

Registered number: 1075951

ADIDAS (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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ADIDAS (UK) LIMITED

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ADIDAS (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Principal Activities

The principal activity of adidas (UK) Limited ('the Company') during the year was the distribution and retail of sports goods to the sports trade in the UK.

Business Model

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

Business review and results

Sales increased by 18.8% (2016: 28.1%) from £888,171,000 to £1,055,286,000 versus prior year. The increase was primarily due to growth in the wholesale market, increased market share and a portfolio of performing products within our fashion range.

Profit before tax increased by 18.9% (2016: 26.1%) versus prior year to £34,447,000 (2016: £28,966,000).

In 2015 adidas AG, the ultimate parent company of adidas, sold the Rockport brand from its brand portfolio. Certain subsidiaries of adidas, including adidas (UK) Limited, subsequently transferred the Rockport brand ownership at the later date of 30th September 2017. During the period prior to the transfer of the brand ownership, adidas (UK) Limited transferred profits or losses made by the Rockport brand in the UK to the new owners on behalf of adidas AG.

On 2nd October 2017 the trade and assets of the adidas Golf brand were transferred from Taylor Made Golf Limited to adidas (UK) Limited.

Key performance indicators

The core KPI's used to monitor the performance of the business include turnover £1,055,286,000 (2016: £888,171,000), gross profit margin 21.0% (2016: 17.7%) and operating profit margin 3.3% (2016: 3.3%). The following KPI's are also monitored by the business:

Wholesale

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

ADIDAS (UK) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Key performance indicators (continued)

Retail

Footfall

Average transaction value

Units per transaction

Conversion (transaction value/footfall)

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

Principal risks and uncertainties

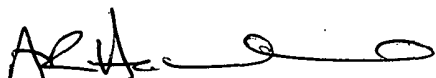
The Company's primary commercial and operational risks include loss of market share to competitors, retailer trading environment, supply chain risk, bad debts and IT/power failures.

The management of these risks include process manuals and documentation, annual risk assessments, internal audits, disaster recovery procedures and insurance.

Future developments

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

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



AR Hackett
Director

Date: 22.6.2018

ADIDAS (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £26,976,000 (2016 - £22,066,000).

No interim dividend was paid during the year (2016: £nil). The directors have not yet proposed a final ordinary dividend in respect of the current financial year however the 2016 dividend (£40,000,000) was paid in the current financial year (2015 dividend paid during 2016: £35,000,000). Such a dividend is not included within creditors if it was not approved before the year end.

Directors and directors' interests

The directors who served during the year were:

GACR Steyaert (resigned 23 October 2017)
AJ Richter
AR Hackett
GP Thomson
ACC Pourcelot (appointed 23 October 2017)

GP Thomson, GACR Steyaert and AR Hackett were remunerated in their capacities as directors of adidas (UK) Limited. AJ Richter and ACC Pourcelot were remunerated by other group companies.

Employee involvement

The Company arranges annual meetings to present financial information and factors affecting the achievements of the Company, as well as matters of employee interest.

Disabled employees

Consideration and effort is made to support the employment of disabled people wherever possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the Company, through training and career development.

Political contribution

The Company made no political donations or incurred any political expenditure during the year (2016: nil).

Disclosure of information to auditors

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

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

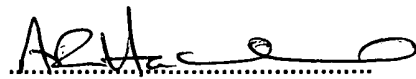
ADIDAS (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



**AR Hackett
Director**

Date: 22.6.2018

The adidas Centre
Pepper Road
Hazel Grove
Stockport
Cheshire
SK7 5SA

ADIDAS (UK) LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017**

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADIDAS (UK) LIMITED

Opinion

We have audited the financial statements of Adidas (UK) Limited ("the company") for the year ended 31 December 2017 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADIDAS (UK) LIMITED (continued)

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities

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

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

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

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



Antony Whittle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

22 JUNE 2018

ADIDAS (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	1	1,055,286	888,171
Cost of sales		(833,589)	(730,696)
Gross profit		221,697	157,475
Distribution costs		(168,523)	(166,557)
Administrative expenses		(19,295)	(18,023)
Other operating income	9	663	56,106
Operating profit		34,542	29,001
Interest receivable and similar income	5	41	28
Interest payable and similar expenses	6	(136)	(63)
Profit before tax		34,447	28,966
Tax on profit	7	(7,471)	(6,900)
Profit for the financial year		26,976	22,066

There were no recognised gains and losses for 2017 or 2016 other than those included in the profit and loss account.

The notes on pages 12 to 25 form part of these financial statements.

ADIDAS (UK) LIMITED
REGISTERED NUMBER: 1075951

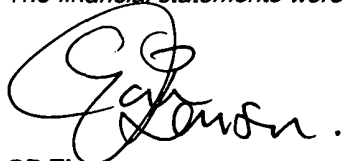
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2017 £000	2016 £000	2016 £000
Fixed assets					
Tangible assets	10		29,814		28,365
			29,814		28,365
Current assets					
Stocks	11	6,558		4,586	
Debtors: amounts falling due after more than one year		2,341		1,409	
Debtors: amounts falling due within one year	12	118,269		184,166	
Cash at bank and in hand		1,740		2,638	
		128,908		192,799	
Creditors: amounts falling due within one year	13	(122,091)		(172,105)	
Net current assets			6,817		20,694
Total assets less current liabilities			36,631		49,059
Creditors: amounts falling due after more than one year	14		(1,184)		(2,254)
			35,447		46,805
Provisions for liabilities					
Other provisions	16	(5,115)		(3,449)	
			(5,115)		(3,449)
Net assets			30,332		43,356
Capital and reserves					
Called up share capital	17		1,000		1,000
Profit and loss account			29,332		42,356
			30,332		43,356

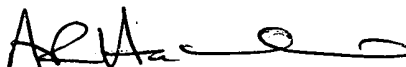
ADIDAS (UK) LIMITED
REGISTERED NUMBER: 1075951

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

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



GP Thomson
Director



AR Hackett
Director

Date: 22.6.2018

The notes on pages 12 to 25 form part of these financial statements.

ADIDAS (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2016	1,000	55,290	56,290
Comprehensive income for the year			
Profit for the year	-	22,066	22,066
Total comprehensive income for the year	-	22,066	22,066
Dividends: Equity capital	-	(35,000)	(35,000)
At 31 December 2016 and 1 January 2017	1,000	42,356	43,356
Comprehensive income for the year			
Profit for the year	-	26,976	26,976
Total comprehensive income for the year	-	26,976	26,976
Contributions by and distributions to owners			
Dividends: Equity capital	-	(40,000)	(40,000)
Total transactions with owners	-	(40,000)	(40,000)
At 31 December 2017	1,000	29,332	30,332

The notes on pages 12 to 25 form part of these financial statements.

ADIDAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

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

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied..

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

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

- a cash flow statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of the compensation of Key Management Personnel.

1.2 Measurement Convention

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

1.3 Going concern

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries. As a consequence the board believes that it is well placed to manage its business risk in the current economic environment.

After making all enquiries, the board has a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

ADIDAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.4 Cashflow Statement

As a wholly owned subsidiary undertaking of a parent company established under the law of a member state of the European Union, the Company has taken advantage of the exemption in FRS 101.8 and has not prepared a cash flow statement. The parent company's financial statements include a consolidated cash flow statement.

1.5 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.

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- 25 years
Plant and machinery	- 4 - 5 years
Fixtures and fittings	- 3 - 10 years
Computer equipment	- 2 - 4 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

1.6 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

ADIDAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.7 Operating leases

Rentals paid under operating leases are charged to the Profit and Loss Account 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.

1.8 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Profit and Loss Account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

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

At amortised cost

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

ADIDAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.9 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.10 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 the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.11 Stocks

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

ADIDAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Accounting policies (continued)

1.12 Current and deferred taxation

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

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

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

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

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

1.13 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.

ADIDAS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. Accounting policies (continued)

1.14 Provisions

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

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

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

2. Expenses and auditors' remuneration

	2017 £000	2016 £000
Depreciation	9,779	7,698
Hire of other assets - operating leases	10,911	11,615
Loss on sale of tangible assets	354	-
Restructuring costs / (credit)	333	(256)
	<hr/> 21,377	<hr/> 19,057
Auditors' remuneration		
Audit of these financial statements	73	72
Taxation Compliance	-	35
	<hr/> 73 <hr/>	<hr/> 107 <hr/>

The Company paid the above amounts to its auditors in respect of the audit of the financial statements and for taxation compliance services provided to the Company in 2016 only.

ADIDAS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

3. Employees

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

	2017 £000	2016 £000
Wages and salaries	34,135	33,096
Social security costs	3,264	3,052
Cost of defined contribution scheme	1,274	1,135
	<u>38,673</u>	<u>37,283</u>

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

	2017 No.	2016 No.
Office management	536	458
Distribution and retail	600	685
	<u>1,136</u>	<u>1,143</u>

4. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	2,532	2,607
Company contributions to defined contribution pension schemes	10	27
	<u>2,542</u>	<u>2,634</u>

During the year retirement benefits were accruing to 1 director (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,360,000 (2016 - £1,487,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2016 - £15,000).

ADIDAS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. Interest receivable

	2017 £000	2016 £000
Interest receivable from group undertakings	9	28
Other interest receivable	32	-
	<u>41</u>	<u>28</u>

6. Interest payable and similar charges

	2017 £000	2016 £000
Amounts payable to group undertakings	109	55
Other interest payable	27	8
	<u>136</u>	<u>63</u>

7. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	7,080	7,190
Adjustments in respect of previous periods	1,398	212
	<u>8,478</u>	<u>7,402</u>
Total current tax	<u>8,478</u>	<u>7,402</u>
Deferred tax		
Origination and reversal of timing differences	68	(507)
Changes to tax rates	(8)	132
Adjustment in respect of prior years	(1,067)	(127)
Total deferred tax	<u>(1,007)</u>	<u>(502)</u>
Taxation on profit on ordinary activities	<u>7,471</u>	<u>6,900</u>

ADIDAS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20.00%). The differences are explained below:

	2017	2016
	£000	£000
Profit on ordinary activities before tax	34,446	28,966
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 : 20.00%)	6,631	5,793
Effects of:		
Capital items expensed and depreciation on non-qualifying assets	303	304
Expenses not deductible for tax purposes,	129	159
Income not taxable for tax purposes	85	(85)
Depreciation for the year higher than capital allowances	230	423
Other timing short term timing differences	(298)	596
Adjustment to tax charge in respect of previous periods	1,398	212
Deferred tax movements	(1,007)	(502)
Total tax charge for the year	7,471	6,900

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2017 has been calculated based on these rates.

ADIDAS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. Dividends

	2017	2016
	£000	£000
Final Ordinary Dividend	40,000	35,000
	<u>40,000</u>	<u>35,000</u>

Dividends paid in 2017 and 2016 relate to the final ordinary dividend declared for the 2016 and 2015 financial years respectively. There is no final ordinary dividend declared for 2017 at the date these financial statements were authorised.

9. Other operating income

	2017	2016
	£000	£000
Income from the early termination of promotion and advertising contracts	(663)	(56,106)
	<u>(663)</u>	<u>(56,106)</u>

Other operating income was a non-recurring gain, which related to the early termination of the Chelsea F.C. contract.

ADIDAS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost or valuation					
At 1 January 2017	24,663	14,446	31,930	6,637	77,676
Additions	39	8	10,895	858	11,800
Disposals	(10,775)	-	(428)	(12)	(11,215)
At 31 December 2017	13,927	14,454	42,397	7,483	78,261
Depreciation					
At 1 January 2017	15,550	14,298	14,510	4,953	49,311
Charge for the period on owned assets	1,133	25	7,791	829	9,778
Disposals	(10,364)	-	(267)	(11)	(10,642)
At 31 December 2017	6,319	14,323	22,034	5,771	48,447
Net book value					
At 31 December 2017	7,608	131	20,363	1,712	29,814
At 31 December 2016	9,113	148	17,420	1,684	28,365

Included in the cost of freehold property is £11.8 million (2016: £22.5 million) of depreciable assets.

11. Stocks

	2017 £000	2016 £000
Finished goods and goods for resale	6,558	4,586
	<u>6,558</u>	<u>4,586</u>

Replacement costs of stock

The difference between purchase price or production cost of stocks and their replacement cost is not material.

ADIDAS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Debtors

	2017	2016
	£000	£000
Due after more than one year		
Deferred tax asset	2,341	1,409
	<u>2,341</u>	<u>1,409</u>
	2017	2016
	£000	£000
Due within one year		
Trade debtors	66,329	59,133
Amounts owed by group undertakings	42,616	9,936
Other debtors	818	3,680
Prepayments and accrued income	6,639	109,625
Deferred taxation	1,867	1,792
	<u>118,269</u>	<u>184,166</u>

13. Creditors: Amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	33,552	87,820
Amounts owed to group undertakings	32,843	55,438
Corporation tax	5,433	4,147
Other taxation and social security	11,634	-
Other creditors	1,419	752
Accruals and deferred income	37,210	23,948
	<u>122,091</u>	<u>172,105</u>

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

	2017	2016
	£000	£000
Accruals and deferred income	1,184	2,254
	<u>1,184</u>	<u>2,254</u>

ADIDAS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Deferred taxation

	2017	2016
	£000	£000
At beginning of year	3,201	2,699
Charged to profit or loss	1,007	502
At end of year	4,208	3,201

The deferred tax asset is made up as follows:

	2017	2016
	£000	£000
Tangible fixed assets	2,341	1,409
Provisions	1,867	1,792
	4,208	3,201

16. Provisions

	Long term incentive plan £000	Restructuring provision £000	Dismantling provision £000	Total £000
At 1 January 2017	2,229	75	1,145	3,449
Charged to profit or loss	2,788	260	32	3,080
Utilised in year	(1,387)	(2)	(25)	(1,414)
At 31 December 2017	3,630	333	1,152	5,115

17. Share capital

	2017	2016
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
1,000,000 Ordinary shares of £1 each	1,000	1,000

ADIDAS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

18. Contingent liabilities

adidas (UK) Limited has given guarantees to HM Customs & Excise in respect of VAT and duty deferment of £200,000 (2015: £200,000).

19. Pension commitments

The Company operates a defined contributions pension scheme. The pension cost charge for the period represents contributions payable by the Company to the fund and amounted to £1,274,000 (2016 : £1,205,000). No contributions (2016 : £nil) were payable to the fund at the balance sheet date.

20. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Not later than 1 year	15,008	10,571
Later than 1 year and not later than 5 years	62,466	43,733
Later than 5 years	103,848	109,269
	<u>181,322</u>	<u>163,573</u>

21. Related party transactions

As a wholly owned subsidiary of adidas AG, the Company has taken advantage of the exemptions available under FRS 101 not to disclose related party transactions within the group. Details of the immediate and ultimate controlling parties are described in note 22.

22. Controlling party

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