

Parent Company Accounts of  
2739957-SD1 (Berwick) Ltd

**SPORTSDIRECT.com**

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# 2013

## ANNUAL REPORT

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**EXCEPTIONAL QUALITY ★ UNBEATABLE VALUE**

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**"2012/13 WAS A RECORD-BREAKING YEAR FOR THE GROUP AND FOR BRITISH SPORT. WE ARE PLEASED THAT BOTH HAVE CONTINUED TO BE SUCCESSFUL THIS YEAR AND THAT OUR STRATEGY OF BEING THE CONSUMERS' CHAMPION CONTINUES TO REAP REWARDS.**

"Our colleagues have worked hard throughout the year and, as a result, we have exceeded the second underlying EBITDA target of £250m set under the 2011 Employee Bonus Share Scheme and the stretch target of £270m. This means the Group has successfully met the first two targets while there remain two more years to go under the 2011 Employee Bonus Share Scheme

"There is no doubt that the Group's record-breaking results were in the large part down to our colleagues and their hard work. The Employee Bonus Share Schemes have continued to drive this performance and we are pleased that eligible employees will be rewarded in August as the second and final part of the 2009 Employee Bonus Share Scheme vests

"Trading since the period end has remained strong and is ahead of management's expectations for the first quarter. Whilst 2013 is a non-tournament year, there is no doubt that our compelling offer of exceptional quality and unbeatable value continues to resonate well with our customers "

**Dave Forsey**  
Chief Executive

18 July 2013

## KEY HIGHLIGHTS

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Group revenue

**£2,186m**

Up 20.9%

Reported profit before tax

**£207.2m**

Up 40.0%

Underlying EBITDA

**£287.9m**

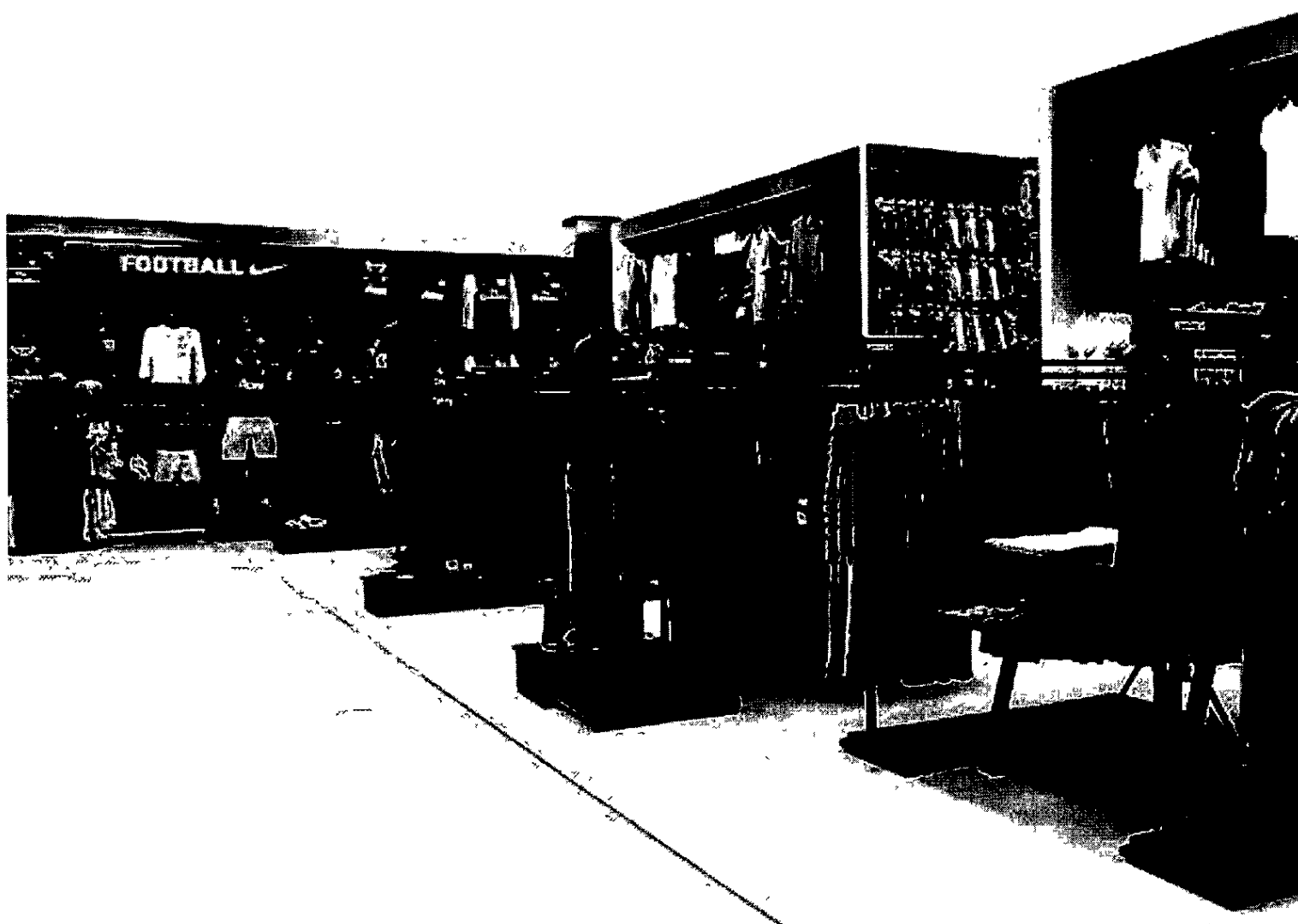
Up 22.1%

Reported earnings per share

**26.64p**

Up 46.1%

- Strong growth in online revenue of 52.1% - now representing 15.0% of Total Sports Retail sales (FY12 11.6%)
- Underlying free cash generation of £245.6m
- Accelerated European expansion including post year end acquisitions in Austria and the Baltic region
- Investment in inventory and strategic acquisitions while maintaining a strong balance sheet
- Shirebrook National Distribution Centre Phase 2 completed, however further enhancements underway
- First part of 2009 Employee Bonus Share Scheme vested in August 2012
- Second and final part of 2009 Employee Bonus Share Scheme vesting in August 2013



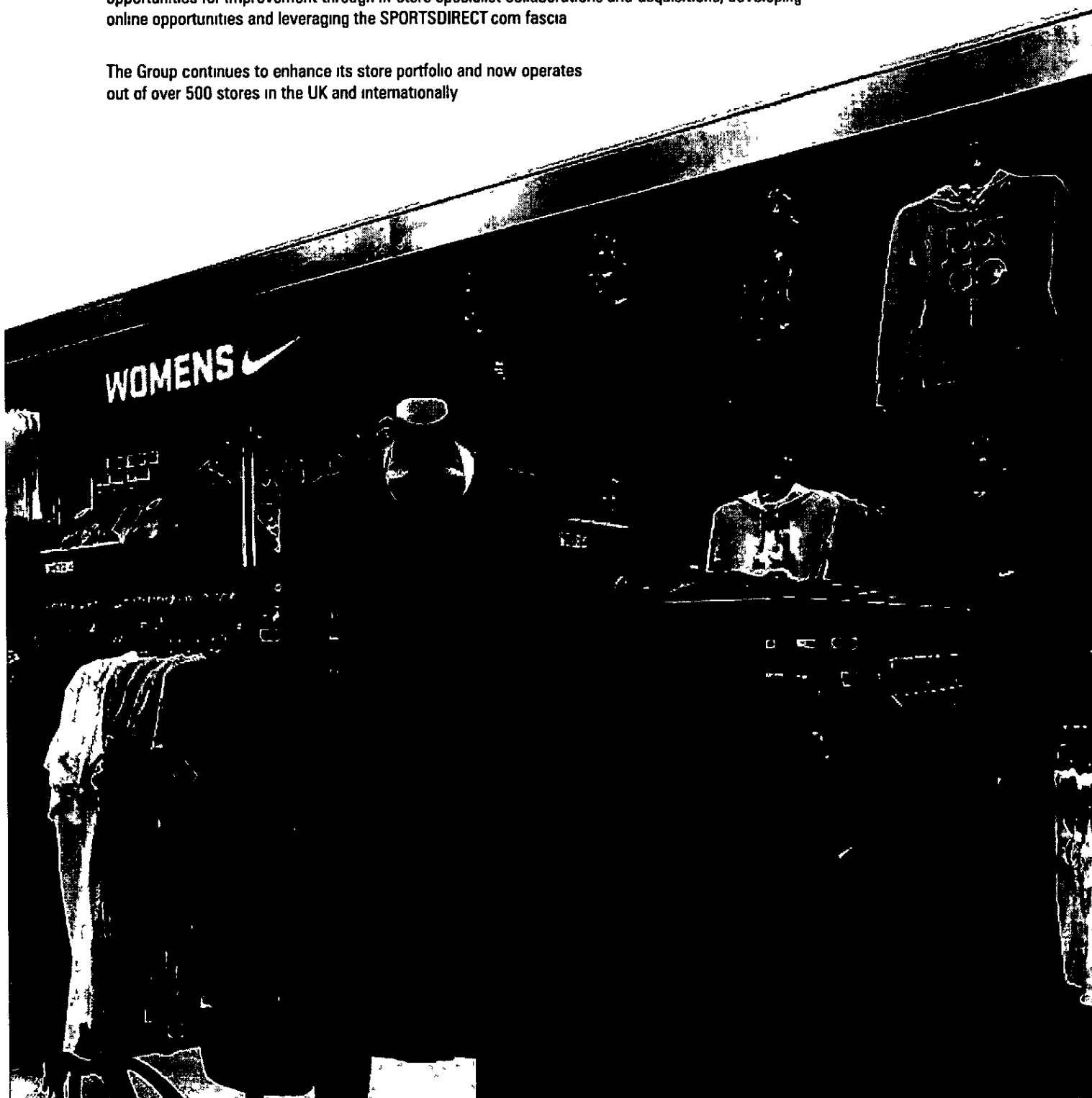
## WHO WE ARE

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**SPORTS DIRECT IS THE UK'S LEADING SPORTS RETAILER BY REVENUE AND OPERATING PROFIT, AND THE OWNER OF A SIGNIFICANT NUMBER OF WORLD-FAMOUS SPORT, FASHION AND LIFESTYLE BRANDS.**

We provide a full multi-channel approach to the UK and European Retail markets. Our strategy includes identifying opportunities for improvement through in-store specialist collaborations and acquisitions, developing online opportunities and leveraging the SPORTSDIRECT.com fascia

The Group continues to enhance its store portfolio and now operates out of over 500 stores in the UK and internationally



## SPORTS DIRECT AT A GLANCE

THE GROUP OPERATES THROUGH FOUR STRATEGIC BUSINESS SEGMENTS: UK SPORTS RETAIL, INTERNATIONAL RETAIL, PREMIUM LIFESTYLE AND BRANDS.

### UK SPORTS RETAIL

**£1,575m** 75% of total revenue

The Group's UK stores (other than Field & Trek) supply a wide range of competitively priced sports and leisure equipment, clothing, footwear and accessories under a mix of brands. We stock third-party brands including adidas, Nike, Reebok and Puma. Group-owned brands include Dunlop, Slazenger and Lonsdale. We also sell licensed-in brands.

As at 28 April 2013 UK Sports Retail operated out of 396 stores in the United Kingdom (excluding Northern Ireland). The majority of stores trade under the SPORTSDIRECT.com fascia, although Field & Trek stores trade under their own fascia.

We have continued to develop our specialised in-store areas with a substantial unitary rollout for our Dunlop and Everlast brands. Our SheRunsHeRuns areas also benefited from a rollout of the Kammer running footwear zone, featuring an integrated product information and selection panel.



### INTERNATIONAL RETAIL

**£185m**  
9% of total revenue

The Group's extensive interests outside the UK include wholly owned retail outlets, joint ventures with other retailers and stores within another retailer's store. During the Year, as part of the accelerated growth programme in our European subsidiary, we opened 19 new stores in Europe and entered four new countries, including a new store in Iceland with a joint venture partner and wholly owned stores in Slovakia, Hungary and the Czech Republic. Our strategy remains to identify partners in new territories while continuing to expand our operations in the countries where we currently trade.



### PREMIUM LIFESTYLE

**£128m**  
6% of total revenue

During the year we have continued our expansion of the Premium Lifestyle division. In July 2012 we purchased The Flannels Group, and in February 2013, 114 stores and certain assets were acquired from the administrators of the fashion retailer Republic. Both acquisitions expand the breadth of our premium offering. Post year end we have also acquired the remaining 20% stake in Cruise Clothing Limited.

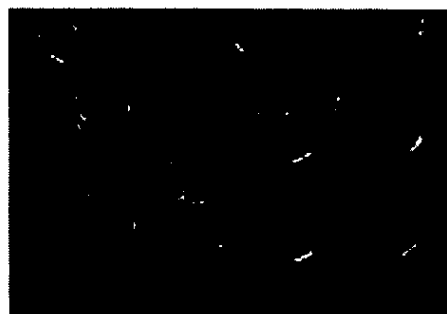


### BRANDS

**£209m**  
10% of total revenue

The Group's portfolio includes a wide variety of world-famous sport, fashion and lifestyle brands. The Group's Retail division sells products under these Group brands in its stores, and the Brands division exploits the brands through its wholesale and licensing businesses.

The Brands division continues to sponsor a variety of prestigious events and retains a base of globally-recognised, high-profile sportsmen and women.



## OUR BUSINESS MODEL

Our business model is focused on long-term sustainable growth. Whilst the central focus remains on growing and developing the core UK Retail business, development of our brands and International Retail are also key priorities. Our offering has developed further in specialist sports categories and more fashion-based retailing. We are constantly refurbishing and upgrading our stores, in order to provide our customers with a compelling consumer experience. The continued development of our dedicated specialist areas and on-going collaboration with Nike, adidas and Puma on in-store concepts are further examples of this.

Acquisitions and strategic investments in related businesses are an important part of our strategy. Opportunities to develop into new product categories or markets, or to strengthen our position in existing areas, will continue to be considered on a case by case basis.

We aim to maintain our position as the market leader in the UK Sports Retail sector. The business model provides guidance for the Group to implement an effective growth strategy to maintain and develop the success achieved so far. It compares our recent successes with our future ambitions in order that we can assess how to progress in the future.

The Group has significant momentum and we must ensure that our product offering and customer proposition continue to grow and develop in order to retain our current customer base and to attract more customers in the future.

Developing brand awareness is a key factor in ensuring a sustainable future, and the appropriate level of investment in advertising and technology is an important component towards achieving this.

Our international presence continues to grow through over 300 brand licensing partners, our online presence and on-going European store openings. The Group's appointment of internationally recognised celebrities and sporting professionals as key ambassadors also promotes our brands endorsement on a global basis.

### THE GROUP'S KEY PRINCIPLES:

IDENTIFY	Brand acquisitions and property enhancement
INVEST	Store portfolio and employees
DEVELOP	Website and mCommerce, enhanced product ranges
PROMOTE	Group-owned brands
ACHIEVE	Targets and Group success



## GROUP BRANDS

### Sports & Leisure





UNLEASH YOURS  
AT EVERLAST.COM

EVERLAST

UNLEASH  
YOUR WARRIOR

BENSON HENDERSON  
WORLD LIGHTWEIGHT CHAMPION

EVERLAST IS A REGISTERED TRADEMARK OF EVERLAST SPORTSWEAR CO. INC.

PING

# ***DUNLOP***

***COLLECTION***

***DUNLOP***  
SPORTSWEAR

**LEE WESTWOOD**

Dunlop Brand Ambassador

LEE WESTWOOD ENDORSES DUNLOP CLOTHING ONLY

© 2003 Slazenger



## SLAZENGER ELEGANT PERFORMANCE

It's how you feel that counts. It's the combination of the quality of the materials, the feel of the stitching and the fast response that Slazenger has mastered. It's how you feel that counts. It's the combination of the quality of the materials, the feel of the stitching and the fast response that Slazenger has mastered. It's how you feel that counts. It's the combination of the quality of the materials, the feel of the stitching and the fast response that Slazenger has mastered.



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**Slazenger**



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Work it  
Love it

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Kirsty Gallacher  
USA Pro Ambassador



**CARL FROCH**

IBF and WBA Super-Middleweight Champion  
Lonsdale Brand Ambassador



THE  
WIMBLEDON  
BALL

# WINNING SERVICE

— *Since 1902* —

Exclusively used and endorsed by  
THE CHAMPIONS  
WIMBLEDON

OFFICIAL BALL SUPPLIER OF THE CHAMPIONSHIPS, WIMBLEDON



Slazenger



QUARTER LENGTH  
ZIP TO THE NECK

DEX MOISTURE  
MANAGEMENT TECHNOLOGY

ERGONOMIC  
FLAT LOCK SEAMS

LIGHTWEIGHT  
QUICK DRYING FABRIC



**BUILT DIFFERENT**



Available in  
men's sizes 10-18  
in 100% cotton  
polyester  
blend

AVAILABLE AT

**SPORTSDIRECT.com**

0800 00 80 80

# GROUP BRANDS

Fashion & Lifestyle

soviet



SILVERFOX

golddigga

Firetrap



SOULCAL&CO

FABRIC

FULLCIRCLE

CRAFTED



MISO





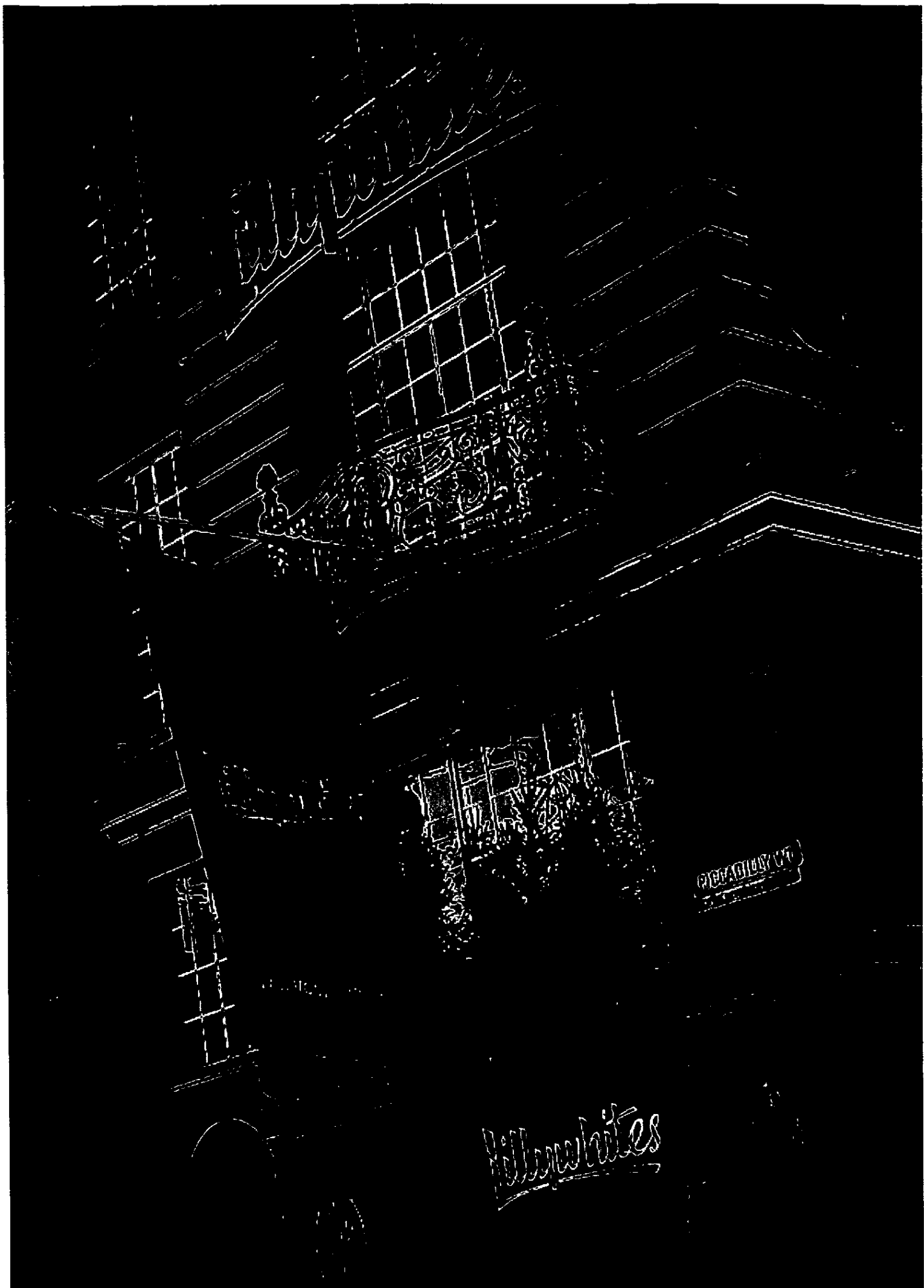
**FULLCIRCLE**



**Soviet**



**Firetrap**



# CHAIRMAN'S STATEMENT

I am pleased to announce that the Group has continued to perform strongly, both operationally and financially. The rate of growth has increased across the business with revenue and EBITDA growing impressively.

The Group has delivered strong cash generation and our balance sheet remains solid. Our position as the Consumers' Champion, offering an unmatched range of products at the best available prices, is now reaching more countries as we continue to expand internationally.

We are constantly looking for new ways of improving our business. We invest heavily in staff training to help them achieve their full potential. Our in-house programmes have continued in conjunction with our key partners Nike, adidas and Puma. We focus on both shop floor-based and classroom activities. They include key elements of professionalism such as product knowledge, communication, leadership and decision making. The integration of a bespoke online training platform, to provide new starters with a thorough induction to the business, is one example of innovative training techniques deployed throughout the Group.

We are pleased that construction and integration of the Phase 2 extension to the Shirebrook Distribution Centre has been completed, and the extension to the Sportsdirect.com store at Shirebrook is now underway and completion is scheduled for later in 2013.

Our Premium Lifestyle division is continuing to grow through acquisitions such as The Flannels Group in July 2012 and Republic in February 2013. We continue to nurture this division and are already seeing increases in sales from earlier acquisitions.

The Board's aim to expand further into Europe has been a key strategic driver for a number of years which has proved extremely successful. Since the start of FY13, we have organically grown our store portfolio in Europe by 19 new stores, and entered four new countries. In conjunction with the acquisitions recently announced in Austria and the Baltics, we are now active in 19 European countries.

International Retail revenue grew 20.1% in the Year and we have continued our international growth by opening stores in Poland and Spain during the first quarter of FY14.

The introduction of the Sportsdirect.com website platform in 2006 provided the Group with another route to market and means of serving our customers. We have continued to invest in this platform and the benefits are now clearly being recognised. Online sales have increased from 11.6% of our total Sports Retail revenue in FY12 to 15.0% in FY13.

Our online offering provides an excellent opportunity to expand the range and value of products available to our customers, reinforcing our position as the Consumers' Champion by delivering exceptional quality at unbeatable value. We have a dedicated web team who run the website, marketing to our customers with promotions and campaigns to encourage sales. Promotions such as daily deals have proved successful and we will continue to invest time and resources in further developing our multi-channel offering.

## Employee Bonus Share Scheme

I am delighted to report that the second and final part of the 2009 Employee Bonus Share Scheme will vest to our valued employees in August 2013. I hope that all the employees who have contributed towards the Group's performance will enjoy their well-earned bonuses. Due to their hard work and dedication, the Group continues to perform so strongly. The financial rewards have already made a huge difference to so many employees. With over 2,000 colleagues eligible for the second award, it remains a key part of our employee incentivisation and remuneration strategy.

The Group is well on its way to achieving the targets set under the 2011 Employee Bonus Share Scheme with the FY12 and FY13 Underlying EBITDA targets successfully achieved. Although there are a further two targets to be met, I am delighted by the progress to date.

The 2011 Employee Bonus Share Scheme has the following targets for Group underlying EBITDA (before scheme costs):

	FY12	FY13	FY14	FY15
Underlying EBITDA	£250m	£260m	£260m	£300m
ACHIEVED	ACHIEVED			

I have no doubt this scheme will run as successfully as the 2009 Employee Bonus Share Scheme ensuring that our staff remain incentivised.

## Super Stretch Internal Targets

The Board has decided not to propose the Super-Stretch Executive Bonus Share Scheme ("Super-Stretch Scheme") for Mike Ashley, the Company's Executive Deputy Chairman, at the upcoming Annual General Meeting. The Board will continue to focus on the Super-Stretch underlying EBITDA (before schemes costs) targets of £310m for FY14 and £360m for FY15 and these will remain internal targets going forward. However the Board has decided to review various options with regard to remunerating Mike Ashley in light of the passage of time since first considering this Scheme.

## Pension Scheme

The enrolment of our employees into the Government's auto-enrolment pension scheme took place in May 2013.

The scheme is administered by The People's Pension and is available to all employees who are deemed eligible under the Government's criteria. The Group is committed to meeting the targets of a 1% contribution in 2013, a 2% contribution in 2017 and a 3% contribution in 2018. We also contribute towards a number of workplace pensions in relation to companies which we have acquired.

## Dividend

The Board has decided not to propose a dividend in respect of FY13. The Board feels that it remains in the best interests of the Company and its shareholders to maintain financial and strategic flexibility, including pursuit of potential acquisition opportunities and ongoing investment in Group infrastructure and store portfolio. The payment of dividends will remain under review for consideration in future years.

## Conclusion

Finally, on behalf of myself and the Board, I would like to thank all of our employees for their substantial contribution during the Year.

Keith Hellawell  
Non-Executive Chairman  
18 July 2013

# CHIEF EXECUTIVE'S REPORT & BUSINESS REVIEW

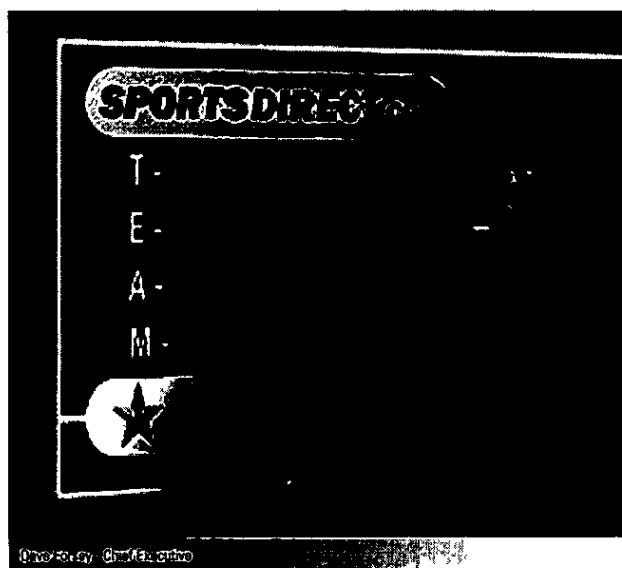
## OVERVIEW OF FINANCIAL PERFORMANCE

I am pleased to report a further year of strong profit growth for Sports Direct. The results for the year have benefited from the UEFA European Championships and the London Olympics, but have been achieved in a retail environment that remains challenging. The Group has grown consistently, and the resilience and flexibility of our business model continues to allow us to offer an unparalleled product range at the best available prices. We will continue to be the Consumers' Champion.

56 new Sports Retail stores opened during the year in the UK and Europe, with the Group continuing to put the consumer at the forefront of our business by offering the best combination of product range and value for money. Whilst we are the clear market leader in the UK Sports Retail sector, we are also pleased to have broadened our customer base in new areas, such as Lifestyle and Fashion, and built on our strong retail infrastructure and systems.

Our Premium Lifestyle division has continued to expand, having acquired 114 Republic stores from the administrator in February 2013. The division offers its customers an enhanced shopping experience, following the previous acquisition of companies including USC, Flannels, Cruise and Van Mildert.

Following the success of our 2009 Employee Bonus Share Scheme, the Group launched a new four-year scheme in 2011, covering the period FY12 to FY15, with challenging underlying EBITDA targets of £215m, £250m, £260m and £300m respectively. We are delighted to inform you that both the first and the second of these targets have been achieved and we would like to take this opportunity to thank our colleagues for their outstanding contributions over the past year. There is no doubt that the schemes continue to be a major contributing factor in improving the Group's staff retention. Those employees that were involved in the 2009 scheme received their first share rewards in August 2012 and we are pleased that August 2013 will see the second part of the 2009 Bonus Share Scheme vest and we look forward to seeing our fellow colleagues well-rewarded for their efforts.



## GROUP

The Financial Year ended 28 April 2013 ("the Year") was a 52-week year. In order to make a comparison to the previous period, which was a 53-week year, all references to financial performance in respect of the income statement, cash flow and business reviews are made by reference to a pro-forma 2012 52-week basis unless otherwise specified.

For the Year we increased Group revenue by 20.9% to £2,186m. This was primarily due to the Retail division, where we grew revenues by 22.7%, including a 17.6% growth in total Sports Retail coupled with the Premium Lifestyle division, which contributed revenues of £128m.

Group gross margin in the Year increased by 40 basis points from 40.5% to 40.9%. Total Sports Retail division gross margin increased by 20 basis points to 41.4% (FY12: 41.2%), while Brands division gross margin increased to 44.9% (FY12: 41.2%).

Group operating costs increased 22.5% to £607.9m (FY12: £496.2m). Sports Retail and Brands division operating costs were £491.0m (FY12: £400.0m) and £66.6m (FY12: £58.8m), respectively.

### Group Revenue +20.9%

April 13	£2,185.6m
April 12	£1,807m
April 11	£1,599m
April 10	£1,451m
April 09	£1,387m

### Underlying EBITDA +22.2%

April 13	£287.9m
April 12	£235.7m
April 11	£211.0m
April 10	£160.4m
April 09	£136.8m

Reflecting the success of our approach – balancing revenues and gross margin, while maintaining a tight focus on operating costs – we grew Group underlying EBITDA (pre-scheme costs) for the year by 22.1% to £287.9m (FY12: £235.7m). Within this underlying EBITDA, we increased the Total Retail division EBITDA by 23.8% to £260.9m (FY12: £210.7m) while the Brands division EBITDA increased by 8.0% to £27.0m (FY12: £25.0m).

Excluded from underlying EBITDA is a £22.1m (FY12: £20.7m) charge in respect of the 2009 and 2011 Employee Bonus Share Schemes and the Executive Bonus Share Schemes. This charge has been taken centrally and, except in note 4 to the accounts, is not reflected in divisional (Retail and Brands) numbers in this report.

For the Year, Group underlying profit before tax increased 39.6% to £208.1m, primarily as a result of the £52.2m increase in (pre-scheme costs) EBITDA and £9.9m decrease in depreciation and amortisation, offset by the £1.4m increase in Employee Bonus Share Scheme charges. Underlying EPS for the year increased by 43.3% to 26.85p (FY12: 18.74p).

Net debt at 28 April 2013 was £154.0m (29 April 2012: £145.2m), which is 0.58 times reported EBITDA. Reported EBITDA includes realised foreign exchange gains/losses in selling and administration costs and the Employee Bonus Share Scheme charges.

## KEY PERFORMANCE INDICATORS

The Board monitors the performance of the Group by reference to a number of key performance indicators (KPIs), which are discussed in this Chief Executive's Report, and also in the Financial Review. The most important of these KPIs are:

	52-week period 2012-2013	52-week period 2011-2012	52-week period 2010-2011	52-week period 2009-2010
<b>Financial KPIs</b>				
Group revenue	£2,185.6m	£1,807.2m	£1,835.8m	£1,599.2m
Underlying EBITDA <sup>(1)</sup>	£287.9m	£235.7m	£240.1m	£211.0m
UK Sports Retail gross margin	41.5%	41.0%	41.0%	41.9%
UK Retail like-for-like stores gross contribution <sup>(2)</sup>	+0.2%	+0.7%	+0.7%	+6.6%
International Retail like-for-like stores gross contribution <sup>(3)</sup>	+7.0%	+0.1%	+0.1%	+8.5%
Online revenue as a percentage of Total Sports Retail revenue	15.0%	11.6%	11.6%	7.0%
Underlying earnings per share <sup>(4)</sup>	26.85p	18.74p	19.19p	16.83p
<b>Non-financial KPIs</b>				
No. of core stores <sup>(5)</sup>	323	305		306
Employee turnover	15.5%	17.0%		16.9%
Recycled recycling	8,893 tonnes	6,622 tonnes		6,237 tonnes

<sup>(1)</sup> The method for calculating underlying EBITDA is set out in the Financial Review.

<sup>(2)</sup> The FY12 income statement has been restated to provide a 52-week pro-forma set of results.

<sup>(3)</sup> UK Sports Retail like-for-like contribution is defined as the percentage change in gross contribution in the successive 12 month period, adjusted to remove the impact of the 53-week year in 2012. A like-for-like store is one that has been trading for the full 12 months in both periods and has not been affected by a significant change, such as a major refurbishment.

<sup>(4)</sup> International Retail like-for-like contribution is defined as the percentage change in gross contribution in the successive 12 month period, adjusted to remove the impact of the 53-week year in 2012. A like-for-like store is one that has been trading for the full 12 months in both periods and has not been affected by a significant change, such as a major refurbishment.

<sup>(5)</sup> The method for calculating underlying earnings per share is set out in the Financial Review.

<sup>(6)</sup> A core store is a store acquired and fitted out by the Group or otherwise so designated.

# CHIEF EXECUTIVE'S REPORT & BUSINESS REVIEW continued

## REVIEW BY BUSINESS SEGMENT

Retail Revenue	52 weeks ended 20 April 2013 (£m)	52 weeks ended 2012 (£m)	52 weeks change (%)	52 weeks ended 2012 (£m)
UK Sports Retail	1,574.9	1,342.4	17.3	1,368.2
UK Wholesale and Other	88.1	41.2	113.8	41.2
European Wholesale	128.4	73.5	74.7	73.5
International Retail	115.2	154.2	20.1	157.0
Total Retail Revenue	1,916.6	1,611.3	22.7	1,639.9
Total Cost of Sales	(1,175.6)	(959.6)	22.5	(976.4)
Gross Profit	801.0	651.7	22.9	663.5
Gross margin percentage	40.5%	40.4%		40.5%

Brands Revenue	52 weeks ended 20 April 2013 (£m)	52 weeks ended 2012 (£m)	52 weeks change (%)	52 weeks ended 2012 (£m)
Wholesale	178.3	168.5	5.8	168.5
UK Retail	30.7	27.4	12.0	27.4
UK Wholesale and Other	209.0	195.9	6.7	195.9
Total Cost of Sales	(115.2)	(115.1)	0.1	(115.1)
Gross margin	93.8	80.8	16.1	80.8
Gross margin percentage	44.9%	41.2%		41.2%

## UK SPORTS RETAIL

UK Sports Retail revenue growth continues to be primarily driven by our retail and logistics skills – providing the widest choice of products at the best value with universal availability

UK Sports Retail sales were up 17.3% to £1,574.9m (FY12 £1,342.4m). Sales and gross profit from the former JJB stores are excluded from UK Sports Retail revenue and margin and are included in UK Wholesale and Other

Sales in the first half benefited from the UEFA European Championships and the London Olympics, although sales in the second half of the Year were still up 16.4% to £778.0m (FY12 H2 £667.7m). Gross margins for the second half of the Year improved to 39.9% (FY12 H2 39.7%). Gross margin for the Year increased by 10 basis points to 41.1% (FY12 41.0%). We have invested significantly in gross margin throughout the Year.

UK Sports Retail like-for-like gross contribution, which excludes online, increased by a record 11.2%, marking the fourth consecutive year of growth in this KPI (FY12 +0.7% / FY11 +6.6% / FY10 +3.4%). UK Sports Retail like-for-like contribution is defined as the percentage change in gross contribution in the successive 12-month period. A like-for-like store is one that has been trading for the full 12 months in both periods and has not been affected by a significant change, such as a major refurbishment. The number of stores included in this year's KPI is 275 (FY12 290).

Operating costs increased by 18.8% to £409.4m (FY12 £344.5m). Operating costs in H2 increased by 13.9% to £214.5m (FY12 H2 £188.4m). Store wages were up 18.0% but as a percentage of sales increased only 0.2% to 8.8% (FY12 8.6%), in spite of a substantial investment in store staff. UK Sports Retail premises costs increased by only 1.5% due to reduced rent following the purchase in the prior year of freehold properties previously rented, and the ongoing process of store relocations and rent renegotiations.

Other operating costs were up 34.2% to £157.0m (FY12 £117m) which is due to increased warehouse and storage costs to support the growth in our online business and increased overheads relating to the obligations acquired from the administrator of JJB. The majority of this increase came in H1, with other operating costs in H2 only increasing by 15.1% to £84m (FY12 £73m).

Operating costs were also reduced by a release of the onerous lease provision of £14.6m due to the closure of unprofitable stores, the sub-let of previously vacant space and a strategic decision to invest in other stores previously planned for closure.

Underlying EBITDA for UK Sports Retail was £247.7m (FY12 £207.7m), an increase of 19.2% for the Year. This increase was driven by a £111.7m increase in gross profit (including UK Wholesale and Other) due to the growth in store contribution and online sales offset by the £64.9m increase in operating costs.

The Group's retail businesses performed strongly in a difficult economic environment. Our retail model, offering outstanding value to our customers, remains resilient, both in the UK and internationally. Throughout the Year, we continued to focus on offering the customer the most comprehensive product range, the best availability and value while reducing our costs wherever possible.

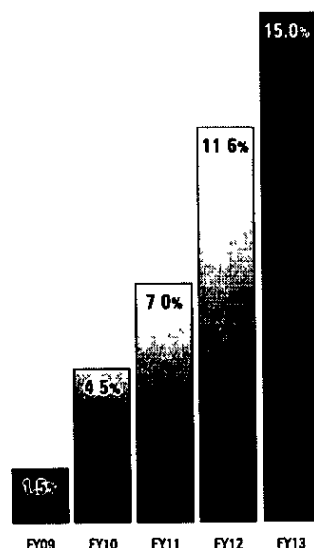
Online revenue has increased by 52.1% from £174.0m to £264.6m in the Year and represented 15.0% of Total Sports Retail sales (FY12: 11.6%)

We remain focused on the further development of our successful multi-channel offer. Order fulfilment and information technology solutions are developed in-house with full back-up support from our National Distribution Centre in Shirebrook, Derbyshire. The website has benefited from the Group's investment in online product range and availability, the launch of the new online platform in November 2012 and a further growth in recognition of the online brand with 376 of the UK store fascia now branded SPORTSDIRECT.com

#### Online Revenue +52.1%

April 13	£264.6m
Apr 12	£174.0m
Apr 11	£95.7m
Apr 10	£48.6m
Apr 09	£15.1m

Online % Total Sports Sales



Employee training has undergone a significant amount of investment over the past few years. This year alone in excess of 40,000 hours have been invested into the training and development of our employees. Our training courses mainly take place at our state-of-the-art National Training Facility in Shirebrook where sessions are led by our experienced teams. We offer a wide portfolio of courses, which are continuously being changed and refined, with the ultimate aim of improving trainee product knowledge and customer experience.

The Nika Training Academy is a key part of our Shirebrook National Training Facility and the only one of its kind in the world. We are also continuing to work with adidas and Puma to provide training in order to support our in-store campaigns and to gain knowledge of specialised products. New Puma training rooms at Shirebrook were opened during April 2013.

Group marketing has continued to be a key part of our growth strategy. Investment around traditional media channels such as TV and print were intrinsic to our marketing plans around the 2012 Summer of Sport.

The Sportsdirect.com brochure was our biggest ever at 1,092 pages, which was an increase of 50% on the year before. Two million copies were distributed both in store and with the delivery of online orders.

## CHIEF EXECUTIVE'S REPORT & BUSINESS REVIEW continued

### UK SPORTS RETAIL continued

Our store portfolio remains constantly under review with the performance of each store and ways of maximising performance being regularly examined. During the Year we opened 37 and closed 36 stores. We have closed 113 stores since 2008 as the mix of our portfolio continues to evolve. We increased our period end square-footage to c. 4.0m square feet (FY12 c. 3.9m).

In the 12 months to 28 April 2013, rent reviews have been agreed on 33 stores. The average increase in rent was 2.48% (0.48% annual equivalent). There are currently 42 rent reviews outstanding with a further 40 falling due in 2013-14. Our lease expiry profile over all core stores (excluding Lillywhites Piccadilly) is now 6 years, allowing a significant amount of flexibility within our portfolio to adapt our format to the rapidly changing multi-channel environment.

In the current financial year, we are targeting to open 25-30 stores. We anticipate closing more stores than we open in FY14. This is in line with our aim of maintaining four million square feet of retail space, but with an increased average store size. We have already opened six in the first quarter, including two relocations.

#### UK Sports Retail Facias

**SPORTS  
DIRECT.com**

**field &  
trek.com**

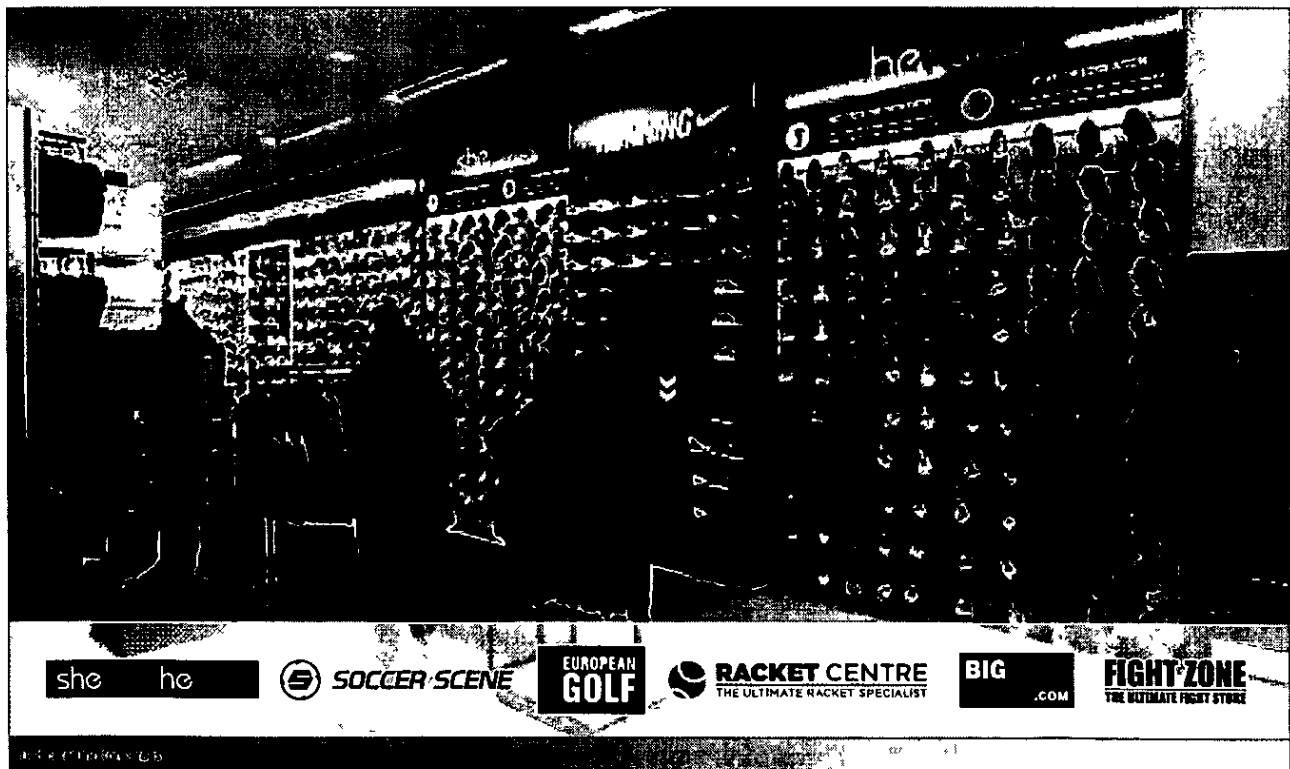
**Lillywhites**

#### Store Portfolio

	28 April 2013	28 April 2012
Core	323	305
Non-core	73	90
<b>Total</b>	<b>396</b>	<b>395</b>
Core openings	28	12
Non-core openings	9	6
Core closed	10	13
Non-core closed	26	3
Freehold properties	52	48
SPORTS DIRECT.com facias	376	351
Field & Trek facias	12	17
Lillywhites facias	1	1
Other facias (Sports World, Hargreaves)	7	26
<b>Area (sq. ft.)</b>	<b>4.0m</b>	<b>3.9m</b>

#### In-Store

We have continued to develop our specialised in-store areas. Our in-store brands marketing received significant investment, with a substantial unitary rollout for our Dunlop and Everlast brands. Our SheRunsHeRuns areas also benefited from a rollout of the Kammar running footwear zone, featuring an integrated product information and selection panel.



she he



SOCCER SCENE

EUROPEAN  
GOLF



RACKET CENTRE  
THE ULTIMATE RACKET SPECIALIST

BIG

.COM

FIGHT ZONE  
THE ULTIMATE FIGHT STORE



## INTERNATIONAL RETAIL

International Retail sales increased by 20.1% to £185.2m (FY12: £154.2m)

On a currency neutral basis, the increase was 26.3%

### Key

- Schengen Area (EU)
- Schengen Area (non-EU)
- Set to implement later
- EU states outside EU

### Store Portfolio (excluding Ireland & Iceland)

	21 Apr 2013	21 Apr 2012
Belgium	45	43
Sweden	15	14
Germany	15	13
Netherlands	6	6
Austria	6	6
France	6	5
Slovakia	3	-
Poland	2	-
Luxembourg	2	1
Czech Republic	2	-
Total	102	88
Area (sq. ft)	1.12m	0.895m

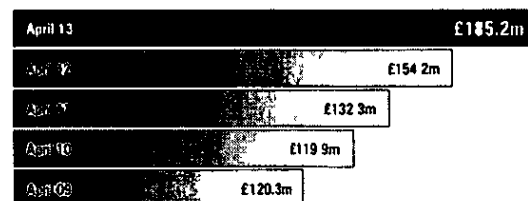


International Retail gross margin increased by 60 basis points in the Year to 44.0%. International Retail 52-week like-for-like stores gross contribution figure, which excludes Online Retail, increased by 7.0% during the year (FY12: 0.1%). There were 65 stores included in this KPI, consisting of core stores that have been open for the full 52 weeks in both periods and not affected by a significant change such as a major refurbishment (FY12: 46).

Operating costs within International Retail increased by 26.5% to £70.2m (FY12: £55.5m) following an investment in management resource and training ahead of the expansion into new markets. There was a 25.2% increase in floor space although much of this was from stores that opened late in the year.

Excluding income from associates (Heatons), International Retail underlying EBITDA reduced by 1.5% to £11.3m (FY12: £11.5m). Income from associates was a gain of £1.0m (FY12: loss of £0.7m) and this resulted in an increase in underlying International EBITDA of 14.0% to £12.3m (FY12: £10.8m).

### International Retail Sales +20.1%



## CHIEF EXECUTIVE'S REPORT & BUSINESS REVIEW continued

### INTERNATIONAL RETAIL continued

The Group has a 50% shareholding in the Heaton's chain which operates 14 Sports Direct stores in Northern Ireland and 26 sports stores in the Republic of Ireland. During the Year we opened a new store in Iceland through our 25% shareholding.

All of the stores in the previous table are operated by companies wholly owned by the Group, except Portugal, where the Group owns 50.1%. As part of the accelerated growth programme in our European subsidiary, we opened 19 new stores in Europe and entered four new countries. As at 28 April 2013, International Retail operated from a total retail sales space of c. 1.1m sq. ft (FY12 c. 0.895m sq. ft).

Importantly, with all of our new and existing stores in Europe, local management are working hard to ensure that all stores are committed to the operational efficiencies and standards that exist across the UK sports stores.

Our strategy remains to identify partners in new territories while continuing to expand our operations in the countries where we currently trade. For FY14, and in line with our accelerated European expansion, we are targeting eight to 12 new stores and two to three new territories. In the first quarter, we have already opened two stores in Poland and one in Spain. In conjunction with the acquisition recently announced in Austria and the Baltic region, we are now active in 19 countries across Europe.

### UK RETAIL - PREMIUM LIFESTYLE

During the year we have continued our expansion of the Premium Lifestyle division. In July 2012 we purchased a majority stake in The Flannels Group, and in February 2013, 114 stores and certain assets were acquired from the administrators of the fashion retailer Republic. Following negotiations with landlords, 85 Republic stores remain open. Both acquisitions have expanded the breadth of our Premium Lifestyle offering. Post year end we have also acquired the remaining 20% stake in Cruise.

The results of Republic are excluded from the above analysis as the fascia had not been fully integrated into the Group by the end of the Year. For the nine weeks since acquisition, Republic made a loss of £4.5m EBITDA.

The results for FY13 include a full year's trading for USC, Cruise and Van Mildert and nine months for Flannels. The FY12 results included nine months of trading for USC and Cruise and two months for Van Mildert.

Sales for the division in the Year were £128.4m (FY12: £73.5m), gross margin was 43.4% which is 100 basis points lower than the prior year (FY12: 44.4%). The divisional EBITDA (excluding Republic) was £5.4m, after the release of an onerous lease provision of £2.0m (FY12: loss of £7.8m).

USC online sales increased by 84.7% to £10.9m (FY12: £5.9m), driven by the adoption of the Group's fulfilment systems and online platform.

At the year end, the division traded from 74 stores with five targeted fascias.

#### Store Portfolio

	28 April 2013	28 April 2012
USC	40	40
Van Mildert	10	9
Cruise	8	9
Flannels	8	-
Other	8	9
<b>TOTAL</b>	<b>74</b>	<b>67</b>

#### Premium Lifestyle Sales +74.7%

April 13	£128.4m
April 12	£73.5m

**FLANNELS CRUISE van mildert USC REPUBLIC**

## BRANDS

Brands total revenue increased by 6.7% to £209.0m (FY12: £195.9m)

Wholesale revenues were up 5.8% to £178.3m (FY12: £168.5m), driven by strong performances in our North American businesses. Brands gross margin increased by 370 basis points to 44.9% (FY12: 41.2%). Wholesale gross margin rose to 35.4% (FY12: 31.7%).

In March 2012 we acquired the Firetrap brand and assets from the administrator. During FY13 the business underwent a complete customer and operational review, resulting in significant cost savings and a more streamlined operation. The Brands division remained acquisitive during the Year, acquiring Vandanel Premier, a distributor of football branded clothing and equipment and also Waterline, a wholesale fishing business.

Licensing revenues in the Year were up 12.0% to £30.7m (FY12: £27.4m). We signed 87 new licence agreements, covering multiple brands and product categories, with minimum contracted values of \$53m over the life of the agreements. We remain on track for licence income to achieve a compound average growth rate (CAGR) of 11%, reaching at least \$60m of licensing revenues by FY15.

Longer term, we still regard licensing as the key driver of Brands division profitability and crucial for the overall growth of the Brands business. The main growth areas are expected to be Asia Pacific and the Americas which should compensate for a tougher licensing landscape in the UK and Europe.

Operating costs increased by 19.4% to £66.6m (FY12: £55.8m) which includes a £3.0m cost for the Firetrap reorganisation. Excluding these costs Underlying EBITDA therefore increased by 8.0% to £27.0m (FY12: £25.0m).

### Brands Wholesale Revenue +5.8%

April 13	£178.3m
April 12	£168.5m
April 11	£162.0m
April 10	£167.3m
April 09	£203.6m

### Brands Licensing Revenue +12.0%

April 13	£30.7m
April 12	£27.4m
April 11	£25.7m
April 10	£23.2m
April 09	£26.9m



We continue to focus on developing world-class products that are endorsed by leading athletes on the field of play. A recent addition to our team of key brand ambassadors is Robson Green. Robson, the face of Channel 5's Extreme Fishing, is the ambassador of the fishing range developed under our iconic Dunlop brand.

The Group recognised that fishing is a sport which involves significant mass participation and therefore developed product ranges of superior quality and great value, to suit the needs and value expectations of our customers.



© 2013 Dunlop Ambassador Robson Green

# CHIEF EXECUTIVE'S REPORT & BUSINESS REVIEW continued

## EMPLOYEES

Sports Direct has made great progress and a large proportion of this is due to the hard work and loyalty of our c. 24,000 staff throughout the business. I am overwhelmed by the contributions that have been made by our employees towards achieving an exciting future for the Group. I believe that the dedication of our employees has placed us in an extremely strong position in the market in what is most definitely a difficult time for most retailers. The past contributions from our employees make me confident that we can replicate our successes as we look forward to the future.

The Employee Bonus Share Schemes have been a fundamental tool which the Group has used to promote, incentivise and motivate its staff. Sharing the responsibility of achieving these targets was matched by the potential benefits to employees if the targets were met. The schemes have been crucial to influencing staff behaviour and maximising the Group performance.

The 2009 Employee Bonus Share Scheme was the first scheme which we trialled, vesting in August 2012 and August 2013. All of the elements of the scheme were met and the first awards were successfully vested for eligible employees in 2012. The second award of shares will vest for eligible employees in August 2013 amounting to approximately 21 million shares. The second awards were to the value of 75% of base pay for the majority of employees, and 25% of base pay for those employees who joined the Group later but still within the rules of the scheme.

To the extent that a significant number of eligible employees elect to sell some or all of their shares, whilst the Company has no obligation to buy back the shares, the Board will consider a number of options open to it, including whether to: (i) implement an on-market buy back of shares pursuant to the authority given by shareholders at the Company's AGM in 2012, or (ii) fund the Company's Employee Benefit Trust so as to allow it to acquire shares in the market to replace those shares transferred to eligible employees pursuant to the vesting.

A further incentive for our employees has been the introduction of the 2011 Employee Bonus Share Scheme. The 2011 scheme has been developed to incentivise and motivate our current employees in pursuit of our shared Group objectives. The on-going growth and performance of the Group may be attributed to the successful adoption of the 2009 and 2011 Employee Bonus Share Schemes. Employees who have received bonuses under the 2009 scheme could be eligible for further awards under the 2011 scheme, and we hope to retain our valued employees by offering such rewards. This year 15.5% of our UK employees left the business, down from 17% in FY12.

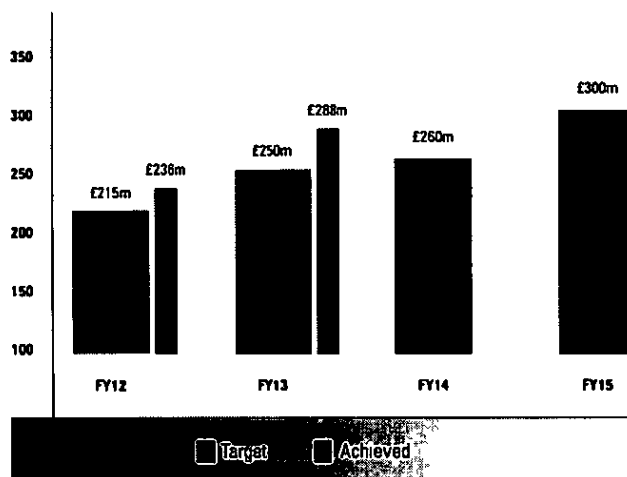
The underlying EBITDA targets (before the costs of the scheme), of £215m in FY12 and £250m in FY13, have been achieved. The targets for FY14 and FY15 are £260m and £300m respectively. These further targets, coupled with the individual employee's satisfactory personal performance, must all be met in order for the scheme to vest in August 2015 and 2017. With approximately 6m shares due to vest in 2015 and approximately 17m shares due to vest in 2017, it is important that we continue to work together towards these shared goals.

### 2011 Employee Bonus Share Scheme

#### EBITDA targets of

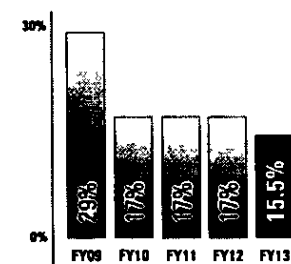
- £215m in FY12 (Achieved £235.7m)
- £250m in FY13 (Achieved £287.9m)
- £260m in FY14
- £300m in FY15

All four targets have to be met. Maximum award of 23m shares, to include c. 3,000 employees.

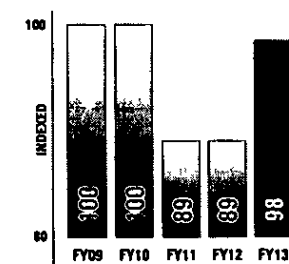


### Bonus Share Scheme Key Performance Indicators

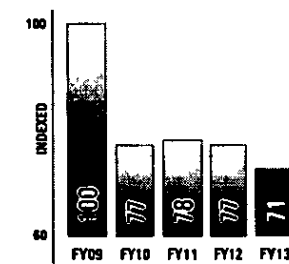
Salared staff turnover since FY09



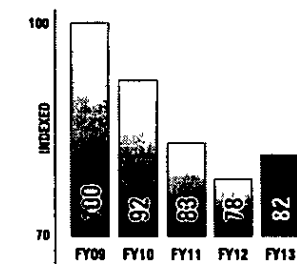
Pay versus turnover cost index since FY09 base year



Store stock loss cost index since FY09 base year



Energy consumption per sq. ft cost index since FY09 base year



## OUR STRATEGY

Objective	So Far	What Next?
<b>Strategy</b>		
<b>In-Store</b>	The Group focuses on its stores to ensure the best presentation of our product range. Our product collections provide a 'good/better/best' presentation to ensure our customers find the right product at the right price. Our specialist collaborations with SheRunsHeRuns and Soccer Scene @ the Boot Room provide a high level of customer service. Our multi-channel approach also gives flexibility to our customers.	The Group continues to enhance its in-store offering with further dedicated areas for specialist product collections <ul style="list-style-type: none"> <li>• European Golf</li> <li>• Swimshop.co.uk</li> <li>• Waterline</li> <li>• DragonCarp Direct</li> <li>• Field &amp; Trek</li> </ul>
<b>Acquisitions</b>	In FY13 the Group acquired the key assets of JJB including the distribution centre in Wigan and the Slazenger Golf brand. The Group also acquired a 51% stake in The Flannels Group for the Premium Lifestyle division and added Used Tackle and Waterline to expand the fishing product offering.  In February 2013 the Group acquired various assets of the fashion retailer Republic including the stock, 114 stores and the website.	The Group continues to identify suitable opportunities to expand the product range, our specialist collaborations and the Premium Lifestyle division.
<b>International</b>		
<b>Store Portfolio</b>	Since April 2012, UK Sports Retail has opened 28 core stores and closed 10 core stores. The Group also opened nine and closed 26 non-core stores.  During FY13, International Retail opened 19 new stores and closed five. As at 28 April 2013, International Retail operated wholly owned subsidiaries in nine countries and a 50:50 partnership in Portugal.  The Group also opened a new store in Iceland as a joint venture and has a 50% stake in the Heaton's chain in Northern Ireland and Republic of Ireland.	The Group intends to continue to enhance its store portfolio in both the UK and internationally. The Group will continue with the strategy to identify strategic partners in new territories while expanding operations in those countries where we currently have a presence. Plans are in place to expand International Retail operations into all countries that have adopted the Euro.
<b>People</b>	Our employees have contributed substantially towards our growth and success. We are consistently investing in the training and development of our employees to ensure that they are incentivised and recognised for their contribution. The 2009 and 2011 Employee Bonus Share Schemes are an important contributor to employee motivation and Group performance. The targets of the 2009 Employee Bonus Share Scheme were achieved and the second award is due to vest in August 2013. The 2011 Employee Bonus Share Scheme has been embraced by our employees and they have worked hard to contribute towards the EBITDA targets to date. If the additional Group targets are achieved, members of the 2011 scheme will be rewarded with shares in the Group.	Due to the success of the first Bonus Share Scheme, we continue to encourage and motivate employees with the 2011 Employee Bonus Share Scheme.
<b>Digital</b>		
<b>Website</b>	Online Retail sales currently represent 15.0% of Total Sports Retail revenue, up from 11.6% in FY12.  Aided by the new platform launched in November 2012, our monthly unique visitors have risen 50.9% on FY12 and the average basket size has risen 4.6% to £59.50.  Our conversion ratio of unique visitors who go on to make a purchase has risen from 5.4% to 5.7%.	Online revenue continues to be an area of significant growth and the Group continues to look at opportunities to develop this revenue stream further. The website has benefited from the Group's investment in online product range and availability, and from recognition of the online brand now that 376 stores have the SPORTSDIRECT.com fascia.  The launch of SPORTSDIRECTNEWS.com in November 2012 provides a further opportunity to drive incremental visitors to our website.
<b>Brands</b>		
<b>Brands</b>	The Group's portfolio includes a wide variety of world famous sport, fashion and lifestyle brands. The Group's Retail division sells products under these Group brands in its stores, and the Brands division exploits the brands through its wholesale and licensing businesses.  The Brands division wholesale business sells the brands' core products, such as Dunlop tennis rackets and Slazenger tennis balls, to wholesale customers and distributors throughout the world. This results in far wider distribution of the products than would be the case if their sale was restricted to Group stores.  The Wholesale business also wholesales childrenswear and apparel. The licensing business licenses third parties to apply Group-owned brands to non-core products manufactured and distributed by those third parties. We currently have in excess of 300 licensees in over 100 countries. The Brands division manages these licensees to ensure global brand consistency and the international success of our Group brands.	The Brands division is closely involved in the development of licensed products and monitors licensees and their manufacturers to ensure product quality, presentation and consistency with the appropriate brand strategy. The Brands division continues to sponsor a variety of prestigious events and retains a portfolio of globally-recognised, high-profile athletes.  The Brands Division strategy includes further expansion into Asia, as well as the Americas. Such expansion will provide us with more opportunities to expand the global presence and international appeal of our Group brands.  In order to maintain brand awareness and authenticity, the Brands division will continue to invest in the development of core products for wholesale customers and distributors throughout the world.

# CHIEF EXECUTIVE'S REPORT & BUSINESS REVIEW continued

## MAIN TRENDS AND FACTORS LIKELY TO AFFECT THE FUTURE DEVELOPMENT AND PERFORMANCE OF THE GROUP'S BUSINESSES

The Group's retail businesses will undoubtedly be affected by the economic climate and changes therein. Movements in interest rates and exchange rates affect the businesses directly and consumer confidence and spending is affected by a wide range of factors including employment, tax and interest rates, house prices and the general 'feel-good factor', factors beyond the Group's influence.

All of the above apply equally to our Brands businesses, both wholesale and licensing. Reduction in customer demand is reflected in the wholesaling and licensing business, as orders and royalties are affected. Moreover, in difficult economic times, suppliers come under increasing pressure to reduce their prices to their customers and all suppliers run the risk of their customers ceasing to trade or reducing demand for their products.

Difficult economic conditions can also make it difficult for suppliers to obtain credit insurance in respect of some customers, leaving the supplier with a difficult question of whether or not to supply and, if they do, with the attendant risk of bad debts.

Later in this report, we comment on risks and uncertainties that relate to the Group's businesses and while we manage to reduce risks, where possible, the likelihood of their occurring and their impact if they do, are factors that could influence the Group or part of it.

The Group applies hedge accounting, which is in line with other major retailers. This reduces an element of potential volatility in reported profit.

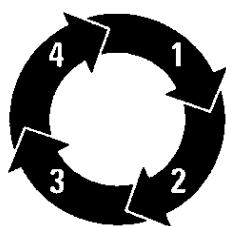
## RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS

### Internal Controls and Risk Management

The Board has a responsibility to govern the Group in the interest of the shareholders. The Board is responsible for setting strategic objectives and part of this involves assessing the risks involved. Risks are an inherent part of the business world and, due to the nature of the business, the Group is exposed to a wide variety of these. In order to minimise the effect of potentially damaging effects to the Group, the Board ensures these are managed and monitored effectively via a framework of controls and robust procedures.

### The Group's Approach to Risk

The identification and management of risk is a continuous process, and the Group's system of internal controls and the business continuity programmes are key elements of that. The Group maintains a system of controls to manage the business and to protect its assets with the development of contingency plans and rapid response to changing circumstances and does much to mitigate the risks facing the Group. The Group continues to invest in people, systems and in IT to manage the Group's operations and its finances effectively and efficiently.



1. The risks are identified
2. The risks are evaluated
3. Action is taken to manage the risk
4. The practices are reviewed and monitored to limit the risk

Executive management teams are responsible for the identification, analysis, evaluation and mitigation of the significant risks applicable to their areas of business. These comprise of Directors as well as of senior managers.

The teams meet regularly to discuss the identified risks, and how these should be reviewed and monitored. The Board ensures that the appropriate arrangements are in place under which employees can raise concerns about possible financial or other impropriety, which are then appropriately investigated. These arrangements include formal grievance procedures and employee confidential hotlines.

The Board is assisted by the Audit Committee in fulfilling its overview responsibilities, reviewing the reporting of financial and non-financial information to shareholders and the audit process, satisfying itself that appropriate systems of internal control and risk management are in place and are serving to identify and manage risk.

The Group operates a Retail Support Unit which provides strong operational internal audit services in the Retail division, and there are procedures in place in the Brands division to monitor and control licensees.

The external auditors are invited to attend all meetings of the Audit Committee, save for those parts of any meeting when the Committee reviews the performance of the auditors and when the Committee is having separate discussions with the Group Finance Director.

With the exception of Heaton's, who are the Group's only material associate, the Group's system of internal control and risk management and its effectiveness is monitored and reviewed by the Board, the Audit Committee and management, and the Board believes that the Group has maintained throughout the Year and up to the date of approval of the annual report and accounts an effective embedded system of internal control and has complied with the Turnbull guidance.

The systems of internal control and risk management are designed to manage, rather than eliminate, the risk of failing to achieve business objectives.

### Risk Policies and Procedures

Business plans and budgets for each business include financial and strategic targets against which performance is monitored. Monitoring includes the examination of and changes to rolling annual and quarterly forecasts, monthly measurement of actual achievement against key performance targets and plans, and weekly reviews of performance.

The Group has clear procedures for the approval and control of expenditure. Strategic investment decisions involving both capital and revenue expenditure are subject to formal detailed appraisal and review according to approval levels set by the Board. Operating expenditure is controlled within each business with approval levels for such expenditure being determined by the individual businesses.

The Group has a formal whistle-blowing policy for employees who wish to raise any issues or concerns relating to the Group's activities on a confidential basis.

## Key Risks

### Control environment

The Group's operating procedures include a comprehensive system for reporting financial and non-financial information to the board including

- preparation of three years of strategy plans for business development,
- preparation and review of annual budgets, and
- review of the business at each board meeting, focussing on any new risks arising (for example key changes in the market)

### Control procedures

Detailed operational procedures have been developed for each of the Group's operating businesses that embody key controls. The implications of changes in law and regulations are taken into account within these procedures

### Financial reporting process

The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for the preparation of consolidated accounts. These include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparing consolidated accounts, capital expenditure, project governance and information security

The Audit Committee is responsible for overseeing and monitoring these processes, which are designed to ensure that the Group complies with relevant regulatory reporting and filing provisions. As at the end of the period covered by this Report, the Audit Committee, with the participation of the Chief Executive and Group Finance Director, evaluated the effectiveness of the design and operation of disclosure controls and procedures designed to ensure that information required to be disclosed in financial reports is recorded, processed, summarised and reported within specified time periods

### Monitoring Process

The Group's approach to monitoring the system of key controls is set out in this section of the Chief Executive's Report

### Principal Risks Affecting the Group

The Group has identified the following factors as potential risks to, and uncertainties concerning, the successful operation of its business. The Group is however exposed to a wider range of risks than discussed below but these are the principal risks, that have recently been discussed by the Board and Audit Committee and are of primary concern

Area	Risk	Mitigation
<b>Supply chain</b>	<p>The Group operates internationally so is reliant on the successful distribution of goods from when they are distributed by the manufacturer to when they are sold in the stores</p> <p>The Group is reliant on manufacturers in developing countries as the majority of the Group's products are sourced from outside the UK.</p>	<p>The Group requires all suppliers to sign up to the Group's Code of Ethics/Supply Policy which enables the Group to monitor and benchmark the performance of the supplier. It allows the Group to carry out inspections of premises to ensure compliance with the Group's codes for continuity and quality of supply. This is an on-going process and inspections occur on a random basis</p> <p>Many risks relating to the supply chain, reliance on non-UK suppliers, and to the reputation of the Group's brands are managed and mitigated by the implementation of these policies. Strong Service Level Agreements and maintaining relationships with all parties involved in the supply chain also mitigate these risks.</p>
<b>Key Suppliers</b>	<p>The Group is reliant on good relationships with its major manufacturers, key brands or brand suppliers.</p> <p>A failure to replace any of its major manufacturers or suppliers on commercially reasonable terms could have an adverse effect on the Group's business, operating profit or overall financial condition. It may mean that customers shop elsewhere if stores cannot supply the required product.</p>	<p>The Group follows policies of forging long term relationships with suppliers and of utilising two leading supply chain companies to procure much of the Group's own branded goods. This close relationship brings a better understanding of the supplier's resources enabling the Group to react quickly to changes in the international supply market.</p>
<b>Foreign Exchange/Financial Risk</b>	<p>The Group operates internationally. The majority of foreign contracts relating to the sourcing of Group branded goods are denominated in US dollars and the Euro, thus leaving exposure to foreign exchange risk.</p> <p>The Group has net borrowings which are principally at floating interest rates linked to bank base rates or LIBOR</p> <p>The Group is exposed to foreign exchange risk arising from various currency exposures and a strengthening of the US dollar or a weakening of the pound sterling making goods more expensive.</p> <p>Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency as exchange rates move. This could significantly reduce profitability</p>	<p>The Group seeks to mitigate the expenses and FX fluctuations by hedging via forward foreign currency contracts which are designated as cash flow hedges</p> <p>The Group also holds assets overseas in local currency and these assets are revalued in accordance with currency movements. This currency risk is not hedged</p> <p>The Group is cash generative and is now targeting its debt levels to mitigate interest rate risk and currently has debt levels of less than 1 x underlying EBITDA</p>
<b>Credit and Liquidity Risk</b>	<p>The Group, primarily the Brands division, provides credit to some of its customers</p> <p>Funding and liquidity for the Group's operations are provided through bank loans, overdrafts and shareholders funds.</p> <p>The Group could have a credit risk if credit evaluations were not performed on all customers requiring credit over a certain amount.</p> <p>The Group's objective is to maintain sufficient funding and liquidity for its requirements, but the availability of adequate cash resources from bank facilities and achieving continuity of funding in the current financial climate could be a risk to the Group in future years.</p> <p>The Group may not be able to purchase essential acquisitions</p>	<p>The Group does not require collateral in respect of financial assets.</p> <p>The Group's key suppliers also face credit risk and as such the Group regularly assesses the viability of its suppliers and ensures there are plans to source from alternative businesses should key suppliers fail.</p> <p>Rigorous procedures are in place to mitigate this credit risk. The Group has a credit policy in place and the exposure to risk is monitored on an on-going basis.</p> <p>Credit evaluations are performed on all customers requiring credit over a certain amount, and concentration of credit risk is managed.</p> <p>Investment of cash surplus, borrowings and derivative investments are made through banks and companies which have credit ratings and investment criteria approved by the Board.</p> <p>The Group mitigates liquidity risk by keeping debt levels low and the current finance facility is held with a club of 10 banks, thereby spreading the risk.</p> <p>The Group works with a number of trusted advisors.</p>

# CHIEF EXECUTIVE'S REPORT & BUSINESS REVIEW continued

## RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS continued

Area	Risk	Mitigation
<b>Investment in Publicly Listed Companies</b>		
The Group holds shares in publicly-listed companies.	Fluctuations in publicly-listed companies' share prices will have a financial impact on the business or results.	The Group has chosen to limit further purchases of publicly-listed company shares in order to reduce the potential risk to the business, although current investments are in known business sectors and are not deemed to be in volatile companies.
<b>Succession Planning</b>		
The Group's Directors and key management employees ensure that the current level of success is maintained.	Illness, injury or resignation of key individuals could change the whole dynamic of the Group.	<p>Succession plans in place where appropriate.</p> <p>Key individuals working "on the ground" to assess the strengths of fellow employees.</p> <p>Regular appraisals to ensure that employees are developing and training is given when necessary.</p>
<b>Market Forces</b>		
The Sports Retail industry is highly competitive and the Group currently competes at national and local levels with a wide variety of retailers of varying sizes who may have competitive advantages, and new competitors may enter the market.	The competition continues to place pressure on the Group's pricing strategy, margins and profitability.	The Group has a discount pricing policy to help reduce the risk of increased competition in the industry. The Group has an incredibly strong property portfolio and owns a very large number of key brands. External suppliers often consider the Group as a very large account.
<b>Pension Schemes</b>		
Some subsidiaries in the Group make contributions to certain occupational defined benefits pension schemes.	An increase in the schemes' funding needs or changes to obligations in respect of the schemes could have an adverse impact on its business.	Although the Group is unable to mitigate any change in legislation regarding contributions, the schemes are historical and closed to new entrants. The Group does not intend to enter into any further final salary arrangements going forward.
<b>Operational Risks</b>		
<p>The Group is reliant on the divisional Head Offices and the National Distribution Centre at Sharnbrook operating without disruption, along with the uninterrupted running of the Group's fleet of vehicles.</p> <p>The majority of the Group's revenue is derived from the UK.</p>	<p>Any disruption to the Head Offices, the National Distribution Centre and the fleet of vehicles might significantly impact the Group's ability to manage its operations, distribute products to its stores and maintain its supply chain.</p> <p>Any long term interruption of the Group's IT systems would have a significant impact on the Group's operation, particularly in the Retail division.</p> <p>Terrorist attacks, armed conflicts, government actions or adverse weather affecting the road networks within the UK could result in a significant reduction in consumer confidence which would in turn have an adverse effect on sales in stores.</p>	<p>The Group has a strong business continuity plan that is regularly reviewed to address operational risks. The last review and testing of this took place during the most recent financial year (FY13).</p> <p>The Board is confident that as far as it is practical, the risks and uncertainties that face the Group are being monitored and managed and that, where required, appropriate action is being taken.</p> <p>The Group constantly monitors the business environment and the nature of the business model allows for the Group to act swiftly under extraordinary circumstances.</p> <p>The Group ensures that health and safety, maintenance and staff training is actively monitored and enforced.</p>
<b>Health &amp; Safety</b>		
Health and Safety is key to the Group as the implementation of policies in this regard protects our employees and customers.	Failure to create and maintain environments which are safe for both employees and customers. Incidents leading to injuries, trauma or fatalities could result from poor compliance with essential Health and Safety regulations.	<p>Health and Safety is a priority for the Group. Incidents are recorded and steps are put in place to minimise the risk of these recurring.</p> <p>As Health and Safety requirements vary from country to country we ensure that each Company in the relevant countries are fully trained in the standards required.</p>
<b>Intellectual Property</b>		
The Group's trade marks, patents, designs and other intellectual property rights are central to the value of the Group's brands.	<p>The Group believes that its licensees, suppliers, agents and distributors are in material compliance with employment, environmental and other laws. The violation, or allegations of a violation, of such laws or regulations, by any of the Group's licensees, suppliers, agents or distributors could lead to adverse publicity and a decline in public demand for the Group's products, or require the Group to incur expenditure or make changes to its supply chain and other business arrangements to ensure compliance.</p> <p>The Group may need to resort to litigation in the future to enforce its intellectual property rights and any litigation could result in substantial costs and a diversion of resources.</p> <p>Third parties may try to challenge the ownership or counterfeit the Group's intellectual property.</p>	The Group has an in-house specialist trade mark and license Legal department that administers all registrations and regulations. This in-house expertise is vital in mitigating any or all such issues.
<b>Store</b>		
The Group's retail businesses are subject to seasonal peaks. The incidence and participation in major sporting events will have a particular impact on the UK Retail business.	Prolonged unseasonal weather conditions or temporary severe weather during peak trading seasons could have a material adverse effect on the Group's businesses. The Group are dependent upon the store portfolio and consumers' spending habits.	Although unable to mitigate environmental conditions the Group are able to influence the retail portfolio and therefore constantly monitor development of stores and the Group's aim to increase the square footage through viable new retail space. By monitoring stock levels correctly through sales forecasting the Group can manage the peaks in demand and trading profiles can be predicted.



Area	Risk	Mitigation
<b>(Reputation)</b> The Group's success and sales are dependent, in part, on the strength and reputation of the brands it sells, and are subject to consumers' perceptions of the Group and of its products, which can fall out of favour.	Adverse publicity concerning any of the Group's brands, manufacturers or suppliers could lead to substantial erosion in the reputation of, or value associated with the Group.	The dedicated legal department monitors usage of the Group's own brands to ensure they are used in the correct manner.  Specific individuals in the media are chosen to promote brands. The Group carefully selects individuals who will fit with the products and the target market.
<b>(Environmental)</b> The Group is subject to the negative effects that environmental disasters can have on the business environment.	Environmental disasters have highlighted how it is impossible to predict how an environmental occurrence will affect businesses.	The Group constantly updates systems to mitigate any delay or loss of goods in transit or the absence of any employee or large numbers of employees that may or may not be altered by acts of nature.

## CONTRACTS ESSENTIAL TO THE BUSINESS OF THE GROUP

The Group has long-established relationships with Nike and adidas, the major suppliers of third-party branded sporting goods, particularly footwear, and considers that continued supplies from these companies are critical to the business of the Group.

## ENVIRONMENTAL MATTERS

The Corporate Responsibility Report is on pages 52 to 55 and a review of the assessment of the Group's impact on the environment is included in the Corporate Responsibility Report on pages 53 and 54.

## RESEARCH AND DEVELOPMENT

The Group's success depends on the strength of the Group brands and, to a lesser extent, the licensed-in brands. The Group's efforts to continually develop or obtain brands in a timely manner or at all may be unsuccessful.

## OUTLOOK

The start of the FY14 has already been busy with the acquisition of majority stakes in two leading European sporting goods retailers in Austria and in the Baltic region. This means that the Group is now active in 19 countries across Europe. While management is focused on the successful integration of these businesses, we also expect to see more opportunities to grow the Group internationally.

The Group has witnessed a strong start to the year with trading ahead of management's expectations. This performance is attributable to a number of factors including the investment in gross margin made last year, increased operating efficiencies and the exceptional quality and unbeatable value Sports Direct continues to offer to its customers. However, recent out-performance versus management expectations may not continue for the full year. FY14 is a non-tournament year, which will make FY13 a tough comparator following the UEFA European Championships and the London Olympics.

With this performance in mind, we remain focused and driven to achieve our internal stretch underlying EBITDA target of £310m (before the charge for the 2011 Employee and Executive Bonus Share Schemes).

**Dave Forsey**  
Chief Executive

18 July 2013

## FINANCIAL REVIEW

The financial statements for the Group for the 52 weeks ended 28 April 2013 are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. In order to make a comparison to last year, all references to financial performance in respect of the income statement, cash flow and business reviews are made by reference to a pro-forma 52-week basis unless otherwise specified.

### SUMMARY OF RESULTS

	52 weeks ended 28 April 2013 (£m)	Pro-forma 52 week 2012 (£m)	52 week change (%)	52 weeks ended 28 April 2012 (£m)
Revenue	2,185.6	1,807.2	20.9	1,835.8
Underlying EBITDA	287.9	235.7	22.1	240.1
Underlying Profit Before Tax	208.1	149.1	39.6	152.6
Reported Profit Before Taxation	207.2	148.0	40.0	151.5
	Pence per share	Pence per share	Pence per share	Pence per share
Reported EPS	26.64	18.24	46.1	18.68
Underlying EPS	26.85	18.74	43.3	19.19

The Directors believe that underlying EBITDA, underlying profit before tax and underlying earnings per share provide more useful information for shareholders on the underlying performance of the business than the reported numbers and are consistent with how business performance is measured internally. They are not recognised profit measures under IFRS and may not be directly comparable with "adjusted" profit measures used by other companies.

EBITDA is earnings before investment income, finance income and finance costs, tax, depreciation and amortisation and, therefore, includes the Group's share of profit from associated undertakings and joint ventures. Underlying EBITDA is calculated as EBITDA before the impact of foreign exchange, any exceptional or other non-trading items and costs relating to the Employee Bonus Share Schemes.

### REVENUE AND MARGIN

	52 weeks ended 28 April 2013 (£m)	Pro-forma 52 week 2012 (£m)	Change (%)	52 weeks ended 28 April 2012 (£m)
<b>Retail Revenue</b>				
UK Sports Retail	1,574.9	1,342.4	17.3	1,368.2
UK Wholesale and Other	68.0	41.2	113.8	41.2
Continental Wholesale	128.4	73.5	74.7	73.5
International Retail	185.2	154.2	20.1	157.0
<b>Total</b>	<b>1,976.6</b>	<b>1,611.3</b>	<b>22.7</b>	<b>1,639.9</b>
<b>Brands Revenue</b>				
Wholesale	178.3	168.5	5.8	168.5
Licensing	30.7	27.4	12.0	27.4
<b>Total</b>	<b>209.0</b>	<b>195.9</b>	<b>6.7</b>	<b>195.9</b>
<b>Total Revenue</b>	<b>2,185.6</b>	<b>1,807.2</b>	<b>20.9</b>	<b>1,835.8</b>

Compared to the previous pro-forma 52-week year, Group Revenue increased by 20.9%. Total Retail revenue in the year increased by 22.7%, with growth across all divisions. The UK accounted for 90.6% of Total Retail revenues with the balance in continental European stores.

Gross margin in UK Sports Retail increased from 41.0% to 41.1%.

Our representation in both parts of Ireland is through Heaton's, in which we have a non-controlling interest of 50%, the results of which continue to be reported as an associate.

Brands revenue increased by 6.7%. Within this, licensing revenue increased by 12.0%, with an increase in wholesale revenue of 5.8%. Brands overall margins increased from 41.2% to 44.9%.

## EBITDA AND PROFIT BEFORE TAX

	EBITDA (£m)	CAT (£m)
Operating profit	213.0	
Depreciation, amortisation and impairment	54.8	
Exceptional items	(0.6)	
Share of profit of associated undertakings (tax and adjustments)	0.9	
<b>Reported</b>	<b>268.1</b>	<b>207.2</b>
Share Share Scheme	22.1	-
Impairment of fixed assets	-	2.2
Exceptional items	-	(0.6)
Net share loss	(2.3)	(2.3)
IAS 39 fair value adjustment on forward currency contracts	-	2.0
Fair value adjustment within associates	-	(0.4)
<b>Underlying</b>	<b>287.9</b>	<b>208.1</b>

Underlying 52 week FY13 profit before tax excludes

- impairments which decreased profit by £2.2m,
- exceptional items which increased profit by £0.6m,
- realised foreign exchange gains which increased FY13 profits by £2.3m,
- IFRS revaluation of foreign currency contracts which decreased profit by £2.0m, and
- Fair value adjustments within associates which increased profit by £0.4m.

## SELLING, DISTRIBUTION AND ADMINISTRATION COSTS

Selling, distribution and administration costs for the Group decreased as a percentage of revenue. This was as a result of cost and efficiency savings offsetting inflation and increased investment online.

## FOREIGN EXCHANGE

The Group manages the impact of currency movements through the use of forward fixed rate currency purchase and sales contracts. The Group's policy has been to hold or hedge up to four years (with generally a minimum of six months) of anticipated purchases in foreign currency.

The realised exchange gain of £2.3m (FY12: £2.0m loss) included in administration costs has arisen from:

- accepting Dollars and Euros at the contracted rate, and
- the translation of Dollars and Euro denominated assets and liabilities at the period end rate or date of realisation.

The exchange loss of £2.0m (FY12: £3.5m gain) included in finance costs / income substantially represents the reduction in the mark-to-market asset made (under IFRS) for the Group's unhedged forward contracts as at 29 April 2013. A number of the forward contracts outstanding at 28 April 2013 qualify for hedge accounting and the fair value gain on these contracts of £15.6m has been credited to equity through the Consolidated Statement of Comprehensive Income. The Group has sufficient US Dollar contracts to cover the majority of purchases in UK Retail for FY14. These hedged contracts are at an average rate of USD / GBP 1.631.

The Sterling exchange rate with the US dollar was \$1.626 at 29 April 2012 and \$1.547 at 28 April 2013.

## FINANCE INCOME

	52 weeks ended 28 April 2013 (£m)	52 weeks ended 29 April 2012 (£m)
Bank interest receivable	0.9	0.6
Other interest receivable	0.2	-
Expected return on pension plan assets	2.0	2.3
Fair value adjustment to forward foreign exchange contracts	-	3.5
	<b>3.1</b>	<b>6.4</b>

## FINANCE COSTS

	52 weeks ended 28 April 2013 (£m)	52 weeks ended 29 April 2012 (£m)
Interest on bank loans and overdrafts	(6.6)	(5.7)
Interest on other loans	(0.6)	(0.3)
Interest on retirement benefit obligations	(2.4)	(2.5)
Fair value adjustment to forward foreign exchange contracts	(2.0)	-
	<b>(11.6)</b>	<b>(8.5)</b>

The rise in interest payable is a result of the increased use of the revolving credit facility. This increase is attributable to the acquisitions during the year and the investment in working capital.

The loss on the fair value of forward foreign exchange contracts arises under IFRS as a result of marking to market at the period end those contracts that do not qualify for hedge accounting.

## EXCEPTIONAL ITEMS

	52 weeks ended 28 April 2013 (£m)	52 weeks ended 29 April 2012 (£m)
Profit on sale of intangible assets	0.6	1.6
Release of regulatory cost provisions	-	2.3
Lease surrender incentive	-	0.7
Profit on disposal of property	-	1.0
	<b>0.6</b>	<b>5.6</b>

## TAXATION

The effective tax rate on profit before tax in FY13 was 26.8% (FY12: 30.3%). This rate reflects depreciation on non-qualifying assets and overseas earnings being taxed at a higher rate.

# FINANCIAL REVIEW continued

## EARNINGS

	52 weeks ended 28 April 2013 (pence per share)	Re-forms 52 week 2012 (pence per share)	Change (%)	Shareholder/2012/2011 (pence per share)
Reported EPS (Basic)	26.64	18.24	46.1	18.68
Underlying EPS	26.85	18.74	43.3	19.19
Weighted average number of shares (actual)	568,972,000	568,591,000		568,591,000

Basic earnings per share (EPS) is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the actual financial period. Shares held in Treasury and the Employee Benefit Trust are excluded from this figure.

The underlying EPS reflects the underlying performance of the business compared with the prior year and is calculated using the weighted average number of shares. It is not a recognised profit measure under IFRS and may not be directly comparable with "adjusted" profit measures used by other companies.

The items adjusted for arriving at the underlying profit after tax and minority interests are as follows:

	Reported (£ million)	Underlying (£ million)
Profit after tax	151.7	106.2
<b>Post-tax effect of exceptional items:</b>		
Other investment income	-	7.1
Write back of provision for regulatory acquisition costs	-	(1.6)
Amortisation of goodwill	2.2	1.8
Change in fair value of freehold properties	-	(1.2)
Fair value adjustment to forward foreign exchange contracts	1.5	(2.5)
Realised (gain)/loss on forward foreign exchange contracts	(1.8)	1.4
Profit on sale of intangible assets	(0.5)	(1.2)
Fair value adjustment within associated underpays	(0.3)	(0.9)
Less: performance 2012 week 63	-	(2.5)
<b>Underlying profit after tax - 52 weeks</b>	<b>152.8</b>	<b>106.6</b>

## DIVIDENDS

The Board has decided not to propose a dividend in respect of FY13. The Board feels that it remains in the best interests of the Company and its shareholders to maintain financial and strategic flexibility, including pursuit of potential acquisition opportunities and ongoing investment in Group infrastructure and store portfolio. The payment of dividends will remain under review for consideration in future years.

## CAPITAL EXPENDITURE

Capital expenditure amounted to £49.8m (FY12: £131.0m), which includes expenditure on licences within intangible assets. In FY12 the Group purchased freehold property from Mike Ashley for a consideration of £86.8m.

## ACQUISITIONS

The Group made acquisitions during the year including various assets acquired from the administrators of the fashion retailer Republic and JJB as well as a 51% stake in the Flannels Group.

## STRATEGIC INVESTMENTS

During the Year the Group continued to hold an 11.87% holding in JD Sports and Fashion plc. The fair value of the Group's holding at 28 April 2013 was £47.6m (29 April 2012: £46.6m). No shares were bought or sold in the year, the only movement being in the fair value of the shares held, which has been recognised directly in equity in accordance with IFRS.

## CASH FLOW AND NET DEBT

Net debt increased by £8.8m from £145.2m at 29 April 2012 to £154.0m at 28 April 2013.

The analysis of debt at 28 April 2013 was as follows:

	28 April 2013 (£m)	29 April 2012 (£m)
Cash and cash equivalents	141.7	69.4
Borrowings	(295.7)	(214.6)
<b>Net Debt</b>	<b>(154.0)</b>	<b>(145.2)</b>

The Group continues to operate comfortably within its banking facilities and covenants. The Group has a £300m syndicated facility in place until March 2015. Post year end the Group's £50m and £25m bilateral facilities have been extended to March 2015.

## CASH FLOW

Total movement is as follows

	27 Apr 2013 (£m)	28 Apr 2012 (£m)
Underlying 52 week EBITDA	287.9	235.7
Realised profit/(loss) on forward foreign exchange contracts	2.3	(2.0)
Taxes paid	(44.7)	(41.3)
Underlying 52 week free cash flow	245.5	192.4
Proforma 53 <sup>rd</sup> week Underlying EBITDA	-	4.8
<b>Invested in -</b>		
Working capital and other	(131.2)	(31.8)
Purchase of own shares	(21.7)	-
Acquisitions (including debt)	(47.0)	(26.2)
Return from investments	1.5	0.8
Net capital expenditure	(49.8)	(131.0)
Finance costs and other financing activities	(6.1)	(5.3)
(Increase)/decrease in net debt	(8.8)	3.7

The increase in working capital is predominantly in inventory to support the growth of the online business

## PENSIONS

The Group operates a number of closed defined benefit schemes in the Dunlop Slazenger companies. The net deficit in these schemes increased from £19.3m at 29 April 2012 to £19.9m at 28 April 2013

**Bob Mellors**  
Finance Director  
18 July 2013

## RECONCILIATION OF MOVEMENT IN EQUITY

Total equity movement is as follows

	28 April 2013 (£m)
Total equity at 29 April 2012	471.9
Profit after tax for the 52 weeks	151.7
Share based payment	4.0
Vesting of Employee Bonus Share Scheme	(2.1)
Current tax on share schemes	3.6
Deferred tax on share schemes	6.3
Acquisition of own shares	(21.7)
<b>Items taken directly to equity</b>	
Exchange differences on translation of foreign operations	12.4
Exchange differences on hedged contracts - recognised in the period	15.4
Exchange differences on hedged contracts - reclassified and reported in net profit	0.2
Fair value adjustment in respect of available for sale financial assets	1.0
Actuarial loss on pension	(2.8)
Net of items taken directly to equity	4.6
<b>Movement in equity issues</b>	
Movement in non-controlling interests	0.2
Total equity at 29 April 2012	644.7

## THE BOARD

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- Audit Committee
- Remuneration Committee
- Nomination Committee

### ● ● Dr Keith Hellawell OPM

*Non-Executive Chairman, Chairman of Nomination Committee*

**Appointed** 24 November 2009

**Previous Roles** Prior to joining the team at Sports Direct International plc, Dr Hellawell spent over 40 years in public sector management being a former Chief Constable of two British police forces. While working directly for the Prime Minister between 1998 and 2002, he wrote and coordinated the United Kingdom national and international anti-drugs policy.

**Present Roles** Dr Hellawell has been involved in the private sector since 1998 when he joined Evans of Leeds, a fully listed property company. Since then he has served on the boards of both Dalkia plc and Stenence Limited, subsidiaries of the French company Veolia Env. Dr Hellawell is currently a Non-Executive Director of Mortice plc, a Singapore based facilities management company and a Director of the Super-League team Huddersfield Giants. He was Non-Executive Chairman of Goldshield Group plc, a marketing led pharmaceutical and consumer health company, from May 2006 to its sale in December 2009. He has held a number of other Non-Executive board positions in private companies including vehicle manufacturing and IT. He also runs his own management and training consultancy company.

**Key Skills/Strengths** Dr Hellawell has worked in both the public and private sector for over 50 years. Throughout this time he has built up a wealth of experience which he brings to the Group to ensure the successful and effective operation of the board.

### Mike Ashley

*Executive Deputy Chairman*

**Appointed** 1982 (founder)

**Previous Roles** Mike established the business of the Group on leaving school in 1982 and was the sole owner until the Group's listing in March 2007.

**Key Skills/Strengths** Mike was the founder of the Group and has the necessary skills for formulating the vision and strategy of the Group. With over 30 years in the sports retail business with Sports Direct, he is invaluable to the Group.

### Dave Forsey

*Chief Executive*

**Appointed** 1984

**Key Skills/Strengths** Dave has been with the business for over 28 years, during which time he has acquired significant knowledge and experience of the sports retail business. In conjunction with the Deputy Chairman, he agrees strategy, appropriate objectives and policies for each of the businesses. Dave has overall responsibility for the daily management of the Group.

### Bob Mellors

*Group Finance Director*

**Appointed** 2004

**Previous Roles** A graduate in Economics, he qualified with PricewaterhouseCoopers in London before joining Eacott Worrall, where Sports Direct became a client in 1982. He was Managing Partner and Head of Corporate Finance at Eacott Worrall before joining the Group.

**Key Skills/Strengths** Bob qualified as a Chartered Accountant with PricewaterhouseCoopers and has extensive financial experience. Bob has extensive knowledge of Mergers and Acquisitions.



### • • • Simon Bentley

*Senior Independent Non-Executive Director, Chairman of the Audit Committee*

**Appointed** 02 March 2007

**Previous Roles** Simon qualified as a Chartered Accountant in 1980 and in 1987 joined Blacks Leisure Group Plc where he was Chairman and Chief Executive for 12 years

**Present Roles** Simon chairs and is on the board of a range of companies and organisations. Among these, he is Chairman of the hair brand Umberto Giannini, is the principal owner and Chairman of the leading mobile ATM operator Cash on the Move, and is Chairman of Yad Vashem – UK Foundation

**Key Skills/Strengths** He has lengthy experience of the sporting goods industry

### • • • David Singleton

*Non-Executive Director, Chairman of Remuneration Committee*

**Appointed** 27 October 2007

**Previous Roles** Dave spent 25 years with Reebok International Limited. He stepped down in April 2007 having assisted with the successful integration of Reebok following its acquisition by adidas Group in January 2006. For eight years he was Vice President of Northern Europe Region & UK and then was Senior Vice President of Europe, Middle East & Africa

**Present Roles** Dave is Chairman of Bolton Lads & Girls Club, Chairman of Bolton Community Leisure Trust and a Trustee at Bolton Wanderers Community Trust

**Key Skills/Strengths** Dave has an extensive Senior Management record and brings valuable experience of international sports brand operations

### • • • Charles McCreevy

*Non-Executive Director*

**Appointed** 31 March 2011

**Previous Roles** Charles is a highly experienced politician who previously served as EU Commissioner for Internal Markets and Services between 2004-2010, and has held positions in several Irish Government Ministerial Offices, including Minister for Finance between 1997-2004, Minister for Tourism & Trade between 1993-1994 and Minister for Social Welfare from 1992-1993

**Present Roles** Charles currently holds Non-Executive Director positions at Ryanair Holdings plc, Sentenial Limited, Celsius Funds plc, Grove Limited and Barchester Holdco (Jersey) Limited

**Key Skills/Strengths** Charles has extensive all-round business knowledge with particular relevance to the European Union

### • • • Claire Jenkins

*Non-Executive Director*

**Appointed** 25 May 2011

**Previous Roles** Until recently, Claire was Group Director Corporate Affairs and a member of the Executive Leadership Team, responsible for the company's sustainability and communications activities, at Rexam plc, a leading global beverage can maker and a major player in rigid plastic packaging. Prior to that, she was a member of the Management Committee of international tobacco company Gallaher Group plc (acquired by Japan Tobacco in 2007) where she was responsible for investor relations and Group planning. Claire has also gained corporate experience in various consulting roles at Laing & Cruckshank, and as a Non-Executive Director of Retro Classics Fund

**Present Roles** Claire is Chairman of Amicus, and a Non-Executive Director of Media For Development

**Key Skills/Strengths** Claire has excellent all-round business experience and, in addition, has particular corporate governance and communication skills





## DIRECTORS' REPORT

The Directors of Sports Direct International plc present their Annual Report and Accounts for the year ended 28 April 2013

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Chief Executive's Report on pages 18 to 31 provides a detailed review of the Group's current activities and potential future developments together with factors likely to affect future development, performance and conditions. There is also a table of the principal risks and uncertainties likely to affect the Group. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Financial Review on pages 32 to 35. The Corporate Responsibility Report on pages 52 to 55 reports on environmental matters, including the impact of the Group's businesses on the environment, the Group's employees, and on social and community issues.

The principal activities of the Group during the Year remained unchanged and were:

- retailing of sports and leisure clothing, footwear and equipment,
- wholesale distribution and sale of sports and leisure clothing, footwear and equipment under Group-owned or licensed brands, and
- licensing of Group brands

Further information of the Group's principal activities is set out in the front of this document and in the Chief Executive's Report on pages 18 to 31.

### RESULTS FOR THE YEAR AND DIVIDENDS

Revenue for the 52 weeks ended 28 April 2013 was £2,185.6m and profit before tax was £207.2m compared with £1,835.8m and £151.5m in the prior year. The trading results for the Year and the Group's financial position as at the end of the Year are shown in the attached Financial Statements, and discussed further in the Chief Executive's Report and Business Review and in the Financial Review on pages 18 to 31 and 32 to 35 respectively.

The Board has determined not to recommend a dividend this year.

### SHARE CAPITAL AND CONTROL

The authorised share capital of the Company is £100,000,000 divided into 999,500,010 ordinary shares of 10p each and 499,990 redeemable preference shares of 10p each.

Further information regarding the Group's issued share capital can be found on page 78 of the financial statements.

Details of Executive and employee share schemes are also set out on page 78. No votes are cast in respect of the shares held in the Employee Benefit Trust and dividends would be waived.

There are 640,602,369 ordinary shares of 10p in issue and fully paid of which 42,137,508 are currently held in Treasury.

There are no specific restrictions on the transfer of shares, which are governed both by the general provisions of the Articles of Association and prevailing legislation.

The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

The Directors were authorised to allot shares in the capital of the Group up to an aggregate nominal amount of £19,953,412 (being approximately one third of the then issued share capital) for the period expiring at 11 September 2013, the date of the next 2013 Annual General Meeting.

In line with guidance from the Association of British Insurers the Company was also granted authority to issue a further third of the issued share capital to a nominal amount of £39,906,824 (being approximately 35% of the issued share capital) in connection with a rights issue.

A further authority to allot shares up to a maximum nominal value of £2,993,011 (being approximately 5% of the then issued share capital) as if statutory pre-emption rights did not apply, was also approved.

The authorities expire at the close of the next Annual General Meeting of the Company, but a contract to allot shares under these authorities may be made prior to the expiry of the authority and concluded in whole or part after the Annual General Meeting, and at that meeting similar authorities will be sought from shareholders.

The Group was authorised to make market purchases of ordinary shares of 10p each in the Company of up to a maximum aggregate number 59,855,236 representing 10% of the Company's issued ordinary share capital at the 2012 Annual General Meeting. The above authority expires at the close of the next Annual General Meeting of the Company, and at that meeting a similar authority will be sought from shareholders.

### SHAREHOLDERS

No shareholder enjoys any special control rights, and, except as set out below, there are no restrictions in the transfer of shares or of voting rights.

Mike Ashley has entered into a Relationship Agreement with the Company. Under the terms of the Agreement Mike Ashley undertook that, for so long as he is entitled to exercise, or to control the exercise of, 15% or more of the rights to vote at general meetings of the Company, he will:

- conduct all transactions and relationships with any member of the Group on arm's length terms and on a normal commercial basis and with the approval of the Non-Executive Directors,
- exercise his voting rights or other rights in support of the Company being managed in accordance with the Listing Rules and the principles of good governance set out in the UK Corporate Governance Code and not exercise any of his voting or other rights and powers to procure any amendment to the Articles of Association of the Company,
- other than through his interest in the Company, not have any interest in any business which sells sports apparel and equipment subject to certain rights, after notification to the Company, to acquire any such interest of less than 20% of the business concerned, and certain other limited exceptions, without receiving the prior approval of the Non-Executive Directors, and not solicit for employment or employ any senior employee of the Company.

As at 18 July 2013, the Company has been advised that the following parties had a significant direct or indirect shareholding in the shares of the Company

	Number of shares held	Percentage of issued ordinary share capital with voting rights held	Nature of holding
MASH Holdings Limited <sup>1</sup>	385,400,000	64.40%	Direct
Odey Asset Management <sup>2</sup>	44,245,793	7.39%	Direct
Schodas plc	28,084,000	4.71%	Direct

<sup>1</sup> MASH Holdings Limited is wholly owned by Mike Ashley

<sup>2</sup> Odey Asset Management indirectly held 3,478,023 shares in a contract for difference account

## SUPPLIERS

The Group understands the importance of maintaining good relationships with suppliers and it is Group policy to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individually negotiated contracts) and for payment to be made in accordance with these terms, provided the supplier has complied with its obligations

Trade creditors of the Group's UK operations as at 28 April 2013 were 28 days (2012: 29 days)

## CONTRACTS ESSENTIAL TO THE BUSINESS OF THE COMPANY

The Chief Executive's Report on pages 18 to 31 details information about persons with whom the Group has contractual or other arrangements and are deemed essential or material to the business of the Group

## TAKEOVERS

The Directors do not believe that there are any significant contracts that may change in the event of a successful takeover of the Company. Details of the impact of any successful takeover of the Group on the Directors' bonus and share schemes are set out in the Director's Remuneration Report on pages 47 to 50

## EMPLOYEE SHARE SCHEMES

Details of the Executive Bonus Share Schemes are set out in the Directors' Remuneration Report on page 48 and details of the Employee Bonus Share Schemes on page 52 of the Corporate Responsibility Report

## EMPLOYEE INVOLVEMENT

The success which the Group has enjoyed is largely a result of the loyalty and enthusiasm of our c. 24,000 employees. Both the 2009 Employee Bonus Share Scheme and the 2011 Employee Bonus Share Scheme have incentivised employees and provided them with an opportunity to own shares in the listed Company while working towards a shared target. The Schemes are subject to a number of conditions, including personal performance conditions. The purpose of the Schemes has been to encourage hard work in our employees in order that the Group achieves the requisite underlying EBITDA targets and the employee achieves a bonus. The Schemes have also assisted the Group to retain key employees whose skills and expertise are necessary to the success of the Group. The first part of the 2009 Employee Bonus Share Scheme vested in August 2012 and the second part of the Scheme is due to vest in August 2013. These awards will provide many employees with life-changing sums. The 2011 Employee Bonus Share Scheme vests in September 2015 and September 2017. This Scheme has four essential underlying EBITDA targets, two of which have already been achieved. Both of these Bonus Share Schemes will operate in addition to the current workplace bonus schemes, which are directly related to specific workplace performance.

Further information on relationships with employees can be found in the Corporate Responsibility Report on page 52

## EQUAL OPPORTUNITIES

The Group's policy for employees and all applicants for employment is to match the capabilities and talents of each individual to the appropriate job. Factors such as gender, race, religion or belief, sexual orientation, age, disability or ethnic origin should be ignored and any decision which is made with regard to candidates should be irrespective of these. Discrimination in any form will not be tolerated under any circumstances within the Group.

Applications for employment by disabled persons are given full and fair consideration for all vacancies, and are assessed in accordance with their particular skills and abilities. The Group does all that is practicable to meet its responsibilities towards the training and employment of disabled people, and to ensure that training, career development and promotion opportunities are available to all employees.

The Group makes every effort to provide continuity of employment where current employees become disabled. Attempts are made in every circumstance to provide employment, whether this involves adapting the current job role and remaining in the same job, or moving to a more appropriate job role. Job retraining and job adaptation are just two examples of how the Group works in the interests of employees to promote equal opportunities in order that the employee's employment within the Group may continue. The Group values the knowledge and expertise that employees have gained throughout their employment with us, and therefore does not wish to lose valued employees.

## RESEARCH AND DEVELOPMENT

The Group designs clothing and some footwear for sale in stores and has arrangements with suppliers for the research and development of goods for the Brands division.

## CHARITABLE AND POLITICAL DONATIONS

During the Year, the Group made charitable donations of £25,132 (2012: £30,060) in the UK. No political donations were made (2012: nil). There have been a number of further donations of sporting equipment made to worthy causes, and these are set out on pages 54 to 55.

## DIRECTORS' REPORT continued

### DIRECTORS

Details of current Directors, dates of appointment, their roles, responsibilities and significant external commitments are set out on pages 36 and 37

Although the Company's Articles of Association require retirement by rotation of one third of Directors each year, the Group has chosen to comply with the 2012 UK Corporate Governance Code and at each Annual General Meeting all of the Directors will retire and stand for reappointment

Information on service contracts and details of the interests of the Directors and their families in the share capital of the Company at 28 April 2013 and at the date of this Report is shown in the Directors' Remuneration Report on pages 48 and 49

Copies of the service contracts of Executive Directors and of the appointment letters of the Chairman and Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting

No Director has a directorship in common or other significant links with any other Director (except in the case of the Executive Directors holding directorships of subsidiary companies of the Group)

### DIRECTORS' CONFLICTS OF INTEREST

The Board has formal procedures to deal with Directors' conflicts of interest. During the Year the Board reviewed and, where appropriate, approved certain situational conflicts of interest that were reported to it by Directors, and a register of those situational conflicts is maintained and reviewed. The Board noted any transactional conflicts of interest concerning Directors that arose and were declared. No Director took part in the discussion or determination of any matter in respect of which he had disclosed a transactional conflict of interest.

### DIRECTORS' INDEMNITIES

The Group have granted the Directors with Qualifying Third Party Indemnity provisions within the meaning given to the term by Sections 234 and 235 of the 2006 Act. This is in respect of liabilities to which they may become liable in their capacity as Director of the Company and of any Company within the Group. Such indemnities were in force throughout the financial year and will remain in force.

### ANNUAL GENERAL MEETING

The 2013 Annual General Meeting will be held on 11 September 2013 at Unit D, Brook Park East, Shirebrook, NG20 8RY. The Meeting will commence at 3.00pm. The Board encourages shareholders to attend and participate in the meeting.

### GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 18 to 31.

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Review on pages 30 to 34. In addition, the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group is profitable, highly cash generative and has considerable financial resources. The Group is able to operate comfortably within its banking facilities and covenants, which run until March 2015, and is well placed to take advantage of strategic opportunities as they arise.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the continued uncertain economic outlook.

The Group's forecast and projections, taking account of reasonable possible changes in trading performance, show that the Group should be able to operate within the level of the current facility.

The Directors have thoroughly reviewed the Group's performance and position and the Directors are therefore confident that the Group will continue in operational existence for the foreseeable future. On this basis, the Directors continue to adopt the going concern basis for the preparation of the Annual Report and financial statements.

### ACCOUNTABILITY AND AUDIT

A statement by the Auditor can be found on page 56 detailing their reporting responsibilities. The Directors fulfil their responsibilities and these are set out in the responsibility statement on page 51.

### AUDITOR

Grant Thornton UK LLP have expressed a willingness to continue in office. In accordance with section 489 (4) of the Companies Act 2006, resolutions to determine remuneration are to be agreed at the AGM.

By Order of the Board

**Rebecca Tylee-Birdsall**  
Company Secretary  
18 July 2013

# CORPORATE GOVERNANCE REPORT

The Group is committed to high standards of Corporate Governance. The following section will detail how the UK Corporate Governance Code has been applied during the year.

## CHAIRMAN'S INTRODUCTION

I am pleased to introduce the Corporate Governance Statement which contains details of the activities of the Board and its committees and how the Group complied with the UK Corporate Governance Code 2012 for the 52-week period ended 28 April 2013. The Annual Report is regarded as the cornerstone of the Groups' communication with shareholders. This report is aimed at providing a clear understanding of the governance in the Group.

Our diverse Board remains committed to ensuring that corporate governance is maintained in the current challenging climate. The structure of the board has remained constant for some time now, and the Group has found that this has led to a higher degree of trust and uniformity when it has come to making tough business decisions.

In line with the recommendations of the Tyson Report, the Group wholeheartedly agrees that board diversity should ultimately benefit shareholders. Following on from the Davies Report in February 2011, the Group's Board (excluding the Chairman) is made up of 14% women. This is in excess of the figures provided from the Cranfield Report in April 2013 which stood at 13.3%, and also bears comparison to the number of senior women in the public sector. Diversity in our boardroom is a major consideration to the Group, as is merit, and these will be key objectives when appointing future board members as and when suitable vacancies arise. However, due to the geographical locations, complexity, and the nature of the operations of the Group, ensuring that we have the correct level of relevant knowledge, skills and experience in the boardroom is the immediate priority.

We are aware of the European Commission proposal on 14 November 2012 for a Gender Diversity Directive, which aims for 40% of board members to be made up by women by 2020, and Lord Davies' recommendation that FTSE 350 companies should aim towards voluntary targets. As a result of these, over the forthcoming year we have set a voluntary target in line with the European Commission proposal, which is both fair and achievable. However, we do not agree with the Trades Union Congress' proposal to impose compulsory quotas, as we feel that this will be both prejudicial to women and detrimental to businesses.

Across the Group we employ thousands of individuals from a wealth of backgrounds. We aim to employ individuals based on relevant skills, knowledge and criteria, rather than based on age, race or gender. We are looking to replicate our success of women in the business to senior management and the boardroom.

Succession planning is extremely important to the Group in order to mitigate risk and build on the strengths, skills and competencies which we currently possess. Although our current structure remains appropriate at present, we aim to share the knowledge of key individuals in order that when they leave, the skills that they have learnt remain in the Group. Under our forward-looking approach we aim to utilise the resources from our own talent pool. We offer a large variety of activities, including site visits and specialised training, to improve personal development and to progress our colleagues to the next step in their careers within the Group. Current and future vacancies are advertised both internally and externally to ensure that the largest range of individuals view it and can apply, in the hope that the appointment is awarded to the most suitable individual.

The Group is actively considering how to make management roles more attractive. In future we are looking at how to attract the highest calibre of individuals, including exploring family-friendly working and graduate training schemes. We hope to encourage both men and women of all backgrounds to senior positions within the Group.

## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The overall responsibility for the Group's risk management and internal controls systems sits with the Board. This is an on-going process which relates to the identification, evaluation, management and monitoring of significant risks. This complies with the UK Corporate Governance Code.

The Board is subject to the latest Corporate Governance Code, which was issued in September 2012. The main principles of the Code are:

**Leadership**  
**Effectiveness**  
**Accountability**  
**Remunerations**  
**Relations with Shareholders**

The Board has reviewed the Company's corporate governance processes and policies, and has concluded that during the 52 weeks ended 28 April 2013 (the Year) the Company complied with the provisions of the Code except as set out below.

Provision B.1.1 states "The Board should state its reasons if it determines that a Director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the Director has received or receives additional remuneration from the company apart from a Director's fee, participates in the Company's share option or a performance-related pay scheme, or is a member of the Company's pension scheme". Keith Hellawell, the Group's Chairman, has the option to buy 50,000 shares for the nominal value of £0.10 per share in the Group on an annual basis. The Board and Remuneration Committee are satisfied that the additional remuneration does not impair his independence. This year, as with last year, Keith Hellawell has opted to waive his right to take the shares.

## THE BOARD

The Board consists of a Non-Executive Chairman, Keith Hellawell, the Deputy Chairman, Mike Ashley, two other Executive Directors, and four further Non-Executive Directors. The names, skills and short biographies of each member of the Board are set out on pages 34 and 35.

The size and composition of the Board are regularly reviewed by the Board to ensure that there is the appropriate balance of skills and experience.

### Role of the Board

The role of the Board is to ensure the overall long-term success of the Group. This is achieved through the review, development and implementation of the Group's strategy. The Board also maintains responsibility for corporate responsibility, accountability and to ensure effective leadership is delegated to management for the day to day running of the Group and ensures an appropriate strategy is in place for succession planning.

The Board has a programme in place to enable it to discharge its responsibility of providing effective and entrepreneurial leadership to the Group within a framework of prudent and effective controls.

The Board plans to meet on a formal basis six times during the year with up to four additional strategy meetings at convenient times throughout the year when broader issues concerning the strategic future of the Group will be discussed. The Board will meet on other occasions as and when the business demands. During the Year the Board met on five occasions.

# CORPORATE GOVERNANCE REPORT continued

## THE BOARD continued

A detailed agenda is established for each meeting, and appropriate documentation is provided to Directors in advance of the meeting. Regular Board meetings provide an agenda that will include reports from the Chief Executive, the Group Finance Director, reports on the performance of the business and current trading, reports on meetings with investors, reports from Committees of the Board and specific proposals where the approval of the Board is sought. The Board will monitor and question monthly performance and review anticipated results.

Presentations are also given on business or strategic issues where appropriate, and the Board will consider at least annually the strategy for the Group. Minutes of the meetings of Committees of the Board are circulated to all members of the Board, unless a conflict of interest arises, to enable all Directors to have oversight of those matters delegated to Committees, and copies of analysts' reports and brokers' notes are provided to Directors.

It is the responsibility of the Directors to ensure that the accounts are prepared and submitted. Having assessed the current Annual Report, along with the accounts, the Directors confirm that, taken as a whole, they are fair, balanced and understandable. The Directors authorise that these documents provide the necessary information in order for shareholders to assess the Group's performance, business model and strategy.

### Key Activities

- Ensuring the long-term success of the Group
- Considering the obligations to shareholders and other stakeholders
- Considering the effect the Group's activities have on the environment and community in which it operates
- Maintaining a high business reputation
- Maintaining relationships with suppliers, customers and the wider community

There is a formal schedule of matters that require Board approval: they are matters that could have significant strategic, financial or reputational effects on the Group as a whole.

### Matters Reserved for the Board

- Sets budgets
- Monitors and reviews strategy and business performance
- Approves acquisitions, expansions into other regions / countries
- Appointments and removal of Board members
- Succession planning
- Overall responsibility for internal control and risk management as described on pages 28 to 31

### The Chairman and Executive Directors

The division of responsibilities between the Non-Executive Chairman, the Executive Deputy Chairman and the Chief Executive is in writing and has been agreed by the Board; however they work closely together to ensure effective decision-making and the successful delivery of the Group's strategy.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and that all Directors are able to play a full part in the activities of the Company. He ensures that the Directors receive accurate, timely and clear information. The Chairman facilitates effective communication with shareholders and that the Board understands the views of major investors, and is available to provide advice and support to members of the Executive team.

The Executive Deputy Chairman is an ambassador for the Company. He takes the lead in the strategic development of the Company, formulating the vision and strategy which he does in conjunction with the Chief Executive.

The Company has entered into a Relationship Agreement with Mike Ashley, the Executive Deputy Chairman, whose wholly owned company, MASH Holdings Limited, currently holds approximately 64.40% of the issued share capital of the Company (excluding treasury shares). This agreement is described in the Directors' Report on pages 38 to 39.

The Chief Executive is responsible for the running of the Group's business for the delivery of the strategy, leading the management team and implementing specific decisions made by the Board to help meet shareholder expectations. The Chief Executive reports to each Board meeting on all material matters affecting the Group's performance. No one individual has unfettered power of decision.

Given the structure of the Board, the fact that the Chairman and Chief Executive roles are fulfilled by two separate individuals and the terms of the Relationship Agreement with Mike Ashley, the Board believes that no individual or small group of individuals can dominate the Board's decision making.

### The Non-Executive Directors

The Board consists of four Non-Executive Directors and the Chairman. The role of the Non-Executive Directors is to understand the Group in its entirety and constructively challenge strategy and management performance, set Executive remuneration levels and ensure an appropriate succession planning strategy is in place. They must also ensure they are satisfied with the accuracy of financial information and that thorough risk management processes are in place.

The Non-Executive Directors have excellent experience from a wide range of sectors. The Non-Executive Directors assist the Board with issues such as governance, internal control, remuneration and risk management.

Simon Bentley is the Senior Independent Non-Executive Director. He supports the Chairman and Non-Executive Directors and is available to shareholders if they have concerns.

### The Non-Executive Directors – External Appointments

Non-Executive Directors are required to disclose prior appointments and other significant commitments to the Board and are required to inform the Board of any changes to or additional commitments. Details of the Non-Executive Directors' external appointments can be found on pages 36 and 37.

Before accepting new appointments Non-Executive Directors are required to obtain approval from the Chairman, and the Chairman requires the approval of the whole Board. It is essential that no appointment causes a conflict of interest or jeopardises the Non-Executive Director's commitment and time spent with the Group in their existing appointment.

### The Non-Executive Directors – Independence

The Group considers the Non-Executive Directors to be independent in accordance with the 2012 UK Corporate Governance Code.

Claire Jenkins had been a consultant for the Company on an ad hoc basis for approximately fifteen days each year between 2007 and 2010. Notwithstanding this involvement, the Board still believes that she is independent in character and judgement.

### Executive and Non-Executive Directors – Conflicts of Interest

The Board has set procedures to deal with Directors' conflicts of interest that arise. During the Year the Board reviewed and, where appropriate, approved certain situational conflicts of interest that were reported to it by Directors, and a register of those situational conflicts is maintained and reviewed. The Board noted any transactional conflicts of interest concerning Directors that arose and were declared. No Director took part in the discussion or determination of any matter in respect of which he had disclosed a transactional conflict of interest.

**Executive and Non-Executive Directors - Re-election**

The Group complies with the 2012 UK Corporate Governance Code and all Directors offer themselves for re-election every year

The Board have determined that all Directors must put themselves forward for election or re-election at the 2013 AGM to comply with the UK Corporate Governance Code. Retiring Directors may seek reappointment if willing and eligible to do so and if so recommended by the Nomination Committee. All Directors appointed by the Board are appointed after consideration of the recommendations of the Nomination Committee, and those so appointed must stand for reappointment at the following Annual General Meeting.

Details of Executive Directors' service contracts and of the Chairman's and the Non-Executive Directors' appointment letters are given on page 49. Copies of service contracts and of appointment letters are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

**Executive and Non-Executive - Training and Development**

All newly appointed Directors are provided with a tailored induction programme based on their existing skills and experience. The Board is also informed of any material changes to laws and regulations affecting the Group's business.

All Directors have access to the advice and services of the Company Secretary, and each Director and each Board Committee may take independent professional advice at the Company's expense, subject to prior notification to the other Non-Executive Directors and the Company Secretary. The Company maintains appropriate Directors and Officers insurance.

**Executive and Non-Executive Directors - Performance Evaluation**

There is a formal process in place for the performance evaluation of the Board, its Committees and individual Directors. Each Director is given the opportunity to express their views on the organisation and operation of the Board and its Committees, their effectiveness and contribution to the business, and on any other matter they consider relevant.

The Chairman holds regular development reviews with each Director and an internal Board evaluation was facilitated by the Chairman who provided the other members of the Board with a confidential questionnaire. The findings were presented to the Board.

The evaluation did not highlight any areas of concern and the Directors are satisfied the Board and its Committees are operating effectively.

The Board and the Nomination Committee will consider the output from the evaluation programme in their evaluation of the skills, knowledge and experience of the Board, and in formulating development plans.

**BOARD COMMITTEES**

To assist the Board with their duties, there are three principal Board Committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee. The Committees are governed by terms of reference which provide detail of matters delegated to each Committee and the authority they have to make decisions. Full terms of reference are available on request and on the Company's website.

Attendance by Directors at Board and Committee meetings during the Year and the total number of meetings that they could have attended are set out in the table below. All Directors attended all meetings of the Board and of Committees of the Board of which they were members unless prevented from doing so by prior commitments. The Board is satisfied that currently no one Director exercises a disproportionate influence.

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Kath Hollowell	9/9	3/3*	4/4	2/2
Mike Ashley	6/9	-	1/4*	-
Simon Dentley	6/9	2/3	3/3	2/2
David Forsey	9/9	3/3*	4/4*	2/2*
John Gaultier	9/9	3/3	4/4	2/2*
Shirley McGeevey	9/9	3/3	2/4	2/2
Rob McInnes	8/9	3/3*	4/4*	-
Steve Shepherd	9/9	3/3	4/4	2/2

\* A number of Audit Committee, Remuneration Committee and Nomination Committee meetings were attended by Board members who were not members of the Committees. The Board members concerned attended these meetings at the invitation of the Committee members.

# CORPORATE GOVERNANCE REPORT continued

## AUDIT COMMITTEE

Attendance at meetings of Committees is set out on page 43

Directors who served on the Committee during the Year were

Simon Bentley	(Chairman)
Dave Singleton	
Charles McCreevy	
Steve Jenkins	

Simon Bentley, the Chairman of the Audit Committee is a Chartered Accountant, has relevant financial experience and is supported by the rest of the Committee. All of the members of the Committee are considered independent, ensuring that the interests of the Shareholders are properly protected in relation to financial reporting and internal control.

In addition to the Committee members, the external auditors are invited to attend meetings of the Committee, save for those parts of any meeting when the Committee reviews the performance of the auditors and when the Committee is having separate discussions with the Group Finance Director, who also attends when requested. The Committee meets the auditors in the absence of Executive Management at least twice a year and the Chairman of the Audit Committee meets with the auditors as and when it is needed.

Where requested by the Board, the Audit Committee can provide advice on whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Committee met on three occasions during the Year. The Audit Committee will meet not less than three times a year; this could be increased depending on the Group's requirements.

The Committee's programme is pre-planned to ensure that each aspect of its responsibilities is discharged as part of an annual cycle during the Company's financial year.

The main responsibilities of the Audit Committee include

- Assisting the Board with the discharge of its responsibilities in relation to internal and external audits and controls
- Agreeing the scope of the annual audit and the annual audit plan and monitoring the same

- Reviewing and monitoring the independence of the external auditors and relationships with them and in particular agreeing and monitoring the extent of the non-audit work that may be undertaken
- Monitoring, making judgements and recommendations on the financial reporting process and the integrity and clarity of the Group's financial statements
- Reviewing and monitoring the effectiveness of the internal control and risk management policies and systems in place
- Monitoring the audit of the annual and consolidated accounts
- Reporting to the Board on how it has discharged its responsibilities

What has the Committee done during the year?

- Monitored the effectiveness of internal controls, and also considered the current economic climate and its likely impact on the Group
- Considered the reappointment of the auditors
- Reviewed accounting policies, presentations and the financial statements
- Approved policy for non-audit work

On an annual basis, the Audit Committee considers the reappointment of the auditors and their remuneration and makes recommendations to the Board. The auditors are appointed each year at the Annual General Meeting. The Committee considers the level of service provided by the auditors and their independence.

The Committee recommend the reappointment of Grant Thornton UK LLP for FY14. The Committee believes their independence, the objectivity of the external audit and the effectiveness of the audit process is safeguarded and remains strong. This is displayed through their robust internal processes, their continuing challenge, their focused reporting and their discussions with both management and the Audit Committee.

To maintain the objectivity of the audit process, the external auditors are required to rotate audit partners for the Group audit every five years and the current lead partner has been in place for four years. Under the Corporate Governance Code 2012, audit services must be put to tender at least every ten years or else we must explain why we have not done so. Our current auditors, namely Grant Thornton UK LLP, have been in place since the listing in February 2007.

The Committee has approved a policy on the engagement of the external auditors for non-audit work, in order to ensure that the objectivity of the auditors' opinion on the Group's financial statements is not or may not be seen to be impaired, and has established a process to monitor compliance.

The policy identified three categories of potential work.

Auditor Authority	Type of Work
Work the auditor may not provide as completing the task could create a threat to independence	The work includes the preparation of accounting entries or financial statements, IT systems design and implementation, management of projects and tax planning where the outcome would have a material impact on the financial statements or where the outcome is dependent upon accounting treatment
Work the auditor may undertake with the consent of the Chairman of the Audit Committee	Corporate finance services, acquisition due diligence, management consultancy and secondment of staff other than for the preparation of accounting entries or financial statements
Work the auditor may undertake	There are services that the auditors may provide as the work is clearly audit related and there is no potential threat to independence, including regulatory reporting and acting as reporting accountants. The Company is satisfied that its policy falls within the requirements of the Auditing Practices Board



## REMUNERATION COMMITTEE

Directors who served on the Committee during the Year were

Dave Singleton	(Chairman)
Simon Bentley	
Keith Halliwell	
Charles McCreavy	
Steve Jenkins	

The Remuneration Committee assists the Board to ensure appropriate levels of pay and benefits are in place for Executive and Non-Executive Directors. A key priority is to ensure that remuneration policy is aligned with strategy to achieve the long term success of the Group. The Committee ensures that it complies with the requirements of regulatory and governance bodies including the UK Code whilst meeting shareholder and employee expectations. All members of the Committee are Non-Executive Directors and are considered independent.

The responsibilities of the Remuneration Committee include

- Determining the Company's policy on Executive remuneration, including the design of bonus schemes and targets and payments made thereunder
- Determining the levels of remuneration for the Chairman and each of the Executive Directors
- Monitoring the remuneration of Senior Management and making recommendations in respect thereof
- Agreeing any compensation for loss of office of any Executive Director

The Remuneration Committee meets at least three times a year and met on three occasions during the Year.

A report on the remuneration of Directors appears on pages 48 to 50.

What has the Committee done during the year?

- Reviewed Executive remuneration to include salaries and bonuses
- Reviewed and approved the Directors' Remuneration Report contained on pages 47 to 50.

Full details of Directors' remuneration can be found in the Remuneration Report on pages 48 and 49.

## NOMINATION COMMITTEE

Members of the Nomination Committee during the Year were

Keith Halliwell	(Chairman)
Simon Bentley	
Dave Singleton	
Charles McCreavy	

The Nomination Committee will meet at least once a year and will also meet when appropriate. The Committee met on two occasions during the Year. All of the Nomination Committee members are Non-Executive Directors and considered independent.

The responsibilities of the Nomination Committee include

- Review the Board's structure
- Review the composition and make up of the Board, including evaluating the balance of skills, knowledge and experience of the members of the Board
- Give consideration to succession planning for Directors
- Prepare a description of the role and capabilities required for any Board appointment
- Make recommendations to the Board concerning the standing for reappointment of Directors
- Identify potential candidates to be appointed as Directors, and make recommendations to the Board as the need may arise

The Board has established a Nomination Committee to ensure a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The composition of that Committee and a description of its terms of reference are set out on the Sports Direct International plc website.

The Nomination Committee also determines succession plans for the Chairman and the Chief Executive who are not present at meetings when the matter is discussed. Succession plans are reviewed by the Nomination Committee at least once a year.

Dave Forsey, the Chief Executive, will usually attend meetings of the Nomination Committee, unless the Nomination Committee is dealing with matters relating to him or with the appointment of his successor.

The Board believes that the Board and its Committees as currently constituted are working well.

# CORPORATE GOVERNANCE REPORT continued

## UK BRIBERY ACT

Following the introduction of the UK Bribery Act, all policies and procedures have been reviewed to ensure that they comply with the Act and measures are in place to prevent employees accepting bribes

## BUSINESS MODEL

Our business model, which sets out the basis on which the Company generates or preserves value over the longer term, and the strategy for delivering the objectives of the Company can be found at page 5

## WHISTLE-BLOWING

The Group has a formal whistle-blowing policy for employees who wish to raise any issues or concerns relating to the Company's or Group's activities on a confidential basis

## GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 18 to 31

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Finance Director's Review on pages 32 to 35. In addition, notes 27 and 28 of the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk

The Company is profitable, highly cash generative and has considerable financial resources. The Company continues to operate comfortably within its banking facilities and covenants, which run until March 2015. The Company is well-placed to take advantage of strategic opportunities as they arise

As a consequence, the Directors believe that the Company is well-placed to manage its business risks successfully despite the continued uncertain economic outlook. The Directors have a reasonable expectation that the company has adequate resources 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

## RELATIONS WITH SHAREHOLDERS

The Board recognise the importance of communicating with shareholders. This is done through the Annual Report and financial statements, interim statements and trading updates. All Directors are available at the Annual General Meeting when shareholders have the opportunity to ask questions

The Chairman, Chief Executive and Finance Director regularly meet with the Company's institutional shareholders to discuss the Group's strategy and financial performance within the constraints of information already available to the public. The Senior Independent Non-Executive Director is also available to meet with shareholders

Keith Hellawell, David Singleton and Claire Jenkins met with shareholders and institutions to discuss various topics throughout the Year and to gain a better understanding of the views of shareholders

The Company's website is an important method of communication and holds all material information reported to the London Stock Exchange together with copies of financial reports, interim management statements and trading updates

## REMUNERATION

The Remuneration Committee is responsible for determining and reviewing remuneration policy and setting remuneration levels. See Remuneration Report on pages 47 to 50

## SHARE DEALING CODE

The Group has adopted the Model Code as published in the UK Listing Rules

Anyone deemed to have 'insider information' must seek consent before dealing in the Group's shares

The Executive Directors require the consent of the Chairman or the Senior Independent Director and the Chairman requires consent from the Chief Executive and the Senior Independent Non-Executive Director. Any other employees with 'insider information' must gain the consent of the Chief Executive or Company Secretary before dealing in the Group's shares

Details concerning the share capital structure of the Company can be found in the Director's Report on pages 38 to 40

## RISKS AND UNCERTAINTIES

The key features of the Group's system of internal control and risk management systems in relation to the financial reporting process and the preparation of the Group accounts are set out below or cross-referred to other parts of the Annual Report where relevant

The Board of Directors has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and for maintaining sound risk management and internal control systems, and for reviewing their effectiveness. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failures to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable but not absolute assurance against material misstatement or loss

## ASSESSMENT OF BUSINESS RISK

A system to identify, assess, and evaluate business risk is embedded within the management processes throughout the Group. Strategic risks are regularly reviewed by the Board. Risks relating to the key activities within the subsidiary operating units are assessed continuously

Further details of the risks and uncertainties relating to the Group's business, and how the Group seeks to mitigate these, can be found on pages 28 to 31

By Order of the Board

**Rebecca Tylee-Birdsall**  
Company Secretary  
18 July 2013

# DIRECTORS' REMUNERATION REPORT

The remuneration policy of the company is very closely aligned to its commercial strategy for long term profitable growth, its very strong employee performance culture and a reward ethos of "One Team"

The remuneration package for Senior Executives is highly performance-based, with the performance element paid in shares, which encourages the growth and long-term success of the Group. The Executive Directors' basic salaries have been set at a level well below the lower quartile for a business of the size and complexity of the Group and have remained the same since 2002. Senior Executive salaries will not increase in 2013 / 2014. The Senior Executives enjoy no additional benefits.

The Executive and Employee Bonus Share Schemes are closely aligned and reflective of the "One Team" ethos. To drive sustained business performance, instead of granting smaller awards on an annual basis, larger upfront awards are granted which only vest if significant and consistent growth is delivered year on year. The extended time horizon for vesting of awards for the 2011 Executive Share Bonus Scheme is six years (in 2017).

Clear, published and stretching performance targets must be fully satisfied before any proportion of the share awards vest. Aligned to the Company's performance culture, the executive and employee share schemes are designed on the basis that awards should vest in full for achieving the upper end of stretch targets (i.e. with an 'all or nothing' vesting schedule) rather than providing for a lower level of vesting for meeting a threshold target rising to full vesting for achieving the stretch targets (i.e. a scaled vesting schedule).

In 2014 the Remuneration Committee intend to raise the required shareholding value of Executive Directors to two times annual salary while employed by the Company.

The Remuneration Committee strongly believes that this simple and transparent incentive framework is aligned with the Company strategy for growth. We believe that this remuneration strategy has also directly driven historic out-performance of the stretch targets set by the Remuneration Committee, cemented a "One Team" culture across all levels of the Company, supported the Group's success and has clearly led to increased shareholder value since inception in 2009. In this regard, our remuneration arrangements are tailored to the culture and strategy of the Company, take account of the current and forecasted economic climate, and are already providing a strong platform for the ongoing long-term success of the Company.

This report has been prepared in accordance with the requirements of Regulation II and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) and of the Corporate Governance Code.

## THE REMUNERATION COMMITTEE

The Remuneration Committee consists of Simon Bentley, Dave Singleton, Claire Jenkins and Charles McCreavy who are Independent Non-Executive Directors, and Keith Hellawell who is the Non-Executive Chairman.

The role and main responsibilities of the Committee are detailed in the Corporate Governance Report on page 45.

Attendance at the meetings held during the Year is detailed on page 43.

## ADVISERS

Dave Forsey, the Chief Executive, Bob Mellors, the Group Finance Director, and Mike Ashley, the Executive Deputy Chairman, have also advised or materially assisted the Committee when requested.

## REMUNERATION POLICY

The aim of the Group is to achieve long-term success and increase shareholder value. This is underpinned by the main principles of the Remuneration Committee to ensure policies and practices are in place to encourage performance which will in turn help achieve this success.

The Committee has endorsed the provisions of Section D of the UK Corporate Governance Code, and has had those provisions in mind when determining remuneration policies for the past, current and future years.

The retail environment in which the Group operates is highly competitive so the Committee ensures that the level and form of remuneration is sufficient to attract, retain and motivate Directors and Senior Managers of the quality and talent required to run the Group successfully.

The remuneration policy for Executive Directors is highly performance-based which links the Executive Directors' reward to the growth and long-term success of the Group. All performance-based remuneration is paid in shares to align the interest of the Executive Directors with the interest of shareholders.

Basic salaries have been set at a level well below the lower quartile for a business of the size and complexity of the Group and have remained the same since 2002. During the Year the performance-related elements of the remuneration packages consisted of participation in the Executive Bonus Share Scheme, although there are no other benefits. Full details are on page 48.

Mike Ashley does not receive a salary for his role and has not received a bonus.

The Committee consults major shareholders and representative Groups where appropriate concerning remuneration matters.

The Committee is at all times mindful of the Company's social, ethical and environmental responsibilities, and is satisfied that current remuneration arrangements do not inadvertently encourage irresponsible behaviour.

The Committee has reviewed the salaries, other remuneration and other employment conditions of senior and middle managers throughout the Group, and has taken them into account in considering Directors' salaries and the creation of new incentive schemes in order to create a sense of common purpose and sharing of success. The Executive Bonus Share Scheme performance targets mirror those to be applied to awards under the Bonus Share Scheme which will apply to all UK permanent employees of the Group in UK Retail, Brands and Head Office on the same basis.

The Committee is mindful that any bonus arrangements are balanced against delivering sustainable growth in earnings for shareholders.

The Committee's remuneration policy in respect of the Non-Executive Directors is to pay annual fees which reflect the responsibilities and duties placed upon them, while also having regard to market practice.

## DIRECTORS' REMUNERATION REPORT continued

### BASIC SALARY

Basic salaries are reviewed annually. In the review in 2013 the Committee decided again not to alter Executive Directors' salaries. Executive Directors' salaries have now been at the same level since 2002.

The basic salaries of Executive Directors at the Year end and at 18 July 2013 (the latest practicable date before the printing of this report) were as shown below.

	At 18 July 2013	At 31 July 2012
Mike Ashley		
Dave Forsey	£150,000	£150,000
Bob Mellors	£150,000	£150,000

### ANNUAL BONUS SCHEME

The Committee has determined that no Annual Bonus Scheme will be operated for Executive Directors while the Executive Bonus Share Scheme is being operated.

### EXECUTIVE BONUS SHARE SCHEME

The Executive Bonus Share Scheme was approved at the Company's Annual General Meeting in September 2010 to motivate and help improve the retention of the Executives and to drive underlying Group EBITDA in line with Group strategy.

Subject to continued employment, each Executive and two members of Senior Management will have the right to exercise their options to acquire one million shares each in the Company from August 2013 as the Company has attained the following targets:

- Underlying EBITDA of £195m (Net of the cost of the scheme) in 2010-2011, and
- Underlying EBITDA/Net Debt ratio of 2 or less at the end of 2010-11.

A further Executive Bonus Share Scheme is currently in operation. Each Executive and two members of Senior Management have been granted an award of one million shares each which will vest if the Company attains all the following targets:

- Underlying EBITDA of £215m in 2012
- Underlying EBITDA of £250m in 2013
- Underlying EBITDA of £260m in 2014
- Underlying EBITDA of £300m in 2015
- Individual satisfactory employment performance

The bonus will vest in 2017 subject to continuous employment to this date. The targets and vest dates are in line with the Employee Bonus Share Scheme.

In respect of each relevant year, the Committee will adjust reported underlying Group EBITDA for the purpose of the scheme to ensure consistency in the calculation of underlying EBITDA and to ensure that underlying EBITDA is a fair comparison year by year, for example, by eliminating the impact of acquisitions where the cost of acquisitions is not reflected in underlying EBITDA.

Underlying EBITDA is as defined on page 33 and is not at constant foreign currency exchange rates.

In the event of a takeover, scheme of arrangement (other than a scheme to create a new holding company for the Company having substantially the same shareholders as the Company) or voluntary winding-up of the Company, share awards will vest in full following such an event to the extent the performance conditions have been met. If the performance conditions have not been met the awards will lapse.

### PENSION

The Executive Directors are entitled to participate in a stakeholder pension scheme under which the Company makes a contribution although they have opted out of this.

### SHARE OWNERSHIP POLICY

The Board believes it is important that Executive Directors have a significant holding in the capital of the Company.

In order to participate in the Executive Bonus Share Scheme, there are current internal guidelines that the Executive Directors will be required to maintain a minimum level of shareholding in the Company equivalent to one year's salary while they remain employed by the Company. However these guidelines can be waived with the permission of the Board. The Board applied their discretion during 2013 and allowed Dave Forsey and Bob Mellors to sell their remaining shares. Permission to sell the shares was granted by the Board as they had the knowledge that both Dave Forsey and Bob Mellors would shortly receive a large number of shares due to the vesting of the Executive Bonus Share Scheme.

The sale of the shares by the Directors was reported in an RNS announcement and also on the Company's website.

### SERVICE CONTRACTS

All Executive Directors are employed on a rolling 12 month contract which is terminable by either party on 12 months' written notice. The Company may elect to terminate the employment of Dave Forsey and/or Bob Mellors by making a payment in lieu of notice equal to the basic salary that the Director would have received during the notice period or, if notice has already been given, during the remainder thereof.

Details of the letters of appointment are set out below.

Director	Contract date	Unexpired term/notice period	Residence
Mike Ashley	11/02/2007	12 Months	England & Wales
Dave Forsey	11/02/2007	12 Months	England & Wales
Bob Mellors	11/02/2007	12 Months	England & Wales

Any entitlement to benefits under any share-related incentive scheme is determined in accordance with the rules of that scheme.

Each Executive Director's service contract automatically terminates on the date that the Director reaches such age as is determined by the Board from time to time as the retirement age for Executive Directors.

## NON-EXECUTIVE DIRECTORSHIPS

The Non-Executive Directors enter into an agreement with the Group for a period of three years. The appointments of the Non-Executive Directors may be terminated by either party on one month's written notice and in accordance with the Articles of Association of the Company. Termination would be immediate in certain circumstances (including the bankruptcy of the Non-Executive Director).

Non-Executive Directors do not and are not entitled to participate in any bonus or share scheme. For more information see Chairman's option on page 50.

Non-Executive Directors are subject to confidentiality undertakings without limitation in time. Non-Executive Directors are not entitled to receive any compensation on the termination of their appointment.

Fees for Non-Executive Directors are set out on page 50.

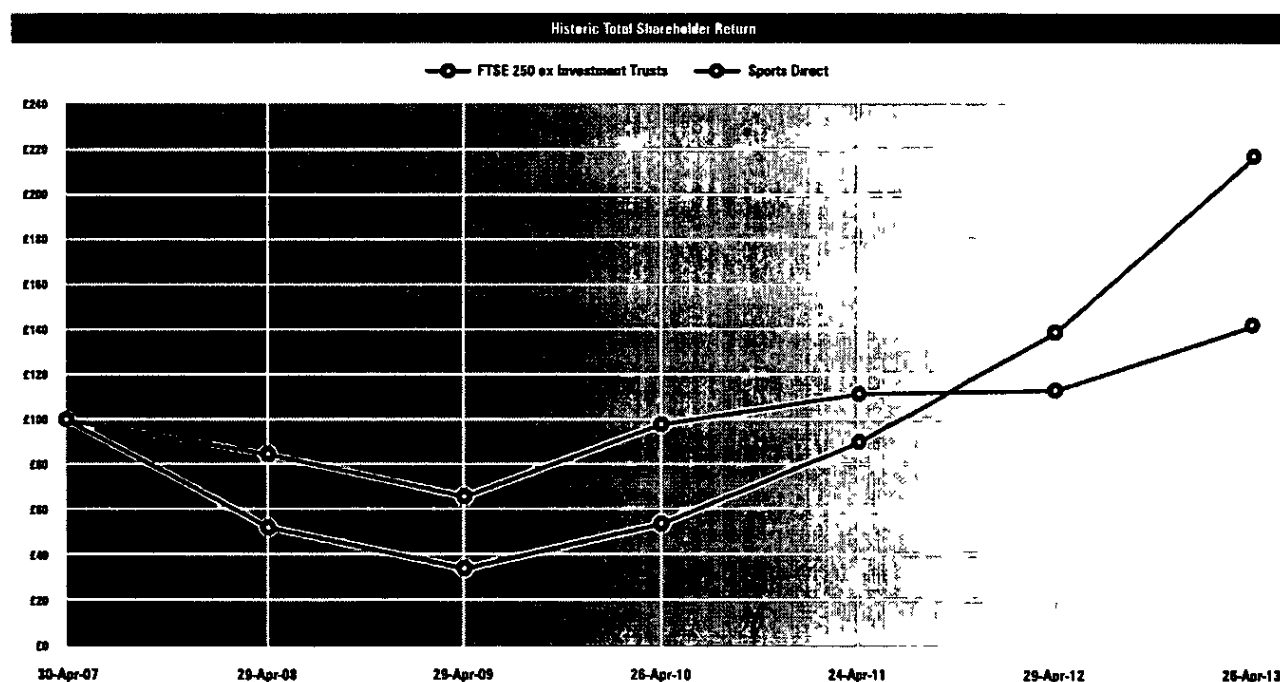
Details of the letters of appointment are set out below.

Position	Annual fee (£'000)	Date of last appointment
Keith Velawell	155	24/11/2009
Simon Bentley	50	02/03/2007
Dave Singleton	50	25/10/2007
Charles McCreavy	50	31/03/2011
Claire Jenkins	50	25/05/2011

## PERFORMANCE GRAPH

The following graph shows the Company's performance measured by the Total Shareholder Return compared with the performance of the FTSE 250 index (excluding investment trusts).

The Committee considered this an appropriate index against which to compare the Company's performance as it is widely accepted as a national measure and includes the companies that investors are likely to consider alternative investments.



## DIRECTORS' REMUNERATION REPORT continued

### AUDITOR'S REPORT

The auditors are required to report on the information contained in the following section of this report, other than in respect of Non-Executive Directors' shareholding

### DIRECTORS' REMUNERATION 2013

The following pages set out an analysis of Directors' emoluments and annual bonus, entitlements under the Executive Bonus Share Scheme and shareholdings

### DIRECTORS' EMOLUMENTS

An analysis of Directors' emoluments relating to salary and Directors fees, annual bonus and other benefits (other than entitlements under the Executive Bonus Share Scheme and in respect of pensions) for the Year is set out below

	Salaries & Fees (£'000)	Bonus (£'000)	Other Benefits (£'000)	Total (£'000)	Total 2012 (£'000)
Mike Ashley	-	-	-	-	-
Simon Bentley	50	-	-	50	50
Dave Forsey	150	-	-	150	150
Keith Hellawell	155	-	-	155	277
Bob Mellors	150	-	-	150	150
Dave Singleton	50	-	-	50	50
Charles McCreagh	50	-	-	50	50
Clare Jenkins	50	-	-	50	47

Executive Directors Dave Forsey and Bob Mellors have 1,000,000 share options each which vest in August 2013. These have not been inserted into the table as they have not yet been earned by the Directors. Due to this the Directors have not had the option to take the shares during the Year.

The aggregate of Directors' emoluments in the Year was £655,000 (2012: £774,000)

For further details on the Executive Bonus Share Scheme refer to page 48

### CHAIRMAN'S OPTION

As part of his fee, Keith Hellawell is entitled each year to exercise an option to acquire 50,000 shares for £0.10 per share. From the 30 April 2012, Keith opted to permanently waive his share entitlement.

### ANNUAL BONUS SCHEME

There is currently no annual bonus scheme in place.

### DIRECTORS' SHAREHOLDINGS

The beneficial interests of the Directors in office on 28 April 2013 and of their families in both cases at the beginning of the Year, or at the date of appointment if later, and at the end of the Year in the share capital of the Company are shown below.

	Ordinary Shares 29 April 2012	Ordinary Shares 28 April 2013
Mike Ashley	410,400,000	385,400,000
Simon Bentley	50,000	50,000
Dave Forsey	803,922	-
Keith Hellawell	130,000	130,000
Clare Jenkins	20,000	20,000
Charles McCreagh	-	-
Bob Mellors	803,922	-
Dave Singleton	153,621	153,621

**Dave Singleton**  
Chairman of the Remuneration Committee  
18 July 2013

# DIRECTORS' RESPONSIBILITIES and Responsibility Statement

## DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the Company and Group 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP).

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 and Group for that period. In preparing the 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,
- for the Group financial statements, state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statement,
- for the Company financial statements, state whether applicable UK Accounting Standards 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 and Group 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, and the Remuneration Report, comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that

- so far as each Director is 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.

To the best of our knowledge

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and of the undertakings included in the consolidation taken as a whole,

and

(b) the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

**Dave Forsey**  
Chief Executive

**Bob Mellors**  
Group Finance Director

18 July 2013

# CORPORATE RESPONSIBILITY REPORT

Corporate Responsibility is central to our vision to be an industry leader. Our established Corporate Responsibility framework focuses on five key areas: Employees, Health and Safety, the Environment, Customers and the Community. Sports Direct has developed Key Performance Indicators (KPIs) to ensure we deliver on our commitments. These KPIs are further discussed in this report and in the Chief Executive's Report and Business Review, and are based solely on our UK operations.

## EMPLOYEES

Our people are at the very heart of our business, and as we continue to grow it is the skill and enthusiasm of our c. 24,000 employees that are key to our success. Our ability to attract, retain and develop the best people is crucial to achieving our strategic objectives. We have an established Bonus Share Scheme that is applicable to employees at every level of our business, and robust training initiatives to ensure our employees best understand the essential role they play in driving the business forward.

Key Highlights	
UK employees	24,000
Hours invested in training	40,000

### Attracting our People

In no small measure, the progress we continue to make is down to the dedication and expertise of our staff. We believe that performance-based rewards motivate colleagues, help improve employee retention and align the interests of employees and shareholders. We incentivise our staff by enabling them to share in the business' success through the Bonus Share Scheme. If the Group reaches the EBITDA targets (detailed in the table below) and employees performance is deemed satisfactory, eligible employees will receive Sports Direct shares.

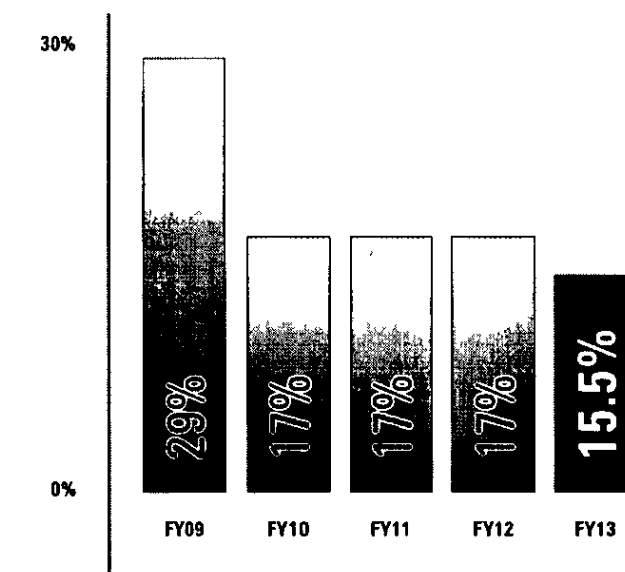


Approximately 27 million shares will be distributed between eligible employees upon successful completion of the scheme, c. 6 million shares will vest in 2015 and c. 21 million in 2017.

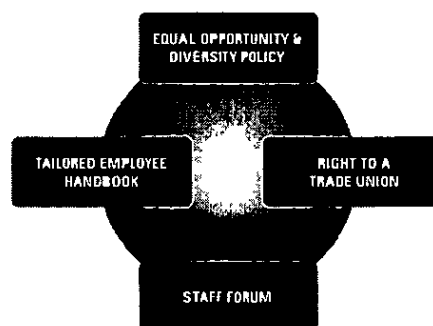
### Retaining our People

Employee retention is extremely important in order for us to retain expertise and measure employee satisfaction. For this reason it is one of our key performance indicators. This year 15.5% of our UK employees left the business, down from 17% in 2012, the vast majority of them were from our stores.

### Salaries staff turnover since FY09



The Group also has several policies and systems in place to ensure employee welfare is monitored and maintained. These are laid out in the diagram below.



### Developing our People

Sports Direct is committed to encouraging and developing our people. We believe that offering the right training and development for our staff will not only help each individual progress, but will also enhance productivity and the overall customer experience. We have invested significantly in training over the last few years, and in 2012 alone over 40,000 hours were spent on training at Sports Direct.

We are proud to offer a great portfolio of training courses, all housed in state of the art facilities at our Shirebrook Campus. This ensures every member of our team has the opportunity to be inspired, stimulated, motivated and to be better in their role.



We have extensive operational and skills training at Sports Direct, as well as general job performance and management development courses. Our operational and skills training takes place in four specialised training environments at our Shirebrook Campus, focused on running, football, women's and SKU (Sports Knowledge Underground). These specialised environments ensure that our staff are equipped with the most up-to-date knowledge to enable them to confidently advise customers on specific product choices, such as the most relevant trainer for their running style.

#### Nike Training

Our International Nike Academy is the only such facility in the world and offers an unrivalled training experience.

Sports Direct uses an online training programme in conjunction with Nike, called SKU (Sports Knowledge Underground). Full completion of the academy training programme means that staff have invested 15 hours of their time in learning about Nike products, Nike technology and how best to sell it. We are the world Number One in terms of the percentage completion for a multiple door retailer.

#### Key Highlights of Training Programme Include

- 32 specialist Nike training days have taken place since August 2010
- 252 staff have progressed to graduate level
- 64 graduates have also attended a bespoke post-graduate training day
- Further product and graduate training will take place in 2013

#### adidas and Puma and Training

We also work closely with adidas and Puma to create extensive training programmes to support in-store initiatives and products. In 2012, 358 people attended adidas sessions on product knowledge and selling skills. This year we opened new Puma training rooms at our Shirebrook campus and, throughout 2013, will continue to offer training to capture new product releases.

#### Induction Training

All of our managers attend a two-week residential induction programme at Shirebrook to ensure that they are able to perform their job effectively. The modules covered consist of a mixture of shop floor-based training and classroom activities, and focus on merchandising, product training, administration, delivery process, health and safety, shop closure procedure and retail business skills.

#### Management Development Training

We have an internal promotion programme aimed at full-time staff and supervisors who are aspiring to move into management positions. As part of this, we hold a 5-day residential programme at our Shirebrook campus which consists of a combination of trainer-led modules. The modules focus on operational training and the skills and behaviour measures that form part of an employee's role, covering areas such as communication, leadership, and decision-making.

#### The Future of Training

2013 is set to be another groundbreaking year as we work to develop a bespoke online training platform that will form the basis of every new starter's induction to the business. Designed to be informative, interactive and fun, the platform will be available on any mobile device and will provide knowledge, consistency and improved selling and service skills to all employees.



## HEALTH AND SAFETY

Sports Direct is committed to appropriate standards of health and safety. Our Board has ultimate responsibility for health and safety across the Group, and we regularly review our procedures to ensure safety management is robust. The continued emphasis on it in the business has improved awareness of reporting and recording of incidents.

#### Key Figures

- No environmental prosecutions or work related fatalities
- In FY13, 1854 (2012: 1711) accidents were reported to Head Office, of which 67 (2012: 65) were reportable to the Health and Safety Executive
- 63% of accidents occurred in store and 29% were slips, trips and falls

The increase in accident figures has coincided with the increase in store portfolio.

# CORPORATE RESPONSIBILITY REPORT continued

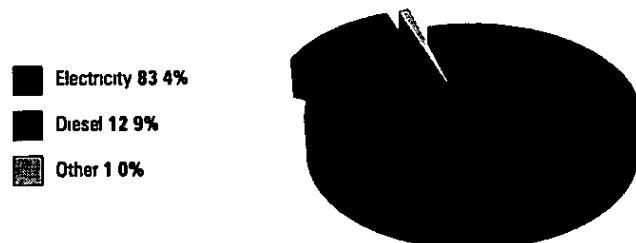
## ENVIRONMENT

We recognise that we have a responsibility to manage the impact our business has on the environment, and we are committed to reducing this both now and in the future. We continue to comply with the Government's Carbon Reduction Commitment, and have identified key areas where we can make a difference, in particular energy usage in our stores, transport and waste management.

### Carbon Footprint

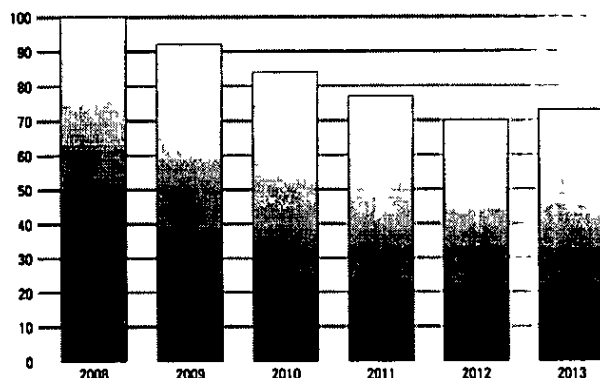
We are continuously aiming to reduce our carbon footprint. The single most significant element is electricity, which makes up 83% of the footprint. The carbon footprint spread across all UK sites is detailed in the chart below.

Carbon Footprint Analysis 1st April 2012 - 31 March 2013



The effect of increased trading hours in the run up to the Olympics has contributed to a small increase in energy consumption across 239 like stores, and therefore an unavoidable increase in the amount of electricity used. We set our energy efficient benchmarks against FY08 year, compared to which we have made significant reductions of 25% across the like stores.

Energy Consumption Indexed on 2008 kWh per '000 sq ft



The table below details Electricity vs Sales and shows a pro rata saving of 5% across the year.

Carbon Footprint Report across 239 Sports Direct Like stores (CRC Statement Period: 01 April 2012 - 31 March 2013)		
Year	2012	2013
CO <sub>2</sub> Emissions from electricity (Tonnes)	29,353	30,952
Electricity vs. Sales Turnover Index	100	95

The emissions for electricity and gas are based on CRC scheme methodology and only include CO<sub>2</sub> emissions. The emissions declared are for the period 1 April 2012 - 31 March 2013 in line with the CRC protocol.

### Waste Reduction

We are actively reducing the amount of waste we send to landfill and segregate waste to ensure that we recycle as much as possible.

This year we recycled:

6,425 units of electrical equipment (2012: 5,546 units)

58 tonnes of waste paper (2012: 65 tonnes)

8,893 tonnes of cardboard (2012: 6,622 tonnes)

107 tonnes of metal (2012: 127 tonnes)

508 tonnes of plastic (2012: 453 tonnes)

All stores now use biodegradable carrier bags and provide the option of "a bag for life". This is actively promoted in-store through high levels of employee engagement.

Looking ahead, we will continue our commitment to minimise waste and improve energy efficiency across our stores.

## CUSTOMERS

Customer service is at the forefront of our business. We aim to provide customers with an enjoyable experience both in-store and online and ensure all our products are safe and fit for purpose.

Monitoring customer satisfaction and responding to queries is a continuous process. All written complaints are recorded, including an analysis of the nature of the complaint so that trends can be assessed and appropriate action taken.

We have an online customer contact form that reduces the time it takes for our customers to contact us and increases the volume of contact. Online communication has reduced the amount of time it takes for us to respond to queries thereby increasing our service levels, while reducing the print and postage costs for both the Group and customers.

We are continuously working to improve customer service at all levels within the Group from the retail stores, Head Office and through to our website.

## COMMUNITY

### Supply Chain

We are committed to responsible business practices in our own business and within our supply chain. We continue to procure merchandise from manufacturers who have proved to uphold ethical employment and trading practices, and we have a strict Code of Ethics that we require every supplier to adhere to. The code provides for the fair treatment of workers, ensuring a safe environment in accordance with the local and national laws where workers are treated with respect and paid fairly for what they do. The code also ensures there is no child labour and no use of illegal means or materials in the production of goods.

We have longstanding relationships with our suppliers who have demonstrated that their work practices are consistent with the Sports Direct's standards. Approximately 40% of our current suppliers have been working with the Company for 10 years or more.

We have worked with two leading supply chain companies in Singapore and South Korea for a number of years. Using their local knowledge and experience helps benefit the business and the communities in which they operate. Both businesses have the highest social and business ethics code which aligns with our own Code of Ethics, the BSCI Code of Conduct (which is based upon the United Nations Declaration of Human Rights), ISO9001 and the Social Accountability 8000 (SA8000) Code.



Sports Direct relies on those supply chain companies to inspect the premises of all suppliers and manufacturers. Frequent inspections are carried out randomly to ensure that goods meet our quality standards as well as assessing continued compliance with SA8000 and our Code of Ethics. We cease immediately to work with suppliers who do not meet our criteria.

We comply with an internationally recognised list of chemicals that are banned for use in fabrics. The supply chain companies conduct random tests on fabric which are then taken to a recognised laboratory for quality testing and to ensure that banned chemicals are not being used.

#### Charity

Sport is our passion. We believe that everyone should have a chance to participate in sports and enjoy the health and lifestyle benefits it brings. We provide a wide range of equipment and clothing to promote sports participation amongst people of all abilities, including those who would not normally have access to equipment and facilities.

#### Slazenger 'Chance to Shine'

Slazenger are the exclusive cricket equipment supplier to the country's most recognised grassroots cricket development programme, 'Chance to Shine' supported by Bnt Insurance. Each project provides structured coaching and a competition programme for a group of schools who would not have otherwise had the chance to participate in the sport.



By 2012, the programme had reached one third of all primary and secondary schools amounting to almost 7,000 schools and has supported two million young people, almost half of whom are girls. Over £500,000 worth of cricket equipment has been supplied by Slazenger to enable the programme to run successfully.

#### Dunlop

Dunlop works together with its sponsored professional golfers Lee Westwood and Darren Clarke to supply clothing to their 'golf schools'. These are junior player development schemes which provide qualified coaching and mentoring to youngsters.



Over £20,000 worth of clothing has been provided through sponsorship to the schemes so far.

#### Lonsdale

Lonsdale is the Official Equipment and Fight Sports Apparel Supplier for all three individual armed services in the UK consisting of the RAF, the Army and the Royal Navy. Product to the value of £10,000 is provided each year and used in competitions.



At a grassroots level, Lonsdale is also a sponsor of the Amateur Boxing Association's junior and school boy finals and provides 100 pairs of golden gloves, worth £2,500 to the finalists.

#### Everlast

Everlast supplied USA Boxing, the national governing body of amateur Olympic-style boxing, with training and competition apparel, footwear and equipment for the 2012 Olympic Games in London. Everlast contributed over \$200,000 to help the women's and men's teams prepare for and compete in the Summer Games.

Everlast will continue to support the New York Golden Gloves, the most prestigious amateur boxing competition in the US. In 2013, late last year, the Golden Gloves headquarters were flooded during Hurricane Sandy and all equipment and ring dressings were lost. Everlast supplied the New York Golden Gloves with over \$30,000 worth of apparel, footwear and equipment in order to replace what was lost or damaged in the storm. Everlast also provided approximately \$5,000 worth of equipment to local area gyms affected by the storm.



Everlast is also a major supporter of the Dr Theodore A. Atlas Foundation, a non-profit organisation that provides financial support to those in need, particularly children. In 2012, Everlast gave \$10,000 in charitable donations. Everlast has also been a proud supporter of The Breast Cancer Research Foundation® (BCRF) since 2006. Each year, Everlast donates a portion of sale proceeds from select Everlast pink products, to help the foundation raise money for clinical and genetic research. In 2012, for the second consecutive year, Everlast made its largest donation to date, handing over a cheque for \$122,000 to the Foundation.

#### Antigua Group

Also in the US, the Antigua Group has been a consistent supporter of a number of charitable efforts, including The Salvation Army, Cystic Fibrosis Research, Men Against Prostate Cancer, The Teddy Atlas Foundation for Hurricane Sandy Relief and The Phoenix Children's Hospital.

The Antigua Group also provides significant support for Junior Golf in Arizona. Junior player initiatives include the Junior Golf Association of America, "Girls Golf" through the LPGA Foundation and The Antigua National High School Golf Invitational.

# INDEPENDENT AUDITOR'S REPORT

to the members of Sports Direct International plc

We have audited the group financial statements of Sports Direct International plc for the 52 week period ended 28 April 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the group 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 group 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](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 28 April 2013 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements, and
- the information given in the Corporate Governance Statement set out on pages 39 to 44 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures 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:

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

- 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, or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 38, in relation to going concern,
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code 2010 specified for our review, and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

## Other matter

We have reported separately on the parent company financial statements of Sports Direct International plc for the 52 week period ended 28 April 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

## Paul Etherington BSc FCA CF

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

18 July 2013

# CONSOLIDATED INCOME STATEMENT

for the 52 weeks ended 28 April 2013

	Note	52 weeks ended 28 April 2013 (£'000)	52 weeks ended 29 April 2012 (£'000)
Revenue	1, 4	2,185,580	1,835,756
Cost of sales		(1,290,822)	(1,091,480)
Gross profit		894,758	744,276
Selling, distribution and administrative expenses		(689,578)	(596,383)
Other operating income	5	7,199	5,283
Exceptional items	6	625	5,619
Operating profit	4, 7	213,004	158,795
Other investment income	9	1,473	(5,800)
Finance income	10	3,066	6,426
Finance costs	11	(11,637)	(8,481)
Share of profit of associated undertakings and joint ventures	16	1,320	558
Profit before taxation		207,226	151,498
Taxation	12	(55,569)	(45,867)
Profit for the period	4	151,657	105,631
Attributable to			
Equity holders of the Group		151,596	106,198
Non-controlling interests		61	(567)
Profit for the period	4	151,657	105,631

## Earnings per share attributable to the equity shareholders

	Note	Pence per share	Pence per share
Basic earnings per share	13	26.64	18.68
Diluted earnings per share	13	24.42	16.70
Underlying basic earnings per share	13	26.85	19.19

The consolidated income statement has been prepared on the basis that all operations are continuing

The accompanying accounting policies and notes form part of these financial statements

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the 52 weeks ended 28 April 2013a

	Note	52 weeks ended 28 April 2013 (£,000)	52 weeks ended 28 April 2012 (£,000)
Profit for the period	4	151,657	105,631
Other comprehensive income			
Exchange differences on translation of foreign operations		12,436	(2,301)
Exchange differences on hedged contracts - recognised in the period	27	15,408	(1,305)
Exchange differences on hedged contracts - reclassified and reported in net profit	27	196	8,086
Actuarial losses on defined benefit pension schemes	24	(2,818)	(5,501)
Fair value adjustment in respect of available-for-sale financial assets	17	1,011	(6,986)
Transfer of historic losses on available-for-sale financial assets		-	7,146
Taxation on items recognised in other comprehensive income	25	4,636	1,483
<b>Total comprehensive income for the period</b>		<b>182,526</b>	<b>106,253</b>
Attributable to:			
Equity holders of the Group		182,465	106,820
Non-controlling interest		61	(567)
		<b>182,526</b>	<b>106,253</b>

The accompanying accounting policies and notes form part of these financial statements

# CONSOLIDATED BALANCE SHEET

for the 52 weeks ended 28 April 2013

	Note	28 April 2013 (\$'000)	28 April 2012 (\$'000)
<b>ASSETS - Non-current</b>			
Property, plant and equipment	14	332,036	313,023
Intangible assets	15	240,420	225,150
Investments in associated undertakings and joint ventures	16	32,117	29,470
Available-for-sale financial assets	17	47,645	46,634
Deferred tax assets	25	47,952	32,625
		<b>708,170</b>	<b>646,902</b>
<b>ASSETS - Current</b>			
Inventory	18	446,962	316,800
Trade and other receivables	19	96,111	83,877
Derivative financial assets	27	17,965	5,926
Cash and cash equivalents	20	147,375	78,674
		<b>708,413</b>	<b>485,277</b>
<b>TOTAL ASSETS</b>		<b>1,408,583</b>	<b>1,132,179</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	21	64,060	64,060
Share premium		874,300	874,300
Treasury shares reserve		(56,234)	(55,839)
Permanent contribution to capital		50	50
Capital redemption reserve		8,005	8,005
Foreign currency translation reserve		38,398	25,962
Reverse combination reserve		(987,312)	(987,312)
Own share reserve		(64,375)	(57,684)
Reserve		16,021	417
Retained earnings		752,018	600,431
		<b>644,931</b>	<b>472,390</b>
Non-controlling interests		(254)	(505)
<b>Total equity</b>		<b>644,677</b>	<b>471,885</b>
<b>LIABILITIES - Non-current</b>			
Borrowings	23	245,627	214,587
Pension benefit obligations	24	19,940	19,318
Deferred tax liabilities	25	24,978	25,789
Provisions	26	41,072	62,889
		<b>331,617</b>	<b>322,583</b>
<b>LIABILITIES - Current</b>			
Derivative financial liabilities	27	-	1,570
Trade and other payables	28	320,261	282,819
Borrowings	23	55,753	9,303
Current tax liabilities		56,275	44,019
		<b>432,289</b>	<b>337,711</b>
<b>Total liabilities</b>		<b>763,906</b>	<b>660,294</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,408,583</b>	<b>1,132,179</b>

The accompanying accounting policies and notes form part of these financial statements. The financial statements were approved by the Board on 18 July 2013 and were signed on its behalf by

David Forsey  
Director



# CONSOLIDATED CASH FLOW STATEMENT

for the 52 weeks ended 28 April 2013

	Note	52 weeks ended 28 April 2013 ('000)	52 weeks ended 28 April 2012 ('000)
<b>Cash inflow from operating activities</b>	30	159,094	206,679
Income taxes paid		(44,673)	(41,253)
<b>Net cash inflow from operating activities</b>		<b>114,421</b>	<b>165,426</b>
<b>Cash flow from investing activities</b>			
Proceeds on disposal of property, plant and equipment		79	1,320
Proceeds on disposal of intangible assets		625	-
Purchase of associate, net of cash acquired		(96)	-
Purchase of subsidiaries, net of cash acquired	29	(46,941)	(26,214)
Purchase of intangible assets		(2,282)	(2,921)
Purchase of property, plant and equipment	14	(48,247)	(129,402)
Purchase of listed investments		-	(523)
Dividend income received		1,473	1,346
Share income received		1,117	590
<b>Net cash outflow from investing activities</b>		<b>(94,272)</b>	<b>(155,804)</b>
<b>Cash flow from financing activities</b>			
Finance costs paid		(7,196)	(5,955)
Borrowings drawn down		404,970	160,435
Borrowings repaid		(323,942)	(143,309)
Proceeds from share issues		-	5
Purchase of own shares		(21,742)	-
<b>Net cash inflow from financing activities</b>		<b>52,090</b>	<b>11,176</b>
<b>Net increase in cash and cash equivalents including overdrafts</b>		<b>72,239</b>	<b>20,798</b>
<b>Cash and cash equivalents including overdrafts at beginning of period</b>		<b>69,435</b>	<b>48,637</b>
<b>Cash and cash equivalents including overdrafts at the period end</b>	20	<b>141,674</b>	<b>69,435</b>

The accompanying accounting policies and notes form part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 52 weeks ended 28 April 2013

	Treasury shares (£ 000)	Foreign currency translation (£ 000)	Own share reserve (£ 000)	Retained earnings (£ 000)	Other reserves (£ 000)	Sub-total (£ 000)	Non- controlling interests (£ 000)	Total (£ 000)
<b>At 20 April 2011</b>	(85,088)	28,263	(6,094)	440,931	(47,266)	330,746	389	331,135
Issue of ordinary shares	-	-	-	-	5	5	-	5
Share-based payments	-	-	-	20,643	-	20,643	-	20,643
Deferred tax on share schemes	-	-	-	14,176	-	14,176	-	14,176
Non-controlling interests - acquisitions	-	-	-	-	-	-	(327)	(327)
Transactions with owners	-	-	-	34,819	5	34,824	(327)	34,497
Profit for the financial period	-	-	-	106,198	-	106,198	(567)	105,631
<b>Other comprehensive income</b>								
Market value of shares transferred to EBT	-	51,590	(51,590)	-	-	-	-	-
Difference between original cost and market value of shares transferred to EBT	-	(22,341)	-	22,341	-	-	-	-
<b>Cash flow hedges</b>								
Recognised in the period	-	-	-	-	(1,305)	(1,305)	-	(1,305)
Reclassified and reported in net profit	-	-	-	-	8,086	8,086	-	8,086
Actuarial losses on defined benefit pension schemes	-	-	-	(5,501)	-	(5,501)	-	(5,501)
Fair value adjustment in respect of available-for-sale financial assets	-	-	-	160	-	160	-	160
Taxation	-	-	-	1,483	-	1,483	-	1,483
Translation differences - Group	-	80	-	-	-	80	-	80
Translation differences - associates	-	(2,381)	-	-	-	(2,381)	-	(2,381)
<b>Total comprehensive income for the period</b>	<b>29,249</b>	<b>(2,301)</b>	<b>(51,590)</b>	<b>124,681</b>	<b>6,781</b>	<b>106,820</b>	<b>(567)</b>	<b>106,253</b>
<b>At 28 April 2012</b>	(55,839)	25,962	(57,684)	600,431	(40,480)	472,390	(505)	471,885
Profit to equity for share-based payment	-	-	-	4,012	-	4,012	-	4,012
Wasting of share-based payment	-	-	14,656	(16,728)	-	(2,072)	-	(2,072)
Current tax on share schemes	-	-	-	3,581	-	3,581	-	3,581
Deferred tax on share schemes	-	-	-	6,297	-	6,297	-	6,297
Cost of shares acquired	(395)	-	-	-	-	(395)	-	(395)
Purchase of own shares	(21,347)	-	-	-	-	(21,347)	-	(21,347)
Non-controlling interests - acquisitions	-	-	-	-	-	-	190	190
Transactions with owners	(395)	-	(6,691)	(2,838)	-	(9,924)	190	(9,734)
Profit for the financial period	-	-	-	151,596	-	151,596	61	151,657
<b>Other comprehensive income</b>								
<b>Cash flow hedges</b>								
Recognised in the period	-	-	-	-	15,408	15,408	-	15,408
Reclassified and reported in net profit	-	-	-	-	196	196	-	196
Actuarial losses on defined benefit pension schemes	-	-	-	(2,818)	-	(2,818)	-	(2,818)
Fair value adjustment in respect of available-for-sale financial assets	-	-	-	1,011	-	1,011	-	1,011
Taxation	-	-	-	4,636	-	4,636	-	4,636
Translation differences - Group	-	11,135	-	-	-	11,135	-	11,135
Translation differences - associates	-	1,301	-	-	-	1,301	-	1,301
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>12,436</b>	<b>-</b>	<b>154,425</b>	<b>15,604</b>	<b>182,465</b>	<b>61</b>	<b>182,526</b>
<b>At 28 April 2013</b>	<b>(56,234)</b>	<b>38,398</b>	<b>(64,375)</b>	<b>752,018</b>	<b>(24,876)</b>	<b>644,931</b>	<b>(254)</b>	<b>644,677</b>

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates

The Company holds 42,137,508 ordinary shares in Treasury

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 1. ACCOUNTING POLICIES

The consolidated financial statements of Sports Direct International plc (the "Company") and its subsidiaries (together the "Group") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS")

### Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRS as adopted for use in the European Union (including International Accounting Standards ("IAS") and International Financial Reporting Standards Committee ("IFRS") interpretations) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted for use in the European Union. The consolidated financial statements have been prepared under the historical cost convention, as modified to include fair valuation of certain financial assets and derivative financial instruments

### Consolidation

The consolidated financial statements consolidate the revenues, costs, assets, liabilities and cash flows of the Company and its subsidiaries, being those entities in relation to which the Company has the power to govern the financial and operating policies, generally achieved by a share of more than 50% of the voting rights

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of fair value of the consideration transferred over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of fair value of consideration transferred below the fair values of the identifiable net assets acquired is credited to the consolidated income statement in the period of acquisition. The non-controlling interest is stated at the non-controlling interest's proportion of the fair values of the assets, liabilities and contingent liabilities recognised. Costs incurred relating to acquisitions are expensed to the income statement.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

### Associates and joint ventures

Associates are entities over which the Group has significant influence but not control, generally accompanied by a share of between 20% and 50% of the voting rights.

A joint venture is an entity in which the Group holds an interest on a long term basis and which is jointly controlled by the Group and one or more other venturers under a contractual agreement.

The Group's share of the results of associates and joint ventures is included in the Group's consolidated income statement using the equity method of accounting. Investments in associates and joint ventures are carried in the Group's consolidated balance sheet at cost plus post acquisition changes in the Group's share of the net assets of the associates and joint ventures, less any impairment in value. The carrying values of investments in associates and joint ventures include acquired goodwill.

If the Group's share of losses in an associate or joint venture equals or exceeds its investment in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the associate or joint venture.

Unrealised gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity.

### Investments

Available-for-sale investments are initially recognised at fair value. Where fair value is different to cost, this is recognised in the income statement on initial recognition. Subsequent gains and losses arising from changes in fair value are recognised in the statement of other comprehensive income. When the security is disposed of, de-recognised or is determined to be impaired the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment within other comprehensive income.

### Acquisitions

For business combinations achieved in stages, the Group re-measures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in the income statement as appropriate.

### Goodwill

Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually or when a change in circumstances or situation indicates that the goodwill has suffered an impairment loss. The need for impairment is tested by comparing the market value of the cash-generating unit (CGU) to the carrying value. Any impairment is recognised immediately in the income statement. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a business include the amount of goodwill relating to that business.

When the non-controlling interest of an existing subsidiary is acquired the carrying value of the non-controlling interests in the balance sheet is eliminated. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid is recognised directly in equity.

### Other intangible assets

Brands, trade marks and licences that are internally generated are not recorded on the balance sheet. Acquired brands, trade marks and licences are initially carried on the balance sheet at cost. The fair value of brands, trade marks and licences that are acquired by virtue of a business combination is determined at the date of acquisition and is subsequently assessed as being the deemed cost to the Group.

Expenditure on advertising and promotional activities is recognised as an expense as incurred.

No amortisation is charged on those brands, trade marks or perpetual/renewable licences with an indefinite life as the Group believes that the value of these brands and trade marks can be maintained indefinitely. The Group carries out an impairment review of indefinite life intangibles, at least annually, or when a change in circumstances or situation indicates that those intangibles have suffered an impairment loss. Impairment is measured by comparing the carrying amount of the intangible asset as part of the cash-generating unit (CGU) with the recoverable amount of the CGU, that is, the higher of its fair value less costs to sell and its value in use. Value in use is calculated by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Amortisation is provided on other brands, trade marks and licences with a definite life on a straight line basis over their useful economic lives of 10 to 15 years and is accounted for within the selling, distribution and administrative expenses category within the income statement.

### Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably.



All other costs, including repairs and maintenance costs, are charged to the income statement in the period in which they are incurred

Depreciation is provided on all property, plant and equipment other than freehold land and is calculated on a reducing balance basis or straight-line basis, whichever is deemed by the Directors to be more appropriate, to allocate cost less assessed residual value, other than assets in the course of construction, over the estimated useful lives, as follows

Freehold buildings	- 2% per annum - straight line
Long-term/short term leasehold improvements	- over the terms of the lease - straight line
Plant and equipment	- between 5% and 33% per annum - reducing balance

The assets' useful lives and residual values are reviewed and, if appropriate, adjusted at each balance sheet date

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement

#### **Impairment of assets other than goodwill and intangible assets with an indefinite life**

At each balance sheet date, the Directors review the carrying amounts of the Group's tangible and intangible assets, other than goodwill and intangible assets with an indefinite life, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit, (CGU) to which the asset belongs. With respect to property, plant and equipment, each store is considered to be a CGU and where onerous leases are noted the assets of each individual store are individually assessed for impairment

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease

Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior periods. A reversal of an impairment loss is recognised in the income statement immediately

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received, or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes

In the case of goods sold through retail stores, revenue is recognised at the point of sale of a product 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

In the case of good sold on the internet revenue is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of delivery to the customer. Transactions are settled by credit card or payment card. Provisions are made for internet credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns

In the case of income generated from trade marks and licences, revenue is recognised on an accruals basis in accordance with the relevant agreements or on a transactional basis when revenue is linked to sale or purchase volumes

#### **Exceptional items**

The Group presents as exceptional items on the face of the income statement, those significant items of income and expense which, because of their size, nature and infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods to assess trends in financial performance more readily

#### **Interest income**

Interest income is reported on an accrual basis using the effective interest method

#### **Government grants and similar income**

Income from government grants that compensate the Group for the cost of an asset is recognised in the balance sheet as a deduction in arriving at the carrying amount of the related asset. This is considered to reflect the true cost of the asset to the Group. The amount is recognised in the consolidated income statement over the life of the depreciable asset by way of a reduced depreciation charge. To date the Group has not received government grants in compensation for expenses charged in the consolidated income statement

#### **Foreign currencies**

The presentational currency of the Group is Sterling. The functional currency of the company is also Sterling. Foreign currency transactions are translated into Sterling using the exchange rates prevailing on the dates of the transactions. Exchange differences of the company arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date

On consolidation, the assets and liabilities of foreign operations which have a functional currency other than Sterling are translated into Sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of these subsidiary undertakings are translated at average rates applicable in the period. All resulting exchange differences are recognised in other comprehensive income and documented in a separate component of equity

When a foreign operation is sold, the cumulative exchange differences that have been recognised as a separate component of equity are reclassified from equity to the income statement when disposal is recognised

In order to mitigate its exposure to certain foreign exchange risks, the Group enters into forward contracts (See Chief Executive's Report and the cash flow hedging accounting policy on page 65)

#### **Inventories**

Inventories 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 FIFO (first in, first out). Net realisable value is based on the estimated selling price less all estimated selling costs

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 1. ACCOUNTING POLICIES continued

The company receives trade discounts and rebates from suppliers based upon the volume of orders placed in a given time window and as a contribution towards marketing costs. Where there is sufficient certainty that a discount or rebate will be received in the future that relates to historic purchases this is reflected in the cost of inventories.

### Loans and receivables

Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost under the effective interest method less provision for impairment. Provision for impairment is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

### Deferred taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax is determined using tax rates and laws that have been enacted (or substantively enacted) by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

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.

Changes in current and deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged to other comprehensive income or credited directly to equity.

### Pensions

The Group operates pension plans for the benefit of certain employees, including both defined contribution and defined benefit plans.

In relation to its defined contribution plans, the Group makes contributions to independently administered plans, the contributions being recognised as an expense when they fall due. The Group has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

In relation to its defined benefit schemes, the Group recognises in its balance sheet the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the schemes' liabilities is included in finance costs and the expected return on schemes' assets is included in finance income.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the other comprehensive income in the period in which they arise.

### Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date.

Borrowing costs, being interest and other costs incurred in connection with the servicing of borrowings, are recognised as an expense when incurred.

### Provisions

A provision is recognised when the Group 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 Group provides for its legal responsibility for dilapidation costs following advice from chartered surveyors and 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 income statement in the first year of the lease where the cost it represents is of no lasting benefit to the Group or its landlord. 'Wear and tear' costs are expensed to the income statement. Provisions for onerous lease contracts are recognised when the Group believes the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

### Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The asset subject to the finance lease is depreciated over the shorter of its useful life and the lease term. The corresponding rental obligations, net of finance charges, are included as a liability.

Leases of property, plant and equipment where the Group does not have substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term. Incentives provided by the lessor are credited to the income statement on a straight-line basis over the minimum lease term.

Contingent rental payments, above standard payments, are conditional on the Group's operating performance derived from the lease item, (e.g. turnover levels). These are expensed in the period in which they are incurred.

Rental income from operating leases where the Group acts as a lessor is recognised on a straight-line basis over the term of the relevant lease.

**Derivative financial instruments and hedge accounting**

The most significant exposure to foreign exchange fluctuations relates to purchases made in foreign currencies, principally the US dollar. The Group's policy is to reduce substantially the risk associated with purchases denominated in foreign currencies by using forward fixed rate currency purchase contracts, taking into account any foreign currency cash flows.

Derivative financial instruments are measured at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are immediately recognised in the income statement. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged.

In order to qualify for hedge accounting, the Group is required to document from inception the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is performed at each period end to ensure that the hedge remains highly effective.

**Cash flow hedging**

Derivative financial instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction.

The effective element of any gain or loss from re-measuring the derivative instrument is recognised directly in other comprehensive income.

The associated cumulative gain or loss is reclassified from other comprehensive income in the same period or periods during which the hedged transaction affects the profit or loss. The reclassification of the effective portion when recognised in the income statement is the same as the classification of the hedged transaction. Any element of the re-measurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the income statement within finance income or costs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment.

**Treasury shares**

The purchase price of the Group's own shares that it acquires is recognised as 'Treasury shares' within equity. When shares are transferred out of Treasury, the difference between the market value and the average purchase price of shares sold out of Treasury is transferred to retained earnings.

**Employee Benefit Trust**

The cost of shares acquired by the Sports Direct Employee Benefit Trust is recognised within 'Own share-reserve' in equity.

**Share-based payments**

The Group issues equity-settled share-based payments to certain Directors and employees. These are measured at fair value at the date of grant, which is expensed to the consolidated income statement on a straight-line basis over the vesting period, with the corresponding credit going to equity.

Non market vesting conditions are not taken into account in determining grant date fair value. Instead, they are taken into account by adjusting the number of equity instruments to vest.

Fair value is based on the market share price on the grant date. The expected staff numbers used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. A share-based payment charge of £22,183,000 was recognised in selling, distribution and administrative expenses for the 52 weeks ended 28 April 2013. The key details in respect of the share scheme charges are set out in note 21.

The credit for the share based payment charge does not equal the charge per the income statement as it excludes amounts recognised in the balance sheet in relation to the expected national insurance contributions for the shares and a transfer of accrued national insurance contributions in respect of previous years charges which had previously been recognised in equity. The amount transferred is not material to the financial statements.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of any direct issue costs.

**Dividends**

Dividends are recognised as a liability in the Group's financial statements and as a deduction from equity in the period in which the dividends are declared. Where such dividends are proposed subject to the approval of shareholders, the dividends are regarded as declared once shareholder approval has been obtained.

**Materiality**

In preparing the financial statements, the Board considers both quantitative and qualitative factors in forming its judgements, and related disclosures, and are mindful of the need to best serve the interests of its stakeholders and to avoid unnecessary clutter borne of the disclosure of immaterial items.

In making this assessment the Board considers the nature of each item, as well as its size, in assessing whether any disclosure omissions or misstatements could influence the decisions of users of the financial statements.

**International Financial Reporting Standards ("Standards") in issue but not yet effective**

At the date of authorisation of these consolidated financial statements, the International Accounting Standards Board ("IASB") and International Financial Reporting Standards Committee ("IFRS") have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of the consolidated financial statements.

- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 (Revised), Employee Benefits (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2013)
- IAS 28 (Revised), Investments in Associates and Joint Ventures (effective 1 January 2013)
- Deferred Tax: Recovery of Underlying Assets - Amendments to IAS 12 Income Taxes (effective 1 January 2012)
- Annual Improvements 2009-2011 Cycle (effective 1 January 2013)

The Directors anticipate that the adoption of these Standard and Interpretations in future periods will have no material impact on the financial statements of the Group except for the treatment of the acquisition of subsidiaries in future accounting periods.

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgements made by the Group regarding the future or other key sources of estimation, uncertainty and judgement that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial year are

### Impairment of goodwill

The calculation for considering the impairment of the carrying amount of goodwill requires a comparison of the present value of the CGUs to which the goodwill has been allocated, to the value of goodwill and associated assets in the balance sheet. The calculation of present values requires an estimation of the future cash flows expected to arise from the CGUs and the selection of a suitable discount rate. The key assumptions made in relation to the impairment review of goodwill are set out in note 15.

### Impairment of other intangible assets

The calculation for considering the impairment of the carrying amount of other intangible assets with an indefinite life, specifically brands, trade marks and licences, requires a comparison of the present value of the related cash flows to the value of the other intangible assets in the balance sheet. The calculation of present value requires an estimation of the future cash flows expected to arise from the other intangible assets and the selection of a suitable discount rate. The key assumptions made in relation to the impairment review of other intangible assets are set out in note 15.

### Useful economic life of intangible assets

For intangible assets which have a finite life, the Directors revisit their estimate of useful economic life at each period end and revise accordingly. Licences and trade marks typically have a life of between 10 and 15 years.

### Identification and valuation of acquired intangible assets

On acquisition, each material, separable intangible asset is identified and valued by the Directors with assistance from a professional third party. Any such calculation is judgemental in nature as it is based on a valuation methodology.

Brand valuations are typically valued using the relief from royalty valuation methodology.

The nature and carrying amounts of these assets are set out in note 15.

### Impairment of tangible assets

The Directors review the carrying amounts of the Group's tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. The key assumptions made in relation to the impairment review of tangible assets carried out in the period are set out in note 16.

### Provision for obsolete, slow moving or defective inventories

The Directors have applied their knowledge and experience of the sports retail industry in determining the level and rates of provisioning required in calculating the appropriate inventory carrying values.

### Financial position of retirement benefit plans

The net defined benefit pension plan assets or liabilities are recognised in the Group's balance sheet. The determination of the financial position requires assumptions to be made regarding inter alia future salary increases, mortality, discount rates and inflation. The key assumptions made in relation to the pension plan are set out in note 24.

### Provision for dilapidations and onerous lease contracts

The basis of the estimation of the provisioning for dilapidations and onerous lease contracts is detailed in the provision accounting policy and note 26.

Estimates and judgements are continually evaluated and are based on historical experience, external advice and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Where an onerous lease has been identified, the assets dedicated to that contract are impaired.

### Calculation of bonus share scheme charge

A share-based payment charge is recognised in respect of share awards based on the Directors' best estimate of the number of shares that will vest. The charge is calculated based on the fair value on the grant date, which is deemed to be the date on which the entity and counterparty reached a shared understanding of the scheme. The key details in respect of the share scheme charges are set out in note 21.

## 3. FINANCIAL RISK MANAGEMENT

The Group's current activities result in the following financial risks and set out below are management's responses to those risks in order to minimise any resulting adverse effects on the Group's financial performance.

### Foreign exchange risk

The Group is exposed to foreign exchange risk principally via

- a Transactional exposure from the cost of future purchases of goods for resale, where those purchases are denominated in a currency other than the functional currency of the purchasing company. Transactional exposures that could significantly impact the income statement are hedged. These exposures are hedged via forward foreign currency contracts which are designated as cash flow hedges. The notional and fair value of these contracts is shown in note 27.
- b Net investment exposure, from the fair value of net investments outside the UK. The Group hedges its international investments via foreign currency transactions and borrowings in matching currencies.
- c Loans to non-UK subsidiaries. These are hedged via foreign currency transactions and borrowings in matching currencies, which are not formally designated as hedges, as gains and losses on hedges and hedged loans will naturally offset.

### Interest rate risk

The Group has net borrowings, which are principally at floating interest rates linked to bank base rates or LIBOR. The Group does not use interest rate financial instruments to hedge its exposure to interest rate movements. The Group regularly monitors and reacts accordingly to any exposure to fluctuations in interest rates and the impact on its monetary assets and liabilities.

### Credit risk

The Directors have a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At each balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating and investment criteria approved by the Board.

### Liquidity risk

The availability of adequate cash resources is managed by the Group through utilisation of its revolving bank and other facilities together with equity and retained profits thereby achieving continuity of funding and short-term flexibility.

### Capital management

A description of the Group's objectives, policies and processes for managing capital are included in note 27.



## 4. SEGMENTAL ANALYSIS

IFRS 8 - Operating Segments requires the Group's segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker to assess performance and allocate resources across each operating segment

The Chief Operating Decision Maker has been identified as the Executive Directors and the operating segments are identified as the store fascia or brand in line with the internal reporting to the Executive Directors

Sales and gross profit for each operating segment, as well as underlying EBITDA, are the main measures used by the Executive Directors to assess performance

In accordance with paragraph 12 of IFRS 8 the Group's operating segments have been aggregated into the following reportable segments

- UK Sports Retail – includes the results of UK retail network of sports stores,
- Premium Lifestyle & other – includes the results of the premium retail businesses such as Republic, Cruise and USC,
- International Retail – includes the results of the Group's international retail network of stores, and
- Brands – includes the results of the Group's portfolio of internationally recognised brands such as Everlast, Lonsdale and Dunlop

Information regarding the Group's reportable segments for the 52 weeks ended 28 April 2013, as well as a reconciliation of reported profit for the period to underlying EBITDA, is presented below

Segmental information for the 52 weeks ended 28 April 2013

	Retail (£'000)			Total	Brands (£'000)		Eliminations (£'000)	Total (£'000)
	UK Sports Retail	Lifestyle & Other	International Retail		Total			
Sales to external customers	1,574,885	216,535	185,165	1,976,585	208,995	-	-	2,185,580
Sales to other segments	-	531	7,757	8,288	33,807	(42,095)	-	-
Revenue	1,574,885	217,066	192,922	1,984,873	242,802	(42,095)	-	2,185,580
Gross profit	647,147	72,392	81,397	800,936	93,822	-	-	894,758
Operating profit before foreign exchange and exceptional items	178,586	8,678	4,441	191,705	18,291	-	-	209,996
Operating profit	180,811	8,678	3,611	193,100	19,904	-	-	213,004
Other investment costs	-	-	-	-	-	-	-	1,473
Finance income	-	-	-	-	-	-	-	3,066
Finance costs	-	-	-	-	-	-	-	(11,637)
Share of profits of associated undertakings and joint ventures	-	-	-	-	-	-	-	1,320
Profit before taxation	-	-	-	-	-	-	-	207,226
Taxation	-	-	-	-	-	-	-	(55,569)
Profit for the period	-	-	-	-	-	-	-	151,657

Sales to other segments are priced at cost plus a 10% mark-up

Other segment items included in the income statement for the 52 weeks ended 28 April 2013

	Retail (£'000)			Total	Brands (£'000)		Total (£'000)
	UK Sports Retail	Lifestyle & Other	International Retail		Total		
Depreciation	36,720	1,906	6,801	45,427	2,493	-	47,920
Amortisation	71	113	10	194	4,482	-	4,676
Impairment	314	-	-	314	1,903	-	2,217

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 4. SEGMENTAL ANALYSIS continued

Information regarding segment assets and liabilities as at 28 April 2013 and capital expenditure for the 52 weeks then ended

	UK Sports Retail (£'000)	Lifestyle & Other (£'000)	International Retail (£'000)	Brands (£'000)	Eliminations (£'000)	Total (£'000)
Investments in associated undertakings and joint ventures	493	-	31,624	-	-	32,117
Other assets	1,122,518	37,266	58,515	191,082	(32,915)	1,376,466
Total assets	1,123,011	37,266	90,139	191,082	(32,915)	1,408,583
Total liabilities	(608,083)	(43,914)	(42,963)	(101,861)	32,915	(763,906)
Intangible asset additions	42,046	10,284	10,845	3,888	-	67,063
Intangible asset additions	1,460	3,447	-	1,823	-	6,730
Total capital expenditure	43,506	13,731	10,845	5,711	-	73,793

Segmental information for the 53 weeks ended 29 April 2012

	UK Sports Retail (£'000)	Lifestyle & Other (£'000)	International Retail (£'000)	Total (£'000)	Brands (£'000)	Eliminations (£'000)	Total (£'000)
Sales to external customers	1,368,077	1,114,757	157,003	1,639,837	195,919	-	1,835,756
Sales to other segments	-	-	-	-	3,291	(3,291)	-
Revenue	1,368,077	1,114,757	157,003	1,639,837	199,210	(3,291)	1,835,756
Gross profit	560,957	34,581	68,115	663,453	80,823	-	744,276
Operating profit/(loss) before foreign exchange and exceptional items	140,197	(7,560)	4,229	136,866	18,325	-	155,191
Operating profit/(loss)	138,090	(6,793)	4,029	135,326	23,469	-	158,795
Other investment costs	-	-	-	-	-	-	(5,800)
Finance income	-	-	-	-	-	-	6,426
Finance costs	-	-	-	-	-	-	(8,481)
Share of profits of associated undertakings and joint ventures	-	-	-	-	-	-	558
Profit before taxation	-	-	-	-	-	-	151,498
Taxation	-	-	-	-	-	-	(45,867)
Profit for the period	-	-	-	-	-	-	105,631

Sales to other segments are priced at cost plus a 10% mark-up

Other segment items included in the income statement for the 53 weeks ended 29 April 2012

	UK Sports Retail (£'000)	Lifestyle & Other (£'000)	International Retail (£'000)	Total (£'000)	Brands (£'000)	Eliminations (£'000)	Total (£'000)
Depreciation	48,944	11,701	7,068	67,713	55,713	2,439	58,152
Amortisation	77	-	3	80	80	4,278	4,358
Impairment	2,473	-	-	2,473	-	-	2,473

Information regarding segment assets and liabilities as at 29 April 2012 and capital expenditure for the 53 weeks then ended

	UK Sports Retail (£'000)	Lifestyle & Other (£'000)	International Retail (£'000)	Brands (£'000)	Eliminations (£'000)	Total (£'000)
Investments in associated undertakings and joint ventures	402	-	28,875	193	-	29,470
Other assets	868,522	22,566	62,582	246,690	(97,249)	1,102,709
Total assets	868,924	22,566	91,457	246,883	(97,249)	1,132,179
Total liabilities	(488,883)	(28,158)	(55,781)	(184,721)	97,249	(660,294)
Intangible asset additions	(20,312)	6,111	7,336	1,327	-	135,086
Intangible asset additions	-	-	-	23,114	-	23,114
Total capital expenditure	(20,312)	6,111	7,336	24,441	-	158,200

**Geographic information***Segmental information for the 52 weeks ended 28 April 2013*

	UK (£'000)	Non-UK (£'000)	Eliminations (£'000)	Total (£'000)
Segmental revenue from external customers	1,842,429	343,151	-	2,185,580
Total capital expenditure	59,556	14,237	-	73,793
Segmental assets	1,214,320	227,178	(32,915)	1,408,583

*Segmental information for the 53 weeks ended 29 April 2012*

	UK (£'000)	Non-UK (£'000)	Eliminations (£'000)	Total (£'000)
Segmental revenue from external customers	1,528,493	307,263	-	1,835,756
Total capital expenditure	148,285	9,915	-	158,200
Segmental assets	941,162	288,266	(97,249)	1,132,179

The following table reconciles the reported operating profit to the underlying EBITDA as it is one of the main measures used by the Chief Operating Decision Maker when reviewing performance

*Reconciliation of operating profit to underlying EBITDA for the 52 week period ending 28 April 2013*

	UK Sports Retail (£'000)	Lifestyle & Other (£'000)	International Retail (£'000)	Brands (£'000)	Total (£'000)
Operating profit	180,811	8,678	3,611	19,904	213,004
Depreciation	36,720	1,906	6,801	2,493	47,920
Impairment	314	-	-	1,903	2,217
Amortisation	71	113	10	4,482	4,676
Exceptional items	-	-	-	(625)	(625)
Share of profit/(loss) of associated undertakings	91	-	1,070	(210)	951
Reported	218,007	10,697	11,492	27,947	268,143
Changes for the bonus share scheme	22,183	-	-	-	22,183
Realised FX (gain)/loss	(2,225)	-	830	(988)	(2,383)
Underlying EBITDA	237,965	10,697	12,322	26,959	287,943

*Reconciliation of operating profit to underlying EBITDA for the 53 week period ending 29 April 2012*

	UK Sports Retail (£'000)	Lifestyle & Other (£'000)	International Retail (£'000)	Brands (£'000)	Total (£'000)
Operating profit/(loss)	138,090	(6,793)	4,029	23,469	158,795
Depreciation	46,943	1,701	7,068	2,439	58,152
Impairment	24,731	-	-	-	24,731
Amortisation	71	113	10	4,278	4,358
Exceptional items	(2,309)	(724)	-	(2,586)	(5,619)
Share of profit/(loss) of associated undertakings	-	-	(750)	-	(750)
Reported	185,275	(5,816)	10,350	27,600	217,409
Changes for the bonus share scheme	20,643	-	-	-	20,643
Realised FX (gain)/loss	4,416	(43)	200	(2,558)	2,015
Underlying EBITDA	210,334	(5,859)	10,550	25,042	240,067

Lifestyle & Other includes £9,737,000 (2012: £1,991,000) relating to Wholesale trade which is included within the UK Sports and Retail figures in the Chief Executive's Report

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 5. OTHER OPERATING INCOME

	52 weeks ended 28 April 2013 (£'000)	52 weeks ended 28 April 2012 (£'000)
Rent receivable	4,249	2,731
Other	2,950	2,552
	<b>7,199</b>	<b>5,283</b>

## 6 EXCEPTIONAL ITEMS

	52 weeks ended 28 April 2013 (£'000)	52 weeks ended 28 April 2012 (£'000)
Profit on disposal of intangible asset	625	1,624
Release of provision for costs relating to regulatory enquiries	-	2,309
Profit on disposal of leasehold property (lease surrender premium)	-	724
Profit on disposal of freehold property	-	962
	<b>625</b>	<b>5,619</b>

The exceptional profit on disposal of leasehold property arose when an exit premium was received from a landlord for a leasehold property that had Nil net book value

The exceptional profit on disposal of Freehold property relates to a property with a net book value of £442,000 for which proceeds of £1,404,000 were received

## 7 OPERATING PROFIT

Operating profit for the period is stated after charging / (crediting)

	52 weeks ended 28 April 2013 (£'000)	52 weeks ended 28 April 2012 (£'000)
Foreign exchange (gains)/losses	(2,383)	2,015
Depreciation of property, plant and equipment		
owned assets	47,920	58,152
Amortisation of intangible assets	4,676	4,358
Impairment of intangible assets	2,217	2,473
Operating lease rentals		
land and buildings	93,320	99,924
Other	699	786
Loss on disposal of fixed assets	2,636	-

### Services provided by the Group's auditor

For the 52 weeks ended 28 April 2013 the remuneration of the auditors, Grant Thornton UK LLP and associated firms, was as detailed below

	52 weeks ended 28 April 2013 (£'000)	52 weeks ended 28 April 2012 (£'000)
<b>Audit services</b>		
Audit of the Company's and the consolidated financial statements	83	90
<b>Non-Audit services</b>		
Audit of subsidiary companies' financial statements	585	650
Other services relating to taxation	260	311
All other services	86	53

## 8. EMPLOYEE COSTS

The average monthly number of employees, including Executive Directors, employed by the Group during the period was

	52 weeks ended 28 April 2013 (Number)	53 weeks ended 29 April 2012 (Number)
Point stores	11,078	9,358
Distribution, administration and other	2,998	2,787
	<b>14,076</b>	<b>12,145</b>

The aggregate payroll costs of the employees, including Executive Directors, were as follows

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 29 April 2012 (£'000)
Wages and salaries	204,885	169,309
Social security costs	15,407	12,588
Pension costs	811	677
	<b>221,103</b>	<b>182,574</b>

A share-based payment charge of £22,183,000 (2012 £20,643,000) was recognised in respect of share awards during the year

Aggregate emoluments of the directors of the Company are summarised below

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 29 April 2012 (£'000)
Aggregate emoluments	655	774

Further details of directors' remuneration are given in the Directors' Remuneration report on pages 47 to 50

Details of certain key management remuneration are given in note 34

## 9. OTHER INVESTMENT INCOME / (COSTS)

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 29 April 2012 (£'000)
Transfer of historic losses on available-for-sale financial assets	-	(7,146)
Current income from investments	1,473	1,346
	<b>1,473</b>	<b>(5,800)</b>

## 10. FINANCE INCOME

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 29 April 2012 (£'000)
Bank interest receivable	915	583
Other interest receivable	202	7
Expected return on pension plan assets (note 24)	1,949	2,277
Fair value adjustment to forward foreign exchange contracts <sup>(1)</sup>	-	3,559
	<b>3,066</b>	<b>6,426</b>

<sup>(1)</sup> The fair value adjustment to forward foreign exchange contracts relates to differences between the fair value of forward foreign currency contracts not designated for hedge accounting from one period end to the next.

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for the 52 weeks ended 28 April 2013

## 11. FINANCE COSTS

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 29 April 2012 (£'000)
Interest on bank loans and overdrafts	6,606	5,658
Interest on other loans and finance leases	590	297
Interest on retirement benefit obligations (note 24)	2,446	2,526
Fair value adjustment to forward foreign exchange contracts <sup>(1)</sup>	1,995	-
	<b>11,637</b>	<b>8,481</b>

<sup>(1)</sup> The fair value adjustment to forward foreign exchange contracts relates to differences between the fair value of forward foreign currency contracts not designated for hedge accounting from one period end to the next

## 12 TAXATION

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 29 April 2012 (£'000)
Current tax	59,298	51,935
Adjustment in respect of prior periods	1,476	1,219
	<b>60,774</b>	<b>53,154</b>
Deferred tax (note 25)	(5,205)	(7,287)
	<b>55,569</b>	<b>45,867</b>
<b>Tax reconciliation</b>		
Profit before taxation	207,226	151,498
Taxation at the standard rate of tax in the UK of 24% (2012: 26%)	49,734	39,839
<b>Tax effects of</b>		
(Income)/expenses not deductible for tax purposes	1,669	4,108
Capital/(profit)/loss not deductible for tax purposes	(150)	1,858
Other tax adjustments	1,584	(450)
Adjustments in respect of prior periods - Current tax	1,476	1,219
Adjustments in respect of prior periods - Deferred tax	1,256	(707)
	<b>55,569</b>	<b>45,867</b>

## 13 EARNINGS PER SHARE FROM TOTAL AND CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year

For diluted earnings per share, the weighted average number of shares, 568,971,942 (2012: 568,591,423), is adjusted to assume conversion of all dilutive potential ordinary shares under the Group's bonus share schemes, being 51,852,895 (2012: 67,161,036), to give the diluted weighted average number of shares of 620,824,837 (2012: 635,752,459)

Basic and diluted earnings per share

	52 weeks ended 28 April 2013 Basic (£'000)	52 weeks ended 28 April 2013 Diluted (£'000)	53 weeks ended 29 April 2012 Basic (£'000)	53 weeks ended 29 April 2012 Diluted (£'000)
Profit for the period	151,596	151,596	106,198	106,198
	Number in thousands		Number in thousands	
Weighted average number of shares	568,972	620,825	568,591	635,752
	Pence per share		Pence per share	
Earnings per share	26.64	24.42	18.68	16.70

Underlying earnings per share

The underlying earnings per share reflects the underlying performance of the business compared with the prior year and is calculated by dividing underlying earnings by the weighted average number of shares for the period. Underlying earnings is used by management as a measure of profitability within the Group. Underlying earnings is defined as profit for the period attributable to equity holders of the parent for each financial period but excluding the post tax effect of certain non-trading items

The Directors believe that the underlying earnings before exceptional items and underlying earnings per share measures provide additional useful information for shareholders on the underlying performance of the business, and are consistent with how business performance is measured internally. Underlying earnings is not a recognised profit measure under IFRS and may not be directly comparable with "adjusted" profit measures used by other companies

	52 weeks ended 20 April 2013 Basic (£'000)	52 weeks ended 20 April 2013 Diluted (£'000)	53 weeks ended 20 April 2012 Basic (£'000)	53 weeks ended 20 April 2012 Diluted (£'000)
Profit for the period	151,596	151,596	106,198	106,198
Post tax adjustments to profit for the period for the following non-trading items				
Realised (gain)/loss on forward exchange contracts	(1,763)	(1,763)	1,431	1,431
Fair value adjustment to forward foreign exchange contracts	1,476	1,476	(2,527)	(2,527)
Other investment costs	-	-	7,146	7,146
Release of provision relating to regulatory enquiries	-	-	(1,639)	(1,639)
Profit on sale of intangible assets	(463)	(463)	(1,153)	(1,153)
Profit on disposal of property	-	-	(1,197)	(1,197)
Fair value adjustments within associated undertakings	(273)	(273)	(929)	(929)
Impairment of goodwill	2,217	2,217	1,756	1,756
Underlying profit for the period	152,790	152,790	109,086	109,086
	Number in thousands		Number in thousands	
Weighted average number of shares	568,972	620,825	568,591	635,752
	Pence per share		Pence per share	
Underlying earnings per share	26.85	24.61	19.19	17.16

## 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings (£'000)	Long-term leasehold improvements (£'000)	Long-term leasehold improvements (£'000)	Plant and equipment (£'000)	Total (£'000)
<b>Cost</b>					
At 20 April 2011	125,625	11,532	110,067	327,119	574,343
Exchange differences	1,179	(314)	-	(5,806)	(4,941)
Acquisitions	91	168	1,123	4,384	5,684
Additions	94,410	-	4,554	30,438	129,402
Eliminated on disposals	(1,689)	-	(2,514)	(13,092)	(17,295)
At 20 April 2012	219,534	11,386	113,230	343,043	687,193
Exchange differences	289	16	-	3,706	4,011
Acquisitions	81,730	-	2,811	5,196	16,180
Additions	9,692	815	-	40,376	50,883
Eliminated on disposals	(200)	(256)	(7,963)	(5,066)	(13,485)
At 20 April 2013	237,488	11,981	108,078	387,255	744,782
<b>Accumulated depreciation and impairment</b>					
At 20 April 2011	(32,820)	(4,770)	(62,217)	(238,439)	(338,246)
Exchange differences	936	57	-	5,260	6,253
Charge for the period	(2,047)	(79)	(12,698)	(43,328)	(58,152)
Eliminated on disposals	(1,247)	-	1,658	13,070	15,975
At 20 April 2012	(32,684)	(4,792)	(73,257)	(263,437)	(374,170)
Exchange differences	(93)	(15)	-	(1,318)	(1,426)
Charge for the period	(731)	(95)	(6,742)	(40,352)	(47,920)
Eliminated on disposals	14	88	5,612	5,066	10,770
At 20 April 2013	(33,504)	(4,814)	(74,387)	(300,041)	(412,746)
<b>Net book amount</b>					
At 20 April 2013	203,984	7,147	33,691	87,214	332,036
At 20 April 2012	186,850	6,594	39,973	79,606	313,023

Assets held under finance leases have a net book amount of £nil (2012: £nil)

Additions do not reconcile directly to the purchase of property, plant and equipment per the consolidated cash flow statement due to non-cash additions

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 15 INTANGIBLE ASSETS

Cost	Goodwill (£'000)	Trademarks and Licences (£'000)	Brands (£'000)	Total (£'000)
At 26 April 2011	120,733	29,257	78,339	228,329
Acquisition of business combinations	10,495	-	-	10,495
Additions through business combinations	-	20,193	-	20,193
Other additions	-	2,921	-	2,921
Disposals	-	(1,679)	(2,300)	(3,979)
Exchange adjustment	(5,084)	(655)	-	(4,429)
At 28 April 2012	136,312	50,037	76,039	262,388
Acquisition of business combinations	6,731	-	-	6,731
Additions through business combinations	-	4,448	-	4,448
Other additions	-	2,282	-	2,282
Exchange adjustment	3,895	1,128	4,952	9,975
At 28 April 2013	146,938	57,895	80,991	285,824
Amortisation and impairment				
At 26 April 2011	(9,917)	(11,062)	(2,300)	(23,279)
Amortisation charge	-	(4,358)	-	(4,358)
Impairment	(2,473)	-	-	(2,473)
Disposals	-	-	2,300	2,300
Acquisitions	-	(7,889)	-	(7,889)
Exchange adjustment	(2,191)	652	-	(1,539)
At 28 April 2012	(14,581)	(22,657)	-	(37,238)
Amortisation charge	-	(4,676)	-	(4,676)
Impairment	(2,217)	-	-	(2,217)
Exchange adjustment	(335)	(938)	-	(1,273)
At 28 April 2013	(17,133)	(28,271)	-	(45,404)
Net book amount				
At 28 April 2013	129,805	29,624	80,991	240,420
At 28 April 2012	121,731	27,380	76,039	225,150

Amortisation is charged to selling, distribution and administrative expenses in the consolidated income statement

The carrying value of goodwill and brands that are considered to have an indefinite life are allocated to the Group's operating segments before aggregation. With the exception of Everlast, none of the individual cash-generating units (CGUs) are considered material to goodwill or indefinite life intangibles (Brands). The carrying value of goodwill and brands allocated to the Group's CGUs, (as aggregated except in the case of Everlast), is shown below

	Goodwill (£'000)	Brands (£'000)
UK Sports Retail	9,051	8,500
Lifestyle & Other	13,288	-
International Retail	6,747	-
Brands (excl. Everlast)	46,281	2,437
Everlast	54,438	70,054
	129,805	80,991

The Group tests the carrying amount of goodwill and assets with an indefinite life annually for impairment or more frequently if there are indications that their carrying value might be impaired. The carrying amounts of other intangible assets are reviewed for impairment if there is an indication of impairment.

Impairment is calculated by comparing the carrying amounts to the value in use derived from discounted cash flow projections for each CGU to which the intangible assets are allocated. A CGU is deemed to be an individual fascia, these have been grouped together into similar classes for the purpose of formulating operating segments as reported in note 4.

Value in use calculations are based on 5 year management forecasts with a terminal growth rate applied thereafter, representing management's estimate of the long term growth rate of the sector served by the CGUs.



The key assumptions, which are equally applicable to each CGU, in the cash flow projections used to support the carrying amount of goodwill and intangibles with indefinite lives as at 28 April 2013 were as follows

	UK Sport Retail	Lifestyle & Other	International Retail	Brands (excl. Everlast)	Everlast
Sales growth	6%	4%	6%	6%	1% - 5%
Terminal sales growth	2%	2%	2%	2%	2%
Gross margin	35% - 40%	40% - 50%	40% - 45%	15% - 50%	25% - 30%
Capital expenditure	Nil - £1m	Nil - £1m	Nil - £1m	Nil - £1m	Nil - £1m
Discount rates	11.85%	11.85%	11.85%	11.85%	12.00%

The key assumptions are based on management's historical experience and future plans for each CGU

A reasonably possible change in any key assumption would not cause the carrying value of any CGU to exceed its recoverable amount

The intangible assets that have an indefinite life are brands and trading names and are considered to have an indefinite life on the grounds of the proven longevity of the brands and trading names and the Group's commitment to maintaining those brands

All key assumptions are consistent with known external sources of information

## 16. INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES

The Group uses the equity method of accounting for associates and joint ventures. The following table shows the aggregate movement in the Group's investment in associates and joint ventures

	Associates (£'000)	Joint ventures (£'000)	Total (£'000)
At 28 April 2011	31,259	7,088	38,347
Exchange differences	(2,381)	-	(2,381)
Additions	-	(7,054)	(7,054)
Net value adjustments to financial instruments	1,308	-	1,308
Share of loss	(716)	(34)	(750)
At 28 April 2012	29,470	-	29,470
Exchange differences	1,301	-	1,301
Additions	26	-	26
Net value adjustments to financial instruments	369	-	369
Share of profit	951	-	951
At 28 April 2013	32,117	-	32,117

### Associates

The business activity of Heaton's is that of household, sporting and leisure goods retail. Heaton's operates in the Republic of Ireland and Northern Ireland. The Directors do not consider that they have significant influence over the financial and operating policies of Warrnambool, the parent company of Heaton's, and so will continue to account for the Company as an associate.

The remaining associates are not material in the context of the group accounts.

The Group's share of associates' assets, liabilities and income statement, which is included in the consolidated financial statements, is as follows

	28 April 2013 (£'000)	28 April 2012 (£'000)
Share of non-current assets	44,108	42,971
Share of current assets	18,889	17,301
Share of non-current liabilities	(19,153)	(19,826)
Share of current liabilities	(11,727)	(10,976)
	32,117	29,470

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for the 52 weeks ended 28 April 2013

## 16. INVESTMENTS IN ASSOCIATED UNDERTAKINGS AND JOINT VENTURES continued

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 29 April 2012 (£'000)
Income	97,791	84,755
Expenses	(95,991)	(85,950)
Profit/(loss) before taxation	1,800	(1,195)
Taxation	(849)	479
Profit/(loss) for the period	951	(716)

Heaton's has a coterminous year end with the Group. There are no significant restrictions on the ability of associated undertakings to transfer funds to the parent, other than those imposed by legal requirements.

As stated in the Group's accounting policies the Directors review the carrying amounts of the Group's fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to these assets.

Indicators of impairment exist for certain of the freehold properties held within our associate. Accordingly an impairment review has been performed in accordance with the above policy.

Value in use calculations have been prepared based on 5 year management forecasts with a terminal growth rate of 2% applied thereafter, representing management's estimate of the long term growth rate of the sector served by these assets.

These cash flows have been discounted at a risk adjusted pre-tax weighted average cost of capital of 11.9%.

No impairment charge has been recognised as a result of the review performed.

### Joint Ventures

On 25 July 2011 the Group acquired the remaining 50% of No Fear International Limited.

The Group's share of its joint ventures' assets, liabilities and income statement, which is included in the consolidated financial statements, is as follows:

	28 April 2013 (£'000)	29 April 2012 (£'000)
Share of non-current assets	-	-
Share of current assets	-	-
Share of non-current liabilities	-	-
Share of current liabilities	-	-

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 29 April 2012 (£'000)
Income	-	205
Expenses	-	(239)
Loss before taxation	-	(34)
Taxation	-	-
Loss for the period	-	(34)

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	28 April 2013 (£'000)	29 April 2012 (£'000)
Available-for-sale financial assets	47,645	46,634

The fair value of the available-for-sale investments is based on bid quoted market prices at the balance sheet date.

The following table shows the aggregate movement in the Group's financial assets during the year

	28 April 2013 (£'000)	28 April 2012 (£'000)
At beginning of period	46,634	53,097
Additions	-	523
Revaluation through other comprehensive income	1,011	(6,986)
At end of period	47,645	46,634

The financial assets at 28 April 2013 relate to a strategic investment held of 11.87% in share capital

At 28 April 2013 the Group had no investments in excess of 20% of share capital

## 18. INVENTORIES

	28 April 2013 (£'000)	28 April 2012 (£'000)
Raw materials	3,861	4,103
Work in progress	-	864
Goods for resale	443,101	311,833
	446,962	316,800

The following inventory costs have been recognised in cost of sales

	28 April 2013 (£'000)	28 April 2012 (£'000)
Cost of inventories recognised as an expense	1,290,822	1,088,381

## 19 TRADE AND OTHER RECEIVABLES

	28 April 2013 (£'000)	28 April 2012 (£'000)
Trade receivables	50,417	44,122
Amounts owed by related undertakings	7,564	445
Other debtors	8,804	9,405
Prepayments	29,326	29,905
	96,111	83,877

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset above, plus any cash balances.

Ageing of trade receivables

	28 April 2013 (£'000)	28 April 2012 (£'000)
Current	36,786	31,414
0-30 days past due	5,513	7,318
31-60 days past due	1,759	2,224
61-90 days past due	2,082	466
Over 90 days past due	4,277	2,700
	50,417	44,122

The credit quality of assets neither past due nor impaired is considered to be good

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 19. TRADE AND OTHER RECEIVABLES continued

The movement in the bad debt provision can be analysed as follows

	52 weeks ended 28 April 2013 (£'000)	52 weeks ended 28 April 2012 (£'000)
Opening position	4,061	4,683
Amounts charged to the income statement	3,322	2,174
Amounts written off as uncollectible	(520)	(644)
Amounts recovered during the year	(189)	(2,152)
Closing position	6,674	4,061

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. These bad debt provisions / charges have been determined by reference to past default experience and knowledge of the individual circumstances of certain receivables.

The other classes within trade and other receivables do not include impaired assets.

## 20. CASH AND CASH EQUIVALENTS

	28 April 2013 (£'000)	28 April 2012 (£'000)
Cash in bank and in hand - Sterling	106,617	59,679
Cash in bank and in hand - US dollars	17,309	7,777
Cash in bank and in hand - Euros	22,706	10,912
Cash in bank and in hand - Other	743	306
	147,375	78,674
Bank overdraft (note 23)	(5,701)	(9,239)
Cash and cash equivalents including overdrafts at period end	141,674	69,435

## 21. SHARE CAPITAL

	28 April 2013 (£'000)	28 April 2012 (£'000)
<b>Authorised</b>		
999,500,000 ordinary shares of 10p each	99,950	99,950
499,990 redeemable preference shares of 10p each	50	50
	100,000	100,000
<b>Allotted, called up and fully paid</b>		
640,602,369 (2012: 640,602,369) ordinary shares of 10p each	64,060	64,060
<b>Share Capital</b>		
At 28 April 2012	64,060	64,055
Issue of shares	-	5
At 28 April 2013	64,060	64,060

The Group holds 42,137,508 shares in Treasury. On 6 August, Appleby Trust (Jersey) Limited, as trustee of the Sports Direct Employee Benefit Trust (the "the Trust"), purchased 7,115,754 ordinary shares at a price of 300.00 pence per share, representing all the ordinary shares which the Sports Direct employees elected to sell on vesting of their awards under the 2009 Bonus Share Scheme (the "Share Scheme"). A further 506,245 shares vested and were distributed to relevant staff.

### Contingent share awards

#### The Executive Bonus Share Scheme

Under the terms of the Executive Bonus Share Scheme, which was approved by Shareholders on 10 September 2010 and is a Revenue approved scheme, the Board may make share awards in respect of the ordinary shares in the company. Awards may be made to Executives and Persons Discharging Managerial Responsibilities over a fixed number of shares subject to performance conditions. Further details are set out in the Remuneration Report on pages 47 to 50.

An award of 8,073,036 shares was granted on 10 September 2010 at a share price of 125.5 pence and none of these shares have since lapsed. These shares will only vest if the performance conditions (EBITDA targets) and service conditions (continued employment) are met. No consideration is payable in respect of these awards.

#### The Bonus Share Scheme

Under the terms of the 2009 Bonus Share Scheme, which was approved by the shareholders on 9 September 2009, the Board may make share awards in respect of the ordinary shares in the Company to employees based on a percentage of salary and subject to performance conditions. No consideration is payable by employees in respect of these awards. Further details are set out in the Corporate Responsibility Report on page 52.

The first awards of 34,898,000 shares were granted on 19 November 2009 at an average price of 99.5 pence. On 6 August 2012, 7,621,999 shares vested under the 2009 Bonus Share Scheme. At 28 April 2013 21,108,000 (29 April 2012: 29,088,000) awards were outstanding under the scheme, with the decrease in the year being attributable to shares vesting and leavers. These shares will only vest if the service conditions (continued employment) are met.

The 2011 Bonus Share Scheme was approved by the Board on 10 September 2010. The first award of 30,000,000 shares were granted on 10 September 2010 at an average price of 125.5 pence. At 28 April 2013 22,672,000 (29 April 2012: 30,000,000) remained outstanding. These shares will only vest if the performance conditions (EBITDA targets) and service conditions (continued employment) are met over the next 3 years.

A share-based payment charge of £22,183,000 was recognised in respect of these share awards for the 52 weeks ended 28 April 2013, based on the Directors' best estimate of the number of shares that will vest. The charge is calculated based on the fair value on the grant date, which is deemed to be the date on which the entity and counterparty reached a shared understanding of the scheme.

A number of employees sold their shares upon vesting to the Sports Direct International plc Employee Benefit Trust. The 2009 Bonus Share Scheme has been accounted for as an equity settled share scheme. This has been decided based on the following:

- The rules of the scheme are that the awards will be settled in equity and this has not changed,
- Upon vesting the company entered into a separate contract with the employees to buy their shares although the company only facilitated the sale of shares on behalf of employees,
- The company only communicated to the employees that the company would arrange the sale of the shares, and not that the company would buy the shares,
- The employee does not have a choice of settlement under the scheme rules,
- Upon vesting the default settlement option if an employee failed to notify the company was to receive the shares, and
- There is no obligation on the Group to buy the shares upon future vesting of the share schemes.

## 22. OTHER RESERVES

	Share capital (£'000)	Share premium (£'000)	Permanent contribution to capital (£'000)	Capital redemption reserve (£'000)	Reverse combination reserve (£'000)	Hedging reserve (£'000)	Other reserves (£'000)
<b>At 28 April 2011</b>	64,055	874,300	50	8,005	(987,312)	(6,364)	(47,266)
Issue of ordinary shares	5	-	-	-	-	-	5
Cash flow hedges	-	-	-	-	-	-	-
recognised in the period	-	-	-	-	-	(1,305)	(1,305)
reclassified and reported in net profit	-	-	-	-	-	8,086	8,086
<b>At 29 April 2012</b>	64,060	874,300	50	8,005	(987,312)	417	(40,480)
Issue of ordinary shares	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-
recognised in the period	-	-	-	-	-	15,408	15,408
reclassified and reported in net profit	-	-	-	-	-	196	196
<b>At 28 April 2013</b>	64,060	874,300	50	8,005	(987,312)	16,021	(24,876)

The share premium account is used to record the excess proceeds over nominal value on the issue of shares.

The permanent contribution to capital relates to a cash payment of £50,000 to the Company on 8 February 2007 under a deed of capital contribution.

The capital redemption reserve arose on the redemption of the Company's redeemable preference shares of 10p each at par on 2 March 2007.

The reverse combination reserve exists as a result of the adoption of the principles of reverse acquisition accounting in accounting for the group restructuring which occurred on 2 March 2007 and 29 March 2007 between the Company and Sports Direct International Limited, Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA with Sports World International Limited as the acquirer.

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in the income statement only when the hedged transaction impacts the income statement, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

### Other Balance Sheet Reserves

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

The own shares and treasury shares reserve represent the cost of shares in Sports Direct International plc purchased in the market and held by Sports Direct International plc Employee Benefit Trust to satisfy options under the Group's share options scheme, see note 21.

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 23 BORROWINGS

	28 April 2013 (£'000)	29 April 2012 (£'000)
<b>Non-current</b>		
Bank and other loans	245,625	213,758
Liabilities under finance leases	2	829
	<b>245,627</b>	<b>214,587</b>
<b>Current</b>		
Bank overdrafts	5,701	9,239
Bank and other loans	50,052	51
Liabilities under finance leases	-	13
	<b>55,753</b>	<b>9,303</b>
<b>Total borrowings</b>		
Bank overdrafts	5,701	9,239
Bank and other loans	295,677	213,809
Liabilities under finance leases	2	842
	<b>301,380</b>	<b>223,890</b>

An analysis of the Group's total borrowings other than bank overdrafts is as follows

	28 April 2013 (£'000)	29 April 2012 (£'000)
Borrowings – Sterling	250,203	178,516
Borrowings – Other	45,476	36,135
	<b>295,679</b>	<b>214,651</b>

Loans are all at rates of interest ranging between 1.5% and 2.0% over the interbank rate of the country within which the borrowing entity resides

On 7 March 2011, Sports Direct International plc and certain subsidiaries (the "Borrowers") entered into a committed, unsecured revolving facility agreement with ten financial institutions, with HSBC Bank plc acting as Agent (the "Revolving Facility"). The Revolving Facility is available to any of the Borrowers.

On 6 March 2013, the Revolving Facility was extended until 6 March 2015 and its aggregate limit was increased to £300 million. At year end a total of £242 million was drawn down against this facility, this included balances in Sterling and US dollar. This did not constitute a significant modification in accordance with IAS 39 - "Financial Instruments".

The facility is capable of being utilised by way of cash advances and/or currency borrowings. The Group is required to observe certain covenants, including undertakings relating to delivery of financial statements, and certain negative covenants, including in relation to creation of security and disposal of assets.

On 27 September 2012 Sports Direct International plc and certain subsidiaries (the "Borrowers") entered into a committed revolving facility agreement with Barclays Bank plc. The Revolving Facility is available to any of the Borrowers and may be drawn to an aggregate limit of £50 million. It is capable of being utilised by way of cash advances and/or currency borrowings. This facility is not secured against any fixed assets. The Revolving Facility is available until 26 August 2013. At year end a total of £50 million was drawn down against this facility.

On 14 December 2012 Sports Direct International plc and certain subsidiaries (the "Borrowers") entered into a committed revolving facility agreement with Handelsbanken plc. The Revolving Facility is available to any of the Borrowers and may be drawn to an aggregate limit of £25 million. It is capable of being utilised by way of cash advances and/or currency borrowings. This facility is not secured against any fixed assets. The Revolving Facility is available until 26 August 2013. At year end there was no draw down against this facility.

The Group has a £50m working capital facility with Mike Ashley which can be drawn down on request. This facility was agreed at market terms at its inception. This facility is not secured against any fixed assets. At year end there was no draw down against this facility.

The Group continues to operate comfortably within its banking facilities and covenants.

The carrying amounts and fair value of the borrowings are not materially different.

Net debt at 28 April 2013 was £154.0m (29 April 2012: £145.2m).

## 24. RETIREMENT BENEFIT OBLIGATIONS

The Group's defined benefit pension obligations relate to Dunlop Slazenger Group Holdings Limited ("DSGHL"), which was acquired on 28 January 2004. DSGHL operates a number of plans worldwide, the largest of which is of the funded defined benefit type. The Scheme has been closed to new members since 2005.

The amounts for the current and previous four periods following the acquisition of DSGHL are as follows:

	28 April 2013 (£'000)	29 April 2012 (£'000)	24 April 2011 (£'000)	25 April 2010 (£'000)	26 April 2009 (£'000)
Total fair value of plan assets	47,411	40,105	36,858	33,149	27,440
Present value of plan liabilities	(67,351)	(59,423)	(53,044)	(52,888)	(39,764)
Net plan obligations	(19,940)	(19,318)	(16,186)	(19,739)	(12,324)
Experience adjustments on plan liabilities	(7,190)	(5,539)	869	(12,645)	5,887
Experience adjustments on plan assets	4,372	38	1,208	4,461	(6,336)

The cumulative amount of actuarial gains and losses recognised in other comprehensive income as at 28 April 2013 was an actuarial loss of £13,519,000 (2012: actuarial loss of £10,701,000).

There were no unrecognised actuarial gains or losses or past service costs as at 29 April 2012 or 28 April 2013.

Amounts recognised in the income statement are as follows:

	52 weeks ended 28 April 2013 (£'000)	51 weeks ended 29 April 2012 (£'000)
Current service cost	14	7
Interest on retirement benefit obligations	2,446	2,526
Expected return on plan assets	(1,949)	(2,277)
	511	256

The current service cost is included within cost of sales. The interest on retirement benefit obligations and the expected return on plan assets are included within finance costs and finance income, respectively.

Amounts recognised in other comprehensive income are as follows:

	52 weeks ended 28 April 2013 (£'000)	51 weeks ended 29 April 2012 (£'000)
Actual less expected return on assets	4,372	38
Actuarial losses relating to plan liabilities	(7,190)	(5,539)
	(2,818)	(5,501)

The actual return on plan assets for the 52 weeks ended 28 April 2013 was a gain of £6,321,000 (2012: gain of £2,315,000).

The movements in the fair value of plan assets are as follows:

	52 weeks ended 28 April 2013 (£'000)	51 weeks ended 29 April 2012 (£'000)
At the start of the period	40,105	36,858
Expected return on plan assets	1,949	2,277
Actuarial gain	4,372	38
Employer contributions	2,708	2,559
Employee contributions	11	9
Benefits paid out	(1,734)	(1,636)
At the end of the period	47,411	40,105

The Group expects to contribute £2,708,000 to its defined benefit pension plans for the 52 weeks ended 27 April 2014.

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 24. RETIREMENT BENEFIT OBLIGATIONS continued

The assumptions used to determine the expected return on assets reflects the underlying asset allocation at each period end. The plan asset mix and the expected returns on the assets are as follows:

	28 April 2013 (£'000)	28 April 2012 (£'000)
Equities	23,555	20,669
Bonds	23,149	18,694
Cash and other	707	742
	<b>47,411</b>	<b>40,105</b>
Equities	6.25%	6.25%
Bonds	4.6%	3.25%
Cash and other	0.5%	0.5%

The overall expected rate of return on the Scheme's assets has been derived by considering the expected rate of return on each major asset class of investments at the start of the year and weighting these rates of return by the proportion of the total investments that the class represents at the start of the year.

The principal assumptions underlying the actuarial assessments of the present value of the plan liabilities are:

	28 April 2013 (%)	28 April 2012 (%)
Inflation rate	3.3	3.2
Real pension increases	3.3	3.2
Discount rate	4.0	4.6

### Mortality assumptions

	28 April 2013 (£'000)	28 April 2012 (£'000)
Life expectancy at 65 at period end:		
Future pensioners - male	87.6	87.5
Future pensioners - female	89.8	89.7
Current pensioners - male	86.2	86.1
Current pensioners - female	88.3	88.2

The movements in the present value of the plan liabilities are as follows:

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 28 April 2012 (£'000)
At the start of the period	(59,423)	(53,044)
Current service cost	(14)	(7)
Interest cost	(2,446)	(2,526)
Actuarial loss	(7,190)	(5,539)
Employee contributions	(11)	(9)
Benefits paid out	1,734	1,636
Exchange (loss)/gain	(1)	66
At the end of the period	<b>(67,351)</b>	<b>(59,423)</b>

The net movements in the net present value of the plan liabilities were as follows:

	52 weeks ended 28 April 2013 (£'000)	53 weeks ended 28 April 2012 (£'000)
Net liability at the start of the period	(19,318)	(16,186)
Movement in fair value of plan assets	7,306	3,247
Movements in the present value of the plan liabilities	(7,928)	(6,379)
Net liability at the end of the period	<b>(19,940)</b>	<b>(19,318)</b>

In addition to the amounts recognised in relation to the defined benefit retirement plans, amounts of £187,000 and £519,000 have been recognised in the income statement in the periods ended 29 April 2012 and 28 April 2013 in relation to defined contribution retirement benefit plans.



## 25. DEFERRED TAX ASSET AND LIABILITIES

	Accounts depreciation exceeding tax depreciation (£'000)	Tax losses recoverable (£'000)	Pension plan liabilities (£'000)	Other temporary differences (£'000)	Total (£'000)
At 26 April 2011	(3,746)	900	5,132	(17,081)	(14,795)
Credited to the income statement	5,066	(375)	(350)	2,946	7,287
Credited to the statement of other comprehensive income	-	-	1,430	53	1,483
Credited to reserves in respect of Bonus Share Scheme	-	-	-	14,176	14,176
Foreign exchange adjustments	-	-	-	(1,315)	(1,315)
At 29 April 2012	1,320	525	6,212	(1,221)	6,836
Credited / (charged) to the income statement	1,080	(986)	(259)	5,370	5,205
Credited to the statement of other comprehensive income	-	-	648	3,988	4,636
Credited to reserves in respect of Bonus Share Scheme	-	-	-	6,297	6,297
At 26 April 2013	2,400	(461)	6,601	14,434	22,974

	26 April 2013 (£'000)	29 April 2012 (£'000)
Deferred tax assets	47,952	32,625
Deferred tax liabilities	(24,978)	(25,789)
Net deferred tax balance	22,974	6,836

The tax rate used to measure the deferred tax assets and liabilities was 23% on the basis this was the tax rate that was substantively enacted at the balance sheet date

Deferred tax assets are recognised for tax losses recoverable and pension plan liabilities to the extent that realisation of the related tax benefit is probable on the basis of the Group's current expectations of future taxable profits

Included within other temporary differences is a deferred tax asset in relation to the bonus share scheme and a deferred tax liability recognised on other intangible assets upon acquisition

The deferred tax effects of the acquisitions made in the year were considered and determined that there was no material impact on the group or the fair value of net assets acquired

## 26 PROVISIONS

	Dilapidations (£'000)	Onerous contracts and other property costs (£'000)	Total (£'000)
At 29 April 2012	32,630	30,259	62,889
Amounts provided	1,911	840	2,751
Amounts utilised	(313)	(1,358)	(1,671)
Amounts reversed	(2,390)	(20,507)	(22,897)
At 26 April 2013	31,838	9,234	41,072

The dilapidations provision is the best estimate of the present value of expenditure expected to be incurred by the Group in order satisfy its obligations to restore its leasehold premises to the condition required under the lease agreements at the end of the lease discounted at 4% per annum. The provision is expected to be utilised over the period to the end of each specific lease

The provision in respect of onerous lease contracts represents the net cost of fulfilling the Group's obligations over the terms of these contracts discounted at 5% per annum. The provision is expected to be utilised over the period to the end of each specific lease. Provision is also made for the strategic rationalisation of certain properties. The onerous lease provision has reduced in the current year due to the closure of loss making stores, improved performance at other loss making stores, the sub-let of previously vacant space and a strategic decision to invest in other stores previously planned for closure

The unwinding of the discount on provision over time passes through the income statement

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

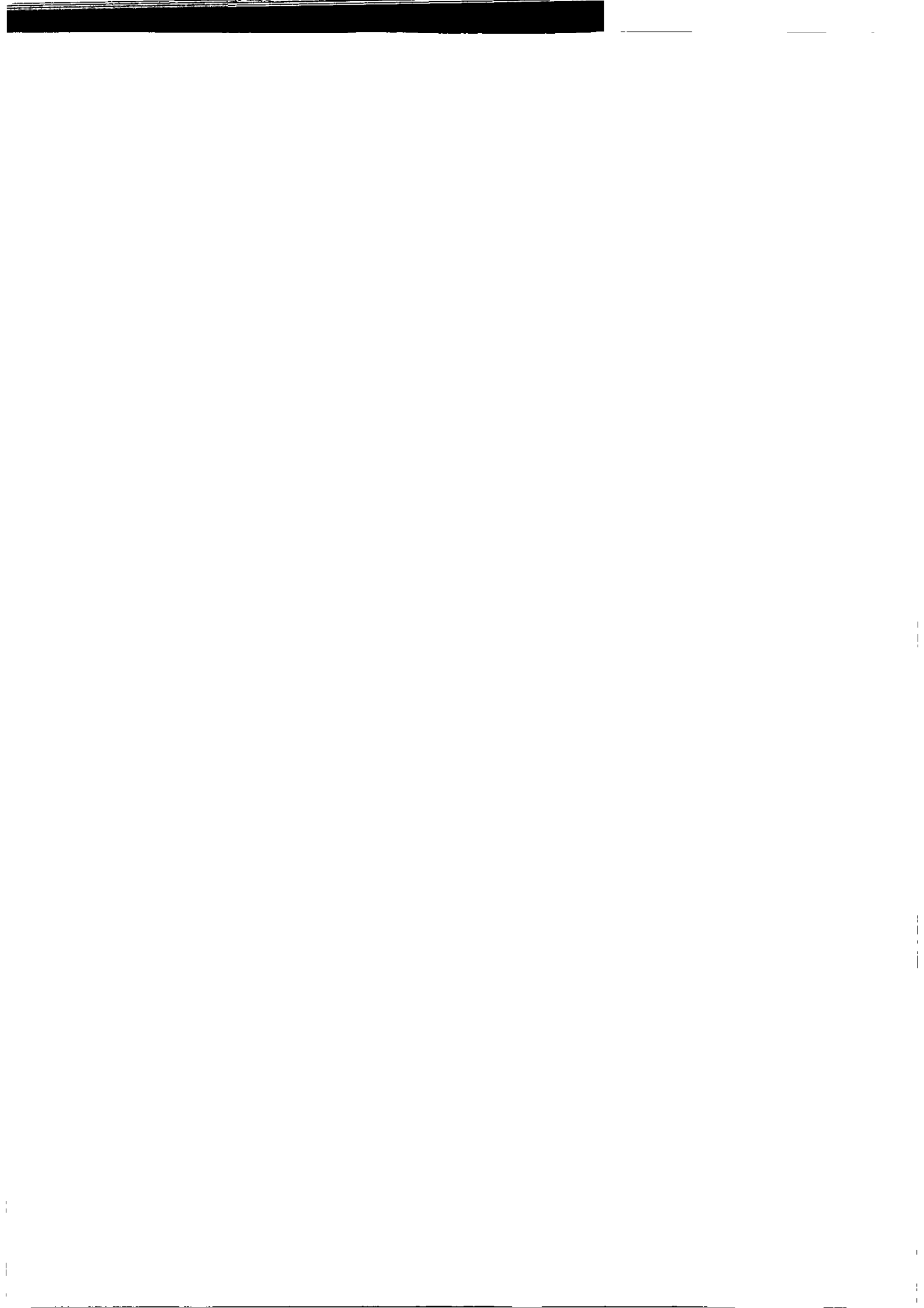
## 27 FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities by category

The carrying values of financial assets and liabilities, which are principally denominated in Sterling or US dollars, were as follows

	Loans and receivables (£'000)	Assets at fair value through profit and loss (£'000)	Available for sale financial assets (£'000)	Non-financial assets (£'000)	Total (£'000)
<b>Assets - 2013</b>					
Property, plant and equipment	-	-	-	332,036	332,036
Intangible assets	-	-	-	240,420	240,420
Investments in associated undertakings and joint ventures	-	-	-	32,117	32,117
Available-for-sale financial assets	-	-	47,645	-	47,645
Deferred tax assets	-	-	-	47,952	47,952
Inventories	-	-	-	446,962	446,962
Derivative financial assets	-	17,965	-	-	17,965
Trade and other receivables	66,785	-	-	29,326	96,111
Cash and cash equivalents	147,375	-	-	-	147,375
	214,160	17,965	47,645	1,128,813	1,408,583
<b>Assets - 2012</b>					
Property, plant and equipment	-	-	-	313,023	313,023
Intangible assets	-	-	-	225,150	225,150
Investments in associated undertakings and joint ventures	-	-	-	29,470	29,470
Available-for-sale financial assets	-	-	46,634	-	46,634
Deferred tax assets	-	-	-	32,625	32,625
Inventories	-	-	-	316,800	316,800
Derivative financial assets	-	5,926	-	-	5,926
Trade and other receivables	58,972	-	-	29,905	88,877
Cash and cash equivalents	78,674	-	-	-	78,674
	132,646	5,926	46,634	946,973	1,132,179
<b>Liabilities - 2013</b>					
Non-current borrowings	245,625	-	-	2	245,627
Retirement benefit obligations	-	-	-	19,940	19,940
Deferred tax liabilities	-	-	-	24,978	24,978
Provisions	-	-	-	41,072	41,072
Trade and other payables	263,943	-	-	56,318	320,261
Current borrowings	55,753	-	-	-	55,753
Current tax liabilities	-	-	-	56,275	56,275
	565,321	-	-	198,585	763,906
<b>Liabilities - 2012</b>					
Non-current borrowings	214,587	-	-	-	214,587
Retirement benefit obligations	-	-	-	19,318	19,318
Deferred tax liabilities	-	-	-	25,789	25,789
Provisions	-	-	-	62,889	62,889
Derivative financial liabilities	-	1,570	-	-	1,570
Trade and other payables	235,690	-	-	47,129	282,819
Current borrowings	9,303	-	-	-	9,303
Current tax liabilities	-	-	-	44,019	44,019
	459,580	1,570	-	199,144	660,294

Carrying values do not materially differ from fair value



**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As at 28 April 2013, the only financial instruments were Derivative financial assets and liabilities, which are classified as Level 2, and Available-for-sale financial assets, which are classified as Level 1

**(b) Derivatives foreign currency forward purchase contracts**

The most significant exposure to foreign exchange fluctuations relates to purchases made in foreign currencies, principally the US dollar. The Group's policy is to reduce substantially the risk associated with foreign currency spot rates by using forward fixed rate currency purchase contracts, taking into account any foreign currency cash flows. The Group does not hold or issue derivative financial instruments for trading purposes, however if derivatives do not qualify for hedge accounting they are accounted for as such and accordingly any gain or loss is recognised immediately in the income statement.

The carrying values of forward foreign currency purchase contracts were as follows

	28 April 2013 (£'000)	29 April 2012 (£'000)
Fair value of derivative financial instruments - assets	17,965	4,356

The sterling principal amounts of forward foreign currency purchase contracts and contracted forward rates were as follows

	28 April 2013 (£'000)	29 April 2012 (£'000)
US dollar purchases	285,000	371,986
Contracted rates	1.63	1.61-1.65
US dollar sales	-	(40,000)
Contracted rates	-	1.53-1.54
Euro sales	(44,031)	(24,678)
Contracted rates	1.13-1.14	1.13-1.14

At 28 April 2013 £285m of forward US dollar purchase contracts qualified for hedge accounting and the profit on fair valuation of these contracts of £15.6m has therefore been recognised in other comprehensive income. This amount is split between a profit of £15.4m recognised in the period, a gain of £2.5m reclassified and reported in net profit and a loss of £2.3m recognised in inventories.

Forward foreign currency purchase and sale contracts generally have a maturity at inception of approximately 12 months. At 28 April 2013 £Nil of purchase contracts and £Nil of sale contracts had a maturity at inception of greater than 12 months (2012: £60 million of purchase contracts and £3.5m of sale contracts).

**(c) Sensitivity analysis****Foreign currency sensitivity analysis**

The Group's principal foreign currency exposures are to US dollars and the Euro. The table below illustrates the hypothetical sensitivity of the Group's reported profit and equity to a 5% increase and decrease in the US dollar / Sterling and Euro / Sterling exchange rates at the year end date, assuming all other variables remain unchanged. The figures have been calculated by comparing the fair values of outstanding foreign currency contracts at the current exchange rate to those if exchange rates moved as illustrated. The income statement figures include the profit effect of any relevant derivatives which are not in a designated cash flow hedge. The impact on US dollar related hedging instruments is included in equity.

Positive figures represent an increase / (decrease) in profit or equity

	Income statement		Equity	
	28 April 2013 (£'000)	29 April 2012 (£'000)	28 April 2013 (£'000)	29 April 2012 (£'000)
<b>Sterling strengthens by 5%</b>				
US dollar	1	810	(1,783)	(4,284)
Euro	34	(559)	34	(559)
<b>Sterling weakens by 5%</b>				
US dollar	(702)	(851)	1,872	(4,498)
Euro	(35)	587	(35)	587

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 27. FINANCIAL INSTRUMENTS continued

### Interest rate sensitivity analysis

The table below illustrates the hypothetical sensitivity of the Group's reported profit and equity to a 0.5% increase or decrease in interest rates, assuming all other variables were unchanged

The analysis has been prepared using the following assumptions

- For floating rate assets and liabilities, the amount of asset or liability outstanding at the balance sheet date is assumed to have been outstanding for the whole year
- Fixed rate financial instruments that are carried at amortised cost are not subject to interest rate risk for the purpose of this analysis

Positive figures represent a (decrease) / increase in profit or equity

	Income statement		Equity	
	28 April 2013 (£'000)	28 April 2012 (£'000)	28 April 2013 (£'000)	28 April 2012 (£'000)
Interest rate increase of 0.5%	(1,507)	(1,119)	(1,507)	(1,119)
Interest rate decrease of 0.5%	1,507	1,119	1,507	1,119

### (d) Liquidity risk

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Group's financial liabilities

	Less than 1 year (£'000)	1 to 2 years (£'000)	2 to 5 years (£'000)	Over 5 years (£'000)	Total (£'000)
<b>2013</b>					
Bank loans and overdrafts	50,450	102	250,228	2,256	303,036
Objections under finance leases	-	1	1	-	2
Trade and other payables	169,976	-	-	-	169,976
Derivative financial liabilities	-	-	-	-	-
Cash inflows	(344,439)	-	-	-	(344,439)
Cash outflows	327,087	-	-	-	327,087
	203,074	103	250,229	2,256	455,662
<b>2012</b>					
Bank loans and overdrafts	19,290	220,168	-	-	229,458
Objections under finance leases	13	541	284	29	867
Trade and other payables	155,468	-	-	-	155,468
Derivative financial liabilities	-	-	-	-	-
Cash inflows	(418,502)	-	-	-	(418,502)
Cash outflows	415,637	-	-	-	415,637
	161,906	220,709	284	29	382,928

### Capital management

The capital structure of the Group consists of equity attributable to the equity holders of the parent, comprising issued share capital, share premium and retained earnings and cash and borrowings

It is the Group's policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the development of the business

In respect of equity, the Board have decided that, in order to maximise flexibility in the near term with regards to a number of inorganic growth opportunities under review, not to return any cash by way of a dividend at this time

The Board is committed to keeping this policy under constant review and that it would look to evaluate alternative methods of returning cash to shareholders when appropriate

The objective of the Bonus Share Scheme is to encourage employee share ownership and to link employee's remuneration to the performance of the company. It is not designed as a means of managing capital

In respect of cash and borrowings the Board regularly monitors the ratio of net debt to underlying EBITDA, the working capital requirements and forecasted cash flows however no minimum or maximum ratios are set. The ratio for net debt to reported underlying EBITDA, excluding charges for the bonus share schemes, is 0.58 (2012 0.68). The objective is to keep this figure below 2.0

Based on this analysis, the Board determines the appropriate return to equity holders whilst ensuring sufficient capital is retained within the Group to meet its strategic objectives, including but not limited to, acquisition opportunities

These capital management policies have remained unchanged from prior year

## 28. TRADE AND OTHER PAYABLES

	28 April 2013 (£'000)	28 April 2012 (£'000)
Trade payables	169,976	155,468
Amounts owed to related undertakings	167	-
Other taxes including social security costs	23,684	6,855
Other payables	32,634	40,274
Accruals	93,800	80,222
	<b>320,261</b>	<b>282,819</b>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value

## 29. ACQUISITIONS

Details of principal acquisitions for the 52 weeks ended 28 April 2013 are set out below

- i 4 July 2012 Acquired 51% of the ordinary share capital of The Flannels Group Limited for cash consideration of £3.7m. The primary business activity is the sale of fashion clothing and was acquired to complement existing business activities
- ii 14 September 2012 Acquired 100% of the ordinary share capital of Used Tackle Limited for cash consideration of £3.9m. The primary business activity is the sale of fishing equipment, and was acquired to complement existing business activities
- iii 1 October 2012 Acquired certain parts of the trade, assets and product brands from the administrators of JJB Sports plc ("JJB") for cash consideration of £24.0m. The primary business activity was the sale of sporting equipment and clothing, with the trade and assets acquired to complement existing business activities
- iv 28 February 2012 Acquired certain of the business, assets and brands from the administrators of fashion retailer Republic (UK) Ltd and Republic (Retail) Limited ("Republic") for cash consideration of £13.2m. The primary business activity is the sale of fashion clothing, with the trade and assets acquired to complement existing business activities

The fair value of consideration paid, assets and liabilities acquired and resulting goodwill in respect of the above acquisitions is detailed below

	JJB (£'000)	Republic (£'000)	Other (£'000)	Total (£'000)
Cash consideration	24,000	13,245	7,759	45,004
Less: fair value of net assets acquired	(24,000)	(13,245)	(1,028)	(38,273)
Goodwill	-	-	6,731	6,731

The goodwill is attributable to the premium paid to strengthen the Group's existing business segments of UK Sports Retail, Lifestyle & Other, International Retail and Brands which is in line with the Group's strategy

Legal fees relating to the above acquisitions of £500,000 were expensed through the income statement during the year and were recognised as administration expenses

None of the other acquisitions are considered to be individually material

The asset values at acquisition are detailed below

	JJB (£'000)	Republic (£'000)	Other (£'000)	Other intangible assets (£'000)
Property, plant and equipment	11,000	2,000	3,180	16,180
Intangible assets	1,000	3,447	1	4,448
Inventories	12,000	7,485	8,651	28,136
Trade and other receivables	-	2,954	2,701	5,655
Right-of-use assets	-	(415)	(1,522)	(1,937)
Trade and other payables	-	(2,226)	(11,563)	(13,789)
Deferred tax liability	-	-	(247)	(247)
Non-controlling interests	-	-	(173)	(173)
	<b>24,000</b>	<b>13,245</b>	<b>1,028</b>	<b>38,273</b>

In respect of all the acquisitions in the period there were no fair value adjustments made to carrying values of the respective assets and liabilities acquired

The difference between the contractual value of the trade and other receivables and the fair value is not material

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 29 ACQUISITIONS continued

Cash flows arising from the acquisition are as follows

	28 April 2013 (£'000)
Cash consideration	45,004
Bank overdraft acquired	1,937
Net cash outflow to the cash flow statement	46,941

Since the date of acquisition the following balances have been included within the Group's financial statements for the period in respect of the above acquired entities

	UK (£'000)	Republic (£'000)	Other (£'000)	Total (£'000)
Revenue	28,800	14,931	19,083	62,814
Operating loss	13,300	4,528	21	17,849
Loss before tax	13,300	4,528	21	17,849

Had the above acquisitions been included from the start of the period, £2,416,809,000 of revenue, £173,560,000 of operating profit and £111,882,000 of profit after tax would have been shown in the Group's financial statements

There were no contingent liabilities acquired as a result of the above transactions

A detailed post-acquisition review of each entity has not highlighted any previously unidentified intangible assets

On 29 May 2013 Sports Direct International plc announced two further acquisitions Sports Eybl & Sports Experts AG (EAG), based in Austria, was completed on 26 June 2013 Sportland International Group (SIG), based in the Baltic region, is due to complete in the near future

Due to the proximity of these acquisitions to the year end, there is insufficient information available to complete a full disclosure under IFRS 3 - "Business Combinations"

## 30. CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks ended 28 April 2013 (£'000)	52 weeks ended 28 April 2012 (£'000)
Profit before taxation	207,226	151,498
Net finance costs	8,571	2,055
Net investment (income)/costs	(1,473)	5,800
Share of profits of associated undertakings and joint ventures	(1,320)	(558)
Operating profit	213,004	158,795
Depreciation	47,920	58,152
Amortisation	4,676	4,358
Impairment	2,217	2,473
Profit / loss on disposal of intangibles	(625)	1,679
Defined benefit pension plan current service cost	14	7
Defined benefit pension plan employer contributions	(2,708)	(2,559)
Share-based payments	22,183	20,643
Operating cash inflow before changes in working capital	286,681	243,548
(Increase) / decrease in receivables	(6,579)	17,707
Increase in inventories	(102,026)	(80,179)
(Decrease) / increase in payables	(18,982)	25,603
Net inflows from operating activities	159,094	206,679

### 31 OPERATING LEASE ARRANGEMENTS

As at 28 April 2013 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	28 April 2013 (£'000)	28 April 2012 (£'000)
Land and buildings		
Within one year	88,044	77,748
In the second to fifth years inclusive	306,390	278,149
After five years	245,896	333,742
	<b>640,330</b>	<b>689,639</b>

The leases have varying terms, escalation clauses and renewal rights. There are no clauses in relation to restrictions concerning dividends, additional debt and further leasing within our portfolio. Contingent rents are payable on certain store leases based on store revenue. For those leases that are turnover-related leases, the annual net lease commitment is calculated using the estimated lease liability and any changes in the rental charge are accounted for when known. Amounts of £5,641,000 (2012: £4,388,000) were charged to the income statement in relation to contingent rent.

The Group sub-lets certain stand-alone retail stores which are no longer operated by the Group. The property rental income earned during the 52 weeks ended 28 April 2013 was £4,249,000 (2012: £2,730,000).

As at 28 April 2013, the Group had contracts with sub-tenants for the following future minimum lease rentals

	28 April 2013 (£'000)	28 April 2012 (£'000)
Land and buildings		
Within one year	3,851	4,050
In the second to fifth years inclusive	13,147	12,898
After five years	15,124	15,961
	<b>32,122</b>	<b>32,909</b>

### 32. CAPITAL COMMITMENTS

The Group had capital commitments of £5.8 million as at 28 April 2013 (2012: £4.5 million).

### 33. CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets or liabilities at the balance sheet date.



# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 34 RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemptions contained within IAS 24 - "Related Party Disclosures" from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation

The Group entered into the following material transactions with related parties

52 weeks ended 28 April 2013

Related party	Relationship	Sales (£000)	Purchases (£000)	Trade and other receivables (£000)	Trade and other payables (£000)
Heron	Associate	26,820	-	3,816	-
Brother Leisure Limited	Associate	11,023	4,554	2,611	136
NBS Ltd	Associate	3,130	-	998	-
Newcastle United Football Club	Connected Persons	498	-	-	-
Greenstow Associates	Associate	1,019	-	-	-

53 weeks ended 29 April 2012

Related party	Relationship	Sales (£000)	Purchases (£000)	Trade and other receivables (£000)	Trade and other payables (£000)
Heron	Associate	23,182	29	5,242	-
Brother Leisure Limited	Associate	58	633	4	25

Mike Ashley leased certain properties to various companies in the Group which operated as retail and distribution premises. A commercial rent is charged in respect of these leases

	21 April 2013 (£000)	21 April 2012 (£000)
<b>Key Management, Executive and Non-Executive Director Compensation</b>		
Salaries and short-term benefits	1,497	1,589
Share-based payments	2,069	1,990
<b>Total</b>	<b>3,566</b>	<b>3,579</b>

### 35. PRINCIPAL SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings of the Company at 28 April 2013 were as follows

Name	Country of incorporation	Percentage of issued share capital held	Nature of business
Antique Enterprises Inc <sup>*</sup>	USA	100	Sporting and leisure goods wholesale and brand licensing
Brands & Fashion NV <sup>*</sup>	Belgium	100	Brand management and licensing
Brands Inc Limited <sup>*</sup>	England	100	Brand management and licensing
Brands Holdings Limited	England	100	Brand management and licensing
Q&S Holdings SA	Belgium	100	Sporting and leisure goods retail
Chaise Clothing Limited <sup>*</sup>	Scotland	80	Fashion retail
Delina Limited <sup>*</sup>	England	100	Fashion retail
Donnay International SA <sup>*</sup>	Belgium	100	Sporting and leisure goods wholesale and brand licensing
Drinking Slaughter Group Limited <sup>*</sup>	England	100	Sporting and leisure goods wholesale and brand licensing
Swatki Worldwide Inc. <sup>*</sup>	USA	100	Sporting and leisure goods wholesale and brand licensing
Field & Trek (UK) Limited <sup>*</sup>	England	100	Sporting and leisure goods retail
Fraser Limited <sup>*</sup>	England	100	Fashion retail
Frontals Group <sup>*</sup>	England	52	Fashion retail
International Brand Management Limited	England	100	Brand management
Kayrol Holdings Limited <sup>*</sup>	England	100	Fashion and leisure goods wholesale and brand licensing
Kennor Limited <sup>*</sup>	England	100	Fashion and leisure goods wholesale and brand licensing
Jeffwhites Limited <sup>*</sup>	England	100	Sporting and leisure goods retail
Konstable Boxing Limited <sup>*</sup>	England	100	Fashion and leisure goods wholesale and brand licensing
Konstable Sports Limited <sup>*</sup>	England	100	Sporting and leisure goods wholesale and brand licensing
SK and Outdoor Limited <sup>*</sup>	England	100	Sporting and leisure goods retail
Smith and Brooks Holdings Limited <sup>*</sup>	England	100	Sporting and leisure goods wholesale and brand licensing
Sports Essentials Limited <sup>*</sup>	England	100	Sporting and leisure goods wholesale and brand licensing
Sportsdirect.com Retail Limited	England	100	Sporting and leisure goods retail
Sports 2000 Sportne Trgovina	Slovenia	100	Sporting and leisure goods retail
The Trademark Licensing Company Limited <sup>*</sup>	England	100	Brand licensing
Universal Cycles Limited <sup>*</sup>	England	86	Cycling wholesaler
Used Tackle Limited <sup>*</sup>	England	100	Sporting and leisure goods retail
Vandanel Limited <sup>*</sup>	England	51	Fashion retail
West Coast Capital (USC) Limited <sup>*</sup>	Scotland	100	Fashion retail

<sup>\*</sup> Held by an intermediate subsidiary

All subsidiaries have coterminous year ends. All principal subsidiary undertakings operate in their country of incorporation.

A full list of the Group's operating subsidiary undertakings will be annexed to the next Annual Return filed at Companies House.

There are no significant restrictions on the ability of the subsidiary undertakings to transfer funds to the parent, other than those imposed by the legal requirements.

# NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

Sports Direct International plc will provide a parental guarantee for the following companies allowing exemption from statutory audit

Company Name	Company Number	Company Name	Company Number
Bourne Green (Kelley) Limited	06260239	SDI (New Cavendish Street) Limited	06306917
J.W. Myers Limited	03352462	SDI (Newark) Limited	07853470
SDI (Abberystwyth) Limited	02789996	SDI (Newton Abbot) Limited	06836666
SDI (Aldford) Limited	07848460	SDI (Northampton) Limited	07852272
SDI (Ashton) Limited	07849231	SDI (Nuneaton) Limited	07852249
SDI (Ayl) Limited	05528267	SDI (Oswestry) Limited	07852363
SDI (Bangor) Limited	05529705	SDI (Paisley) Limited	02933408
SDI (Barrow in Furness) Limited	07851574	SDI (Penzance) Limited	07852297
SDI (Barnston) Limited	08512592	SDI (Peterlee) Limited	07852401
SDI (Barnsley) Limited	08577551	SDI (Poole) Limited	05656295
SDI (Barnsley) Limited	02739957	SDI (Ramsgate) Limited	07852250
SDI (Barrow Road) Limited	06836673	SDI (Redcar) Limited	02731452
SDI (Birkenhead) Limited	07849198	SDI (Rolle St) Limited	07852669
SDI (Bishop Auckland) Limited	03004246	SDI (Scarborough) Limited	06328463
SDI (Bridgewater) Limited	07852061	SDI (Scunthorpe) Limited	07852055
SDI (Bristol) Limited	08495632	SDI (Slough) Limited	07852417
SDI (Bristol) Limited	07851959	SDI (Southampton) Limited	08512480
SDI (Buckham) Limited	06836679	SDI (St Austell) Limited	07852284
SDI (Buckham) Limited	07852078	SDI (St Helens) Limited	07852281
SDI (Buckham) Limited	05632790	SDI (Stafford) Limited	08568681
SDI (Buckham) Limited	08483679	SDI (Stoke Langton) Limited	07853877
SDI (Buckham) Limited	06372181	SDI (Stoke Newington) Limited	07852207
SDI (Buckham) Limited	06328505	SDI (Strood) Limited	07852251
SDI (Buckham) Limited	07852037	SDI (Taunton) Limited	07852191
SDI (Buckham) Limited	06338907	SDI (Wakefield) Limited	08483711
SDI (Buckham) Limited	07852091	SDI (Walsall) Limited	07852289
SDI (Buckham) Limited	07852067	SDI (Weymouth) Limited	06716652
SDI (Buckham) Limited	06338918	SDI (Coatbridge) Limited	06656368
SDI (Buckham) Limited	07853433	SDI (Property) Limited	02767493
SDI (Buckham) Limited	07852097	SDI (Wishaw) Limited	06656365
SDI (Buckham) Limited	07852265	Sirlings (Argyle Street) Limited	SC088108
SDI (Buckham) Limited	07853548	Queensdown Associates	04298804

## 36. ULTIMATE CONTROLLING PARTY

The Group is controlled by Mike Ashley through his 100% shareholding in MASH Holdings Limited, which has a 64% shareholding in the Company

## 37. POST BALANCE SHEET EVENTS

On 29 May 2013 Sports Direct International plc announced two acquisitions. Sports Eybl & Sports Experts AG (EAG), based in Austria, was completed on 26 June 2013. Sportland International Group (SIG), based in the Baltic region, is due to complete in the near future.

On 29 April 2013 Sportsdirect.com Retail Limited acquired the remaining 20% shareholding in Cruise Clothing Limited. As such Cruise is now a wholly owned subsidiary.

There were no other material post balance sheet events after 28 April 2013 to the date of this Annual Report.

# INDEPENDENT AUDITOR'S REPORT

to the members of Sports Direct International plc

We have audited the parent company financial statements of Sports Direct International plc for the 52 week period ended 28 April 2013 which comprise the parent company 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 directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the group 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 group 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](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 28 April 2013,
- 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 matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

## Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

## Other matter

We have reported separately on the group financial statements of Sports Direct International plc for the 52 week period ended 28 April 2013.

## Paul Etherington BSc FCA CF

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
18 July 2013

# COMPANY BALANCE SHEET

as at 28 April 2013

	Notes	2013 (£'000)	2012 (£'000)
<b>Fixed assets</b>			
Investments	2	1,066,026	1,040,282
<b>Current assets</b>			
Debtors	3	1,953	1,676
Cash at bank and in hand		139	63
		2,092	1,739
Cr. of other amounts falling due within one year	4	(89,141)	(38,581)
Net current liabilities		(87,049)	(36,842)
<b>Net assets</b>		<b>978,977</b>	<b>1,003,440</b>
<b>Capital and reserves</b>			
Called up share capital	5	64,060	64,060
Share premium	6	874,300	874,300
Treasury shares reserve	6	(56,234)	(55,839)
Permanent contribution to capital	6	50	50
Capital redemption reserve	6	8,005	8,005
Own share reserve	6	(64,375)	(57,684)
Profit and loss account	6	153,171	170,548
Shareholders' funds	7	<b>978,977</b>	<b>1,003,440</b>

The accompanying accounting policies and notes form part of these financial statements

The financial statements were approved by the Board on 18 July 2013 and were signed on its behalf by

**Dave Forsey**  
Director

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the 52 weeks ended 28 April 2013

## 1. ACCOUNTING POLICIES

### Accounting policies

These accounts have been prepared in accordance with applicable United Kingdom accounting standards. A summary of the material accounting policies adopted are described below.

### Basis of accounting

The accounts have been prepared under the historical cost convention.

As permitted by Section 408 of the Companies Act 2006, a profit and loss account of the Company is not presented. The Company's loss after taxation for the 52 week period 28 April 2013 was £3,249,000 (2012: £2,015,000 loss).

### Investments

Fixed asset investments are stated at cost less any provision for impairment.

Cost represents cash consideration or the amount of ordinary shares issued by the Company at nominal value after taking account of merger relief available under s612 of the Companies Act 2006 plus related acquisition costs capitalised at fair value.

### Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is more unlikely than not.

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

### Foreign currencies

Items arising from transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. At the balance sheet date all monetary assets and liabilities denominated in foreign currencies are translated at the closing rate or at the rate of exchange at which the transaction is contracted to be settled in the future. All exchange differences are recognised in the profit and loss account.

### Dividends

Dividends on the Company's ordinary shares are recognised as a liability in the Company's financial statements, and as a deduction from equity, in the period in which the dividends are declared. Where such dividends are proposed subject to the approval of the Company's shareholders, the dividends are only declared once shareholder approval has been obtained.

### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company, with the exception of those accounted for via merger relief available under s612 of the Companies Act 2006, are recorded at the proceeds received, net of any direct issue costs.

### Income from Group undertakings

Income from Group undertakings is recognised when qualifying consideration is received from the Group undertaking.

### Related party transactions

The Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group.

### Share-based payments

The Company has applied the requirements of FRS 20, "Share-based Payments". The Company issues equity-settled share-based payments to certain directors and employees of the Company and its subsidiaries. These are measured at fair value at the date of grant which is expensed to the profit and loss on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. A share-based payment charge of £22,183,000 was recognised for the 52 weeks ended 28 April 2013 based on the directors' best estimate of the number of shares that will vest. £21,345,000 of this share-based payment was recharged to subsidiary undertakings of the Company.

## 2. INVESTMENTS

	2013 (£'000)
Shares in Group undertakings	
As at 29 April 2012	1,040,282
Additions	
Capital contribution in subsidiary	25,510
Other additions	234
As at 28 April 2013	1,066,026

None of the Company's investments are listed.

The Company is the principal holding company of the Group. The principal subsidiary undertakings of the Company are set out in note 35 to the Group financial statements.

During the Year and existing intercompany loan in a subsidiary entity, Sportsdirect.com Retail (Europe) SA, was converted to an investment in equity.

## 3. DEBTORS

	2013 (£'000)	2012 (£'000)
Amounts owed by Group undertakings	318	979
Other debtors	995	41
Other taxes and social security costs		61
Prepayments	640	595
	1,953	1,676

## 4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 (£'000)	2012 (£'000)
Trade creditors	1,138	156
Amounts owed to Group undertakings	87,774	38,183
Accruals	190	242
Other taxes and social security costs	39	-
	89,141	38,581

# NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the 52 weeks ended 28 April 2013

## 5. CALLED UP SHARE CAPITAL

	2013 (£'000)	2012 (£'000)
<b>Authorised</b>		
99,500,000 ordinary shares of 10p each	99,950	99,950
494,490 redeemable preference shares of 10p each	50	50
	<b>100,000</b>	<b>100,000</b>
<b>Called up and fully paid</b>		
640,602,369 (2012: 640,602,369) ordinary shares of 10p each	64,060	64,060
<b>Share capital</b>		
At 29 April 2012	64,060	64,055
Issue of shares	-	5
At 28 April 2013	<b>64,060</b>	<b>64,060</b>

## 6. RESERVES

	Share premium account (£'000)	Treasury share reserve (£'000)	Permanent contribution to capital (£'000)	Capital redemption reserve (£'000)	Own share reserve (£'000)	Profit/loss after tax (£'000)
At 29 April 2012	874,300	(55,839)	50	8,005	(57,684)	170,548
Loss for the financial period	-	-	-	-	-	(3,249)
Share-based payments	-	-	-	-	-	528
Share scheme vesting	-	-	-	-	14,656	(14,656)
Purchase of own shares	-	(395)	-	-	(21,347)	-
At 28 April 2013	<b>874,300</b>	<b>(56,234)</b>	<b>50</b>	<b>8,005</b>	<b>(64,375)</b>	<b>153,171</b>

The Company holds 42,137,508 ordinary shares in Treasury

The credit for the share-based payment charge does not equal the charge per the profit and loss account as it excludes amounts recognised in the balance sheet in relation to the expected national insurance contributions for the shares

## 7 RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' FUNDS

	2013 (£'000)
Opening shareholders' funds	1,003,440
Loss for the financial period	(3,249)
Share-based payments	(21,214)
Closing shareholders' funds	<b>978,977</b>

## 8. POST BALANCE SHEET EVENTS

No material post balance sheet events occurred after 28 April 2013 to the date of this Annual Report

**unaudited income statement**

	52 weeks IFRS 28 April 2013 (£'000)	53 weeks IFRS 29 April 2012 (£'000)	52 weeks IFRS 24 April 2011 (£'000)	52 weeks IFRS 25 April 2010 (£'000)	52 weeks IFRS 24 April 2009 (£'000)
<b>Continuing operations</b>					
<b>Revenue</b>	2,185,580	1,835,756	1,599,237	1,451,621	1,367,321
<b>Cost of sales</b>	(1,290,822)	(1,091,480)	(940,330)	(862,490)	(809,685)
<b>Gross profit</b>	894,758	744,276	658,907	589,131	557,636
<b>Selling, distribution and administrative expenses</b>	(689,578)	(594,368)	(527,273)	(524,611)	(463,297)
<b>Other operating income</b>	7,199	3,268	5,289	3,493	4,004
<b>Termination enquiries</b>	-	-	-	(7,800)	-
<b>Legal disputes</b>	-	2,309	(3,128)	(2,186)	-
<b>Impairment of intangible fixed assets</b>	-	-	-	-	(14,832)
<b>Impairment of freehold property</b>	-	-	-	-	(15,682)
<b>Profit on disposal of leasehold property</b>	724	-	-	-	-
<b>Profit on disposal of freehold property</b>	962	-	-	-	-
<b>Profit on disposal of intangible asset</b>	1,624	-	876	-	-
<b>Exceptional items</b>	625	5,619	(2,252)	(9,986)	(30,514)
<b>Operating profit</b>	219,004	158,795	134,671	58,027	67,829
<b>Investment (costs)/income</b>	1,473	(5,800)	(9,481)	24,653	(51,949)
<b>Finance income</b>	3,066	6,426	2,560	40,150	15,927
<b>Finance costs</b>	(111,637)	(8,481)	(8,953)	(10,528)	(23,633)
<b>Share of profit of associated undertakings and joint ventures</b>	1,320	1,558	(8)	7,200	2,482
<b>Profit before taxation</b>	207,226	151,498	118,789	119,502	10,656
<b>Taxation</b>	(55,569)	(45,867)	(35,566)	(30,286)	(26,164)
<b>Profit for the period</b>	151,657	105,631	83,223	89,216	(15,508)
<b>Equity holders of the Group</b>	151,596	106,198	84,173	89,433	(15,838)
<b>Non-controlling interests</b>	61	(567)	(950)	(217)	330
<b>Profit for the period</b>	151,657	105,631	83,223	89,216	(15,508)

2 The five year record has been prepared on the same basis as the financial statements for the 52 weeks ended 28 April 2013, as set out in note 1, basis of preparation, of the consolidated financial statements





## SHAREHOLDER INFORMATION

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### Registrar and transfer office

Computershare Investor Services Plc  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE

### Company Secretary and registered office

Sports Direct International plc  
Unit A, Brook Park East  
Shirebrook  
NG20 8RY  
Telephone 0845 129 9200  
Sports Direct International plc is registered in England and Wales (No. 6035106)

### Solicitors

Freshfields Bruckhaus Deringer  
65 Fleet Street  
London  
EC4Y 1HS

### Brokers

Espinto Santo Investment Bank  
10 Paternoster Square  
London  
EC4M 7AL

Onel Securities Limited  
150 Cheapside  
London  
EC2V 6ET

### Principal Bankers

Barclays Bank plc  
5 The North Colonnade  
Canary Wharf  
London  
E14 4BB

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

### Auditors

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

### Annual General Meeting

The Annual General Meeting of the Company will be held at 3.00pm on Wednesday 11 September 2013 at Sports Direct International plc, The Auditorium, Unit D, Brook Park East, Shirebrook, NG20 8RY. Each shareholder is entitled to attend and vote at the meeting, the arrangements for which are described in a separate notice.

### Results

For the year to 27 April 2014  
Interim management statement 11 September 2013  
Half year results announced 12 December 2013  
Interim management statement 20 February 2014  
Preliminary announcement of full year results July 2014  
Annual report circulated July / August 2014

### Shareholder helpline

The Sports Direct shareholder register is maintained by Computershare who are responsible for making dividend payments and updating the register, including details of changes to shareholders' addresses. If you have a query about your shareholding in Sports Direct, you should contact Computershare's Sports Direct Shareholder helpline on 0870 707 4030. Calls are charged at standard geographic rates, although network charges may vary.

Address The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ  
Website [www.computershare.com](http://www.computershare.com)

### Websites

The Sports Direct website at [www.sportsdirectplc.com](http://www.sportsdirectplc.com) provides news and details of the Company's activities plus information for shareholders and contains real time share price data as well as the latest results and announcements.

### Unsolicited mail

The Company is obliged by law to make its share register publicly available and as a consequence some shareholders may receive unsolicited mail, including from unauthorised investment firms.

For more information on unauthorised investment firms targeting UK investors, visit the website of the Financial Services Authority at [www.fsa.gov.uk](http://www.fsa.gov.uk)

If you wish to limit the amount of unsolicited mail you receive contact

### The Mailing Preference Service

DMA House  
70 Margaret Street  
London  
W1W 8SS

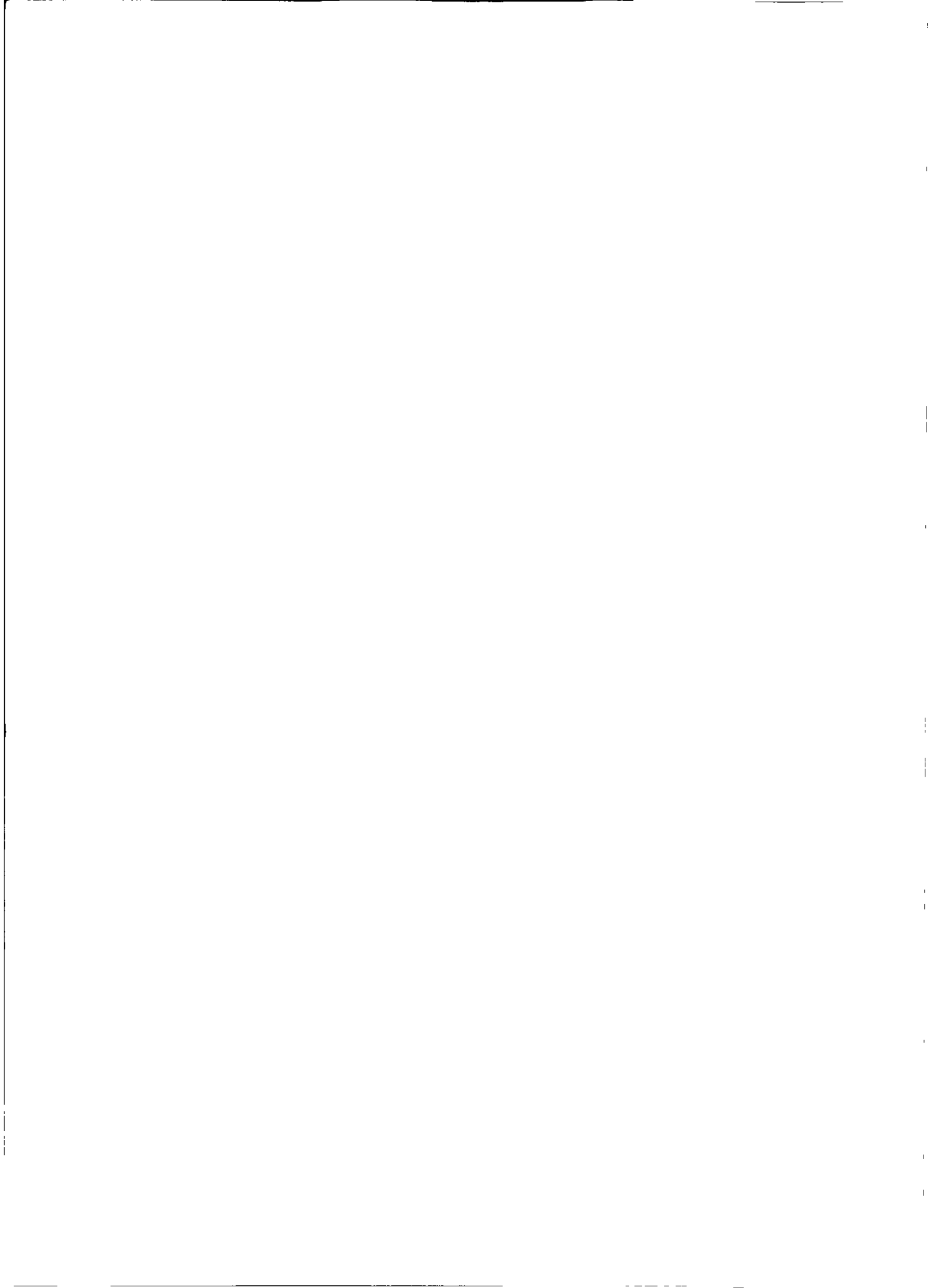
Telephone 020 7291 3310

Fax 020 7323 4226

Email [mps@dma.org.uk](mailto:mps@dma.org.uk) or register on-line at [www.mpsonline.org.uk](http://www.mpsonline.org.uk)



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**SPORTSDIRECT.com**

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[www.sportsdirectplc.com](http://www.sportsdirectplc.com)

