hand

	2023 £	2022 £
Cash at bank and in hand	6,078,355	2,551,699

12. Creditors: amounts falling due within one year

	2023 £	2022 £
Trade creditors	131,326	42,348
Amounts owed to group undertakings	3,550,013	1,903,883
Corporation tax	30,812	-
Taxation and social security	370,578	104,088
Other creditors	2,850	-
Accruals and deferred income	2,006,157	463,182
	6,091,736	2,513,501

Amounts owed to group undertakings are unsecured and repayable on demand. Interest is charged at 2.6% per annum on this balance.

13. Deferred taxation

	2023 £	2022 £
At beginning of year	150,887	172,084
Charged to profit or loss	(21,788)	(21,197)
Deferred tax write-off due to provision of closing down the company	(129,099)	-
At end of year	-	150,887

The deferred tax asset is made up as follows:

	2023 £	2022 £
Fixed asset timing differences	-	149,274
Short term timing differences - trading	-	1,613
	-	150,887

14. Called up share capital

	2023 £	2022 £
Allotted, called up and unpaid		
100,000 (2022: 100,000) ordinary shares of £1 each (2022: £1)	100,000	100,000

The company has one class of ordinary shares; each share carries one voting right per share but no right to fixed income.

15. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £51,071 (2022: £53,054). Contributions payable to the fund at year end were £7,396 (2022: £6,453).

16. Commitments under operating leases

At 31 May 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	415,000	484,750
Later than 1 year and not later than 5 years	1,660,000	1,660,000
Later than 5 years	1,694,583	2,109,583
	3,769,583	4,254,333

After the year end, all lease agreements have been transferred from the company to Chelsea FC.

17. Related party transactions

The company is a wholly owned subsidiary of Nike, Inc. (United States), and as such has taken advantage of the exemption permitted by FRS102 section 33 related party disclosure, not to provide disclosures of transaction entered into with other wholly owned members of the Nike group.

During the year, sales of £94,524 (2022: £68,070) were made to Chelsea FC plc. As at 31 May 2023, included within trade debtors is an amount of £169,061 (2022: £61,972) due from Chelsea FC plc. During the year, expenses of £563,843 (2022: £430,408) were recharged. Mr J Bonington and Mr R Milham are employees of Chelsea FC plc, as well as serving as directors of Nike Chelsea Merchandising Limited.

18. Post balance sheet events

Nike and Chelsea FC have agreed to re-structure the rights in the sponsorship agreement such that, effective 1 October 2023, Nike no longer has the right to operate the mono-branded merchandising and retail rights operated by the company prior to that date. Chelsea FC (via its subsidiary, Chelsea FC Merchandising Limited) will operate those rights going forward.

After the year end, all lease agreements have been transferred from the company to Chelsea FC.

19. Controlling party

The immediate parent company is Nike Retail B.V. (The Netherlands), a company incorporated in The Netherlands. The address of its registered office is Colosseum 1, 1213 NL, Hilversum, The Netherlands.

The ultimate parent undertaking is Nike, Inc. (United States) a company incorporated in the United States of America. Nike, Inc. is the parent undertaking of the smallest and largest group which consolidates the financial information of the company. Copies of the group financial statements may be obtained from One Bowerman Drive - JM2 Beaverton, OR 97005-6453.