

Company Registration No 290939 (England and Wales)

LILLYWHITES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 24 APRIL 2011

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LILLYWHITES LIMITED

COMPANY INFORMATION

Directors

M J W Ashley
J C Ashley
D M Forsey
S M Nevitt
R F Mellors

Secretary

R L Tylee-Birdsall

Company number

290939

Registered office

Unit A
Brook Park East
Shirebrook
NG20 8RY

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Business address

Unit A
Brook Park East
Shirebrook
NG20 8RY

LILLYWHITES LIMITED

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LILLYWHITES LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 24 APRIL 2011

The directors present their report and financial statements for the period ended 24 April 2011

Principal activities and review of the business

The principal activity of the company continued to be that of the retail of sports and leisure goods

The company has experienced a 4.2% increase in turnover and a 10 basis point increase in gross margin

Key performance indicators (KPI's)

The directors consider turnover and gross profit margins to be the key performance indicators for the company

The company turnover increased from £36,356,696 to £37,880,139

The company has performed strongly in a very difficult environment. Our retail model, offering considerable value to our customers, proved as resilient as we expected.

Margin in the company increased from 34.6% to 34.7% in the period.

Results and dividends

The results for the period are set out on page 6.

The loss for the period after tax amounted to £3,503. The directors do not recommend the payment of a dividend.

Future developments

The directors aim to maintain the management policies which have been successful in recent years.

Currency risk

Part of the company's merchandise is sourced from companies based in the Far East which are paid in US Dollars and is therefore exposed to movements in foreign currencies. The directors have mitigated the risk of movements in exchange rates by securing forward exchange contracts to buy US Dollars and Euros, which are held by the parent company.

Liquidity risk

The directors seek to manage the liquidity risk faced by the company via a group overdraft facility. At the balance sheet date, the authorised overdraft facility was £220 million (2010: £500 million).

Directors

The following directors have held office throughout the year:

M J W Ashley

J C Ashley

D M Forsey

S M Nevitt

R F Mellors

LILLYWHITES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 24 APRIL 2011

Employee involvement

The company communicates with its people through a wide variety of channels, including briefings held at Head Office, information transmitted through line managers, and an Employee Forum at the Head Office and National Distribution Centre at Shirebrook, and the Company's open management style encourages employees to develop and to contribute to the development of the business

All UK permanent employees of the company participate in the Bonus Share Scheme. The scheme is intended to motivate and provide those employees with a direct and substantial link between company performance and their remuneration, and encourage employee participation in the company. The Bonus Share Scheme will operate in addition to the current workplace bonus schemes, which are directly related to specific workplace performance.

The company has entered into an agreement with the trade union Unite in respect of collective bargaining of the pay, hours and holidays of certain groups of employees at the company's National Distribution Centre at Shirebrook.

LILLYWHITES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 24 APRIL 2011

Directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

In so far as the directors are aware

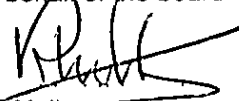
- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Auditors

Grant Thornton UK LLP have expressed willingness to continue in office and a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

On behalf of the board



R.E. Mellors

Director

5/9/11

LILLYWHITES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LILLYWHITES LIMITED

We have audited the financial statements of Lillywhites Limited for the period ended 24 April 2011 which comprise the principal accounting policies, the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of the directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

LILLYWHITES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE SHAREHOLDERS OF LILLYWHITES LIMITED

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 24 April 2011 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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, 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

Grant Thornton UK LLP

Marc Summers

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Registered Auditor, Chartered Accountants

London

Date 5/9/11

LILLYWHITES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 24 APRIL 2011

	Notes	2011 £	2010 £
Turnover	2	37,880,139	36,356,696
Cost of sales		(24,735,499)	(23,762,789)
Gross profit		13,144,640	12,593,907
Administrative expenses		(15,074,289)	(8,169,328)
Operating (loss)/profit	3	(1,929,649)	4,424,579
Other interest receivable and similar income	4	74	4,106
Interest payable and similar charges	5	-	(242)
(Loss)/profit on ordinary activities before taxation		(1,929,575)	4,428,443
Tax on (loss)/profit on ordinary activities	6	1,926,072	(1,432,099)
(Loss)/profit for the period	15	(3,503)	2,996,344

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than the profit for the financial period

LILLYWHITES LIMITED

BALANCE SHEET

AS AT 24 APRIL 2011

	Notes	2011 £	£	2010 £	£
Fixed assets					
Tangible assets	7		2,187,508		10,752,146
Current assets					
Stocks	8	1,656,891		1,736,891	
Debtors	9	43,321,655		33,958,216	
Cash at bank and in hand		239,017		52,378	
		<u>45,217,563</u>		<u>35,747,485</u>	
Creditors amounts falling due within one year	10	<u>(1,357,103)</u>		<u>(370,233)</u>	
Net current assets			43,860,460		35,377,252
Total assets less current liabilities			46,047,968		46,129,398
Creditors amounts falling due after more than one year	11		(100,000)		(100,000)
Provisions for liabilities	12		<u>(148,607)</u>		<u>(226,534)</u>
			<u>45,799,361</u>		<u>45,802,864</u>
Capital and reserves					
Called up share capital	14		44,738,995		44,738,995
Profit and loss account	15		<u>1,060,366</u>		<u>1,063,869</u>
Shareholders' funds	16		<u>45,799,361</u>		<u>45,802,864</u>

Approved by the Board and authorised for issue on

5/9/11


R.F. Mellors

Director

Company No 290939

LILLYWHITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 24 APRIL 2011

1 Principal accounting policies

1.1 Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

The principal accounting policies of the company remain unchanged from the previous period and are set out below

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 not to prepare a cash flow statement on the grounds that the parent undertaking produces a consolidated cash flow statement

1.2 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes

In the case of goods sold through retail stores, turnover is recognised when goods are sold to the customer, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale. Retail sales are usually in cash, by debit card or by credit card

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

Long leasehold land and buildings	Straight line over the life of the lease
Fixtures, fittings and equipment	15% / 33% Reducing balance

1.4 Leasing

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term

1.5 Stock

Stocks are valued at lower of cost and net realisable value. Cost includes the purchase price of the manufactured products, materials, direct labour, transport costs and a proportion of applicable overheads. Cost is calculated using weighted average cost. Net realisable value is based on the estimated selling price less all estimated selling costs. Provision is made for obsolete, slow-moving or defective items where appropriate

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the period they are payable

1.7 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

LILLYWHITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 24 APRIL 2011

1 Accounting policies

(continued)

1.8 Provisions

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

The company provides for dilapidations costs following advice from chartered surveyors and management's previous experience of exit costs. The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. The capital element is recognised as a decommissioning cost and depreciated over the life of the asset. The non-capital element is taken to the profit and loss account in the first year of the lease where the cost it represents is of no lasting benefit to the company or its landlord. 'Wear and tear' costs are expensed to the profit and loss account. Provisions for onerous lease contracts are recognised when the company believes the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom

3 Operating (loss)/profit	2011 £	2010 £
Operating (loss)/profit is stated after charging		
Depreciation of tangible assets	8,674,339	593,148
Operating lease rentals		
- Plant and machinery	8,504	5,494
- Land and building	1,091,172	1,466,500
Auditor's remuneration	4,000	4,000

4 Investment income	2011 £	2010 £
Bank interest	74	4,106
	74	4,106

5 Interest payable	2011 £	2010 £
On bank loans and overdrafts	-	242

LILLYWHITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 24 APRIL 2011

6	Taxation	2011 £	2010 £
	Domestic current year tax		
	U K corporation tax	1,289,969	-
	Adjustment for prior years	(1,498,050)	1,410,572
	Total current tax	<u>(208,081)</u>	<u>1,410,572</u>
	Deferred tax		
	Origination and reversal of timing differences	(1,714,983)	23,975
	Deferred tax adjustments arising in previous periods	(3,008)	(2,448)
		<u>(1,717,991)</u>	<u>21,527</u>
		<u>(1,926,072)</u>	<u>1,432,099</u>
	Factors affecting the tax charge for the period		
	(Loss)/profit on ordinary activities before taxation	<u>(1,929,575)</u>	<u>4,428,443</u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2010 - 28.00%)	<u>(540,281)</u>	<u>1,239,964</u>
	Effects of		
	Non deductible expenses	37,992	92,988
	Capital allowances	1,856,559	(23,975)
	Adjustments to previous periods	(1,498,050)	1,410,572
	Group relief	-	(1,455,402)
	UK transfer pricing adjustment for notional interest	-	146,425
	UK transfer pricing adjustment for notional royalties	(64,301)	-
		<u>332,200</u>	<u>170,608</u>
	Current tax charge for the period	<u>(208,081)</u>	<u>1,410,572</u>

LILLYWHITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 24 APRIL 2011

7 Tangible fixed assets

	Long leasehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 26 April 2010	14,370,639	2,017,621	16,388,260
Additions	1,530	8,168,762	8,170,292
Disposals	(8,051,848)	(8,743)	(8,060,591)
	<u>6,320,321</u>	<u>10,177,640</u>	<u>16,497,961</u>
Depreciation			
At 26 April 2010	4,560,728	1,075,386	5,636,114
Charge for the period	133,672	8,540,667	8,674,339
	<u>4,694,400</u>	<u>9,616,053</u>	<u>14,310,453</u>
Net book value			
At 24 April 2011	<u>1,625,921</u>	<u>561,587</u>	<u>2,187,508</u>
At 25 April 2010	<u>9,809,911</u>	<u>942,235</u>	<u>10,752,146</u>

The company has revised its depreciation estimate for certain of the company's fixed assets to be in line with other companies within the Sports Direct group, which reflects the useful economic life of such assets. In accordance with FRS 18, this change in estimate has been applied prospectively.

8 Stocks

	2011 £	2010 £
Finished goods and goods for resale	<u>1,656,891</u>	<u>1,736,891</u>

LILLYWHITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 24 APRIL 2011

9 Debtors	2011 £	2010 £
Trade debtors	1,000	477
Amounts owed by parent and fellow subsidiary undertakings	41,244,682	33,612,577
Corporation tax	-	1,950
Other debtors	64,407	93,442
Prepayments and accrued income	171,074	127,269
Deferred tax asset (see note 12)	1,840,492	122,501
	<u>43,321,655</u>	<u>33,958,216</u>
10 Creditors amounts falling due within one year	2011 £	2010 £
Trade creditors	18,459	23,154
Amounts owed to parent and fellow subsidiary undertakings	-	288,134
Corporation tax	1,289,969	-
Other creditors	40,901	40,901
Accruals and deferred income	7,774	18,044
	<u>1,357,103</u>	<u>370,233</u>
11 Creditors amounts falling due after more than one year	2011 £	2010 £
Preference shares classed as a financial liability	<u>100,000</u>	<u>100,000</u>

The company has issued 200,000 6% cumulative preference shares of 50 pence each

The shares have no voting rights and are not redeemable. They have priority over ordinary shares in the event of a winding up of the company.

The current and previous owners of the 6% preference shares have waived their rights to dividends and the current holder has indicated that it is not its present intention to seek payment of future dividends.

LILLYWHITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 24 APRIL 2011

12 Provisions for liabilities

	Pension obligations £
Balance at 26 April 2010	226,534
Profit and loss account	(77,927)
	<u>148,607</u>
Balance at 24 April 2011	<u>148,607</u>

The dilapidations provision is the best estimate of the present value of expenditure expected to be incurred by the company in order to restore its leasehold premises to the condition required under the lease agreements at the end of the lease discounted at 5% per annum. The provision is expected to be utilised over the period to the end of each specific lease.

The deferred tax asset (included in debtors, note 9) is made up as follows

	2011 £
Balance at 26 April 2010	(122,501)
Profit and loss account	(1,717,991)
	<u>(1,840,492)</u>
Balance at 24 April 2011	<u>(1,840,492)</u>

	2011 £	2010 £
Decelerated capital allowances	<u>(1,840,492)</u>	<u>(122,501)</u>

13 Pension and other post-retirement benefit commitments

Defined contribution

The company operates a defined contribution pension scheme. The pension cost charge represents the contributions payable by the company for the period and no amounts were outstanding as at 25 April 2010.

	2011 £	2010 £
Contributions payable by the company for the period	<u>9,377</u>	<u>9,329</u>

LILLYWHITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 24 APRIL 2011

14 Share capital	2011 £	2010 £
Allotted, called up and fully paid		
447,389,950 Ordinary shares of 10p each	44,738,995	44,738,995

15 Statement of movements on profit and loss account	Profit and loss account £
Balance at 26 April 2010	1,063,869
Loss for the period	(3,503)
Balance at 24 April 2011	1,060,366

16 Reconciliation of movements in shareholders' funds	2011 £	2010 £
(Loss)/Profit for the financial period	(3,503)	2,996,344
Opening shareholders' funds	45,802,864	42,806,520
Closing shareholders' funds	45,799,361	45,802,864

17 Financial commitments

At 24 April 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 25 April 2010

	Land and buildings	
	2011 £	2010 £
Operating leases which expire		
Within one year	139,364	92,055
Between two and five years	-	427,347
In over five years	582,500	582,500
	721,864	1,101,902

LILLYWHITES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 24 APRIL 2011

18 Employees

Number of employees

The average monthly number of employees (including directors) during the period was

	2011 Number	2010 Number
Sales and administration	246	309

Employment costs

	2011 £	2010 £
Wages and salaries	3,535,660	4,242,666
Social security costs	244,452	303,292
Other pension costs	9,377	9,329
	3,789,489	4,555,287

19 Control

The ultimate controlling party is M J W Ashley, by virtue of his 100% ownership of Mash Holdings Limited, the ultimate parent company. Mash Holdings Limited holds the majority of shares in Sports Direct International plc, who own 100% of the share capital of Sportsdirect.com Retail Limited (the immediate parent company).

Sports Direct International plc is the smallest company and MASH Holdings Limited is the largest company to consolidate these accounts. Sports Direct International plc is a company registered in England and Wales. A copy of the group accounts can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

20 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.