

Registered number: 05142123

**INTERNATIONAL BRAND MANAGEMENT LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 24 APRIL 2016**



## **INTERNATIONAL BRAND MANAGEMENT LIMITED**

### **COMPANY INFORMATION**

<b>Directors</b>	A A Adegoke (appointed 14 October 2016) R I L Stockton (appointed 14 October 2016) M J W Ashley (resigned 14 October 2016) D M Forsey (resigned 14 October 2016)
<b>Company secretary</b>	C J Olsen
<b>Registered number</b>	05142123
<b>Registered office</b>	Unit A Brook Park East Shirebrook NG20 8RY
<b>Independent auditors</b>	PKF Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

# **INTERNATIONAL BRAND MANAGEMENT LIMITED**

## **CONTENTS**

	<b>Page</b>
<b>Directors' report</b>	<b>1 - 2</b>
<b>Independent auditors' report</b>	<b>3 - 4</b>
<b>Profit and loss account</b>	<b>5</b>
<b>Balance sheet</b>	<b>6</b>
<b>Statement of changes in equity</b>	<b>7</b>
<b>Notes to the financial statements</b>	<b>8 - 15</b>

# **INTERNATIONAL BRAND MANAGEMENT LIMITED**

## **DIRECTORS' REPORT FOR THE PERIOD ENDED 24 APRIL 2016**

The directors present their report and the financial statements for the period ended 24 April 2016.

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

### **Principal activity**

The principal activity of the company continued to be the management of brand names and royalties.

### **Results and dividends**

The profit for the period, after taxation, amounted to £1,949,063 (2015: £991,622).

The directors have not recommended the payment of dividend (2015: £Nil).

### **Directors**

The directors who served during the period were as shown on the company information page.

**INTERNATIONAL BRAND MANAGEMENT LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 24 APRIL 2016**

**Disclosure of information to auditors**

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

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

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

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



**R I L Stockton**  
Director

Date: 30 JANUARY 2017

## **INTERNATIONAL BRAND MANAGEMENT LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL BRAND MANAGEMENT LIMITED**

We have audited the financial statements of International Brand Management Limited for the period ended 24 April 2016, set out on pages 5 to 15. 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' 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 Auditors**

As explained more fully in the Directors' responsibilities statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 24 April 2016 and of its profit or loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with those financial statements.

**INTERNATIONAL BRAND MANAGEMENT LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL BRAND MANAGEMENT LIMITED (CONTINUED)**

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.

*PKF Cooper Parry Group Limited*

Richard Jones (Senior Statutory Auditor)

for and on behalf of

**PKF Cooper Parry Group Limited**

Chartered Accountants

Statutory Auditor

Sky View

Argosy Road

East Midlands Airport

Castle Donington

Derby

DE74 2SA

Date: *30th January 2017*

**INTERNATIONAL BRAND MANAGEMENT LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 24 APRIL 2016**

	Note	2016 £	2015 £
<b>Turnover</b>	3	6,396,921	5,884,334
<b>Gross profit</b>		<u>6,396,921</u>	<u>5,884,334</u>
Administrative expenses		(4,063,598)	(4,484,874)
<b>Operating profit</b>	4	<u>2,333,323</u>	<u>1,399,460</u>
Interest receivable and similar income		541	-
<b>Profit before tax on ordinary activities</b>		<u>2,333,864</u>	<u>1,399,460</u>
Tax on profit on ordinary activities	6	(384,801)	(407,838)
<b>Profit for the period</b>		<u><u>1,949,063</u></u>	<u><u>991,622</u></u>

There were no recognised gains and losses for 2016 or 2015 other than those included in the profit and loss account.

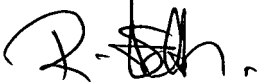
The notes on pages 8 to 15 form part of these financial statements.

**INTERNATIONAL BRAND MANAGEMENT LIMITED**  
**REGISTERED NUMBER: 05142123**

**BALANCE SHEET**  
**AS AT 24 APRIL 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Intangible assets	7	368,045	620,123
<b>Current assets</b>			
Debtors	8	28,159,211	20,027,733
Cash at bank and in hand		618,256	1,465,399
		<u>28,777,467</u>	<u>21,493,132</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(31,446,013)</u>	<u>(26,429,419)</u>
<b>Net current liabilities</b>		(2,668,546)	(4,936,287)
<b>Total assets less current liabilities</b>		(2,300,501)	(4,316,164)
<b>Net liabilities</b>		<u>(2,300,501)</u>	<u>(4,316,164)</u>
<b>Capital and reserves</b>			
Called up share capital	11	1,000	1,000
Other reserves	12	815,012	748,412
Profit and loss account	12	(3,116,513)	(5,065,576)
		<u>(2,300,501)</u>	<u>(4,316,164)</u>

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

  
**R I L Stockton**

Director

Date: 30 JANUARY 2017

The notes on pages 8 to 15 form part of these financial statements.

**INTERNATIONAL BRAND MANAGEMENT LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 24 APRIL 2016**

	<b>Called up share capital</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 27 April 2015	1,000	748,412	(5,065,576)	(4,316,164)
Profit for the period	-	-	1,949,063	1,949,063
Movement on other reserves	-	66,600	-	66,600
<b>At 24 April 2016</b>	<b>1,000</b>	<b>815,012</b>	<b>(3,116,513)</b>	<b>(2,300,501)</b>

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 26 APRIL 2015**

	<b>Called up share capital</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 28 April 2014	1,000	689,532	(6,057,198)	(5,366,666)
Profit for the period	-	-	991,622	991,622
Movement on other reserves	-	58,880	-	58,880
<b>At 26 April 2015</b>	<b>1,000</b>	<b>748,412</b>	<b>(5,065,576)</b>	<b>(4,316,164)</b>

The notes on pages 8 to 15 form part of these financial statements.

## **INTERNATIONAL BRAND MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 APRIL 2016**

#### **1. Accounting policies**

##### **1.1 Basis of preparation of financial statements**

International Brand Management Limited (the company) is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is shown on the company information page.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in Sterling (£), which is the functional currency of the company. The financial statements are for the 52 weeks ended 24 April 2016 (2015: 52 weeks ended 26 April 2015).

The company transitioned from previously extant UK GAAP to FRS 102 as at 28 April 2014. The transition is not considered to have a material effect on the financial statements and no adjustments were necessary to restate the financial statements previously under UK GAAP, including the balance sheet as at 28 April 2014 and the financial statements as at and for the year ended 26 April 2015.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

##### **1.2 Going concern**

The financial statements are prepared on a going concern basis because the company's working capital is financed by Sports Direct International plc. Sports Direct International plc have agreed not to withdraw finance for the foreseeable future.

##### **1.3 Exemptions**

As permitted by FRS 102, the company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, financial instrument disclosures, disclosure of related party transactions with group members and disclosing key management compensation.

Where required, equivalent disclosures are given in the group accounts of Sports Direct International plc. The group accounts of Sports Direct International plc are available to the public and can be obtained as set out in note 13.

##### **1.4 Turnover**

Licensing and royalty revenues in relation to brand-related assets held by the company are recognised on an accrual basis in accordance with the substance of the underlying agreement.

The company manages certain brand names and royalties on behalf of other group companies. Turnover where the company is acting as agent represents fees earned under an agency or management agreement, and is recognised on an accrual basis in accordance with the substance of the underlying agreement.

## **INTERNATIONAL BRAND MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 APRIL 2016**

#### **1. Accounting policies (continued)**

##### **1.5 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

##### **1.6 Financial instruments**

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

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

##### **1.7 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of ruling at the date of the transactions. All differences are taken to the profit and loss account.

##### **1.8 Pensions**

###### **Defined contribution pension plan**

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the company in independently administered funds.

##### **1.9 Taxation**

Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

## **INTERNATIONAL BRAND MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 APRIL 2016**

#### **2. Judgements in applying accounting policies and key sources of estimation uncertainty**

The company makes estimates and assumptions concerning the future. Management are also required to exercise judgement in the process of applying the company's accounting policies. Estimates and Judgements are continually evaluated and are based on historical factors and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **Intangible assets**

The initial recording of intangible assets requires subjective judgments concerning estimates of the fair value of the acquired assets. Management test the value of indefinite-lived intangible assets for impairment each year or whenever events or circumstances indicate such assets may be impaired. The test for impairment involves significant judgment in estimating projections of fair value generated through future performance of each of the reporting units and considers a variety of factors such as the expected use of the cash generating units to which intangible assets are attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

##### **Recoverability of trade debtors**

Trade and other receivables are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

Management makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

##### **Assumptions relating to tax**

Management estimation is required to determine the amount of deferred tax assets or liabilities that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

##### **Provisions**

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.

Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

**INTERNATIONAL BRAND MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 24 APRIL 2016**

**3. Turnover**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Royalty Income	6,396,921	5,884,334

Analysis of turnover by country of destination:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
United Kingdom	1,065,853	1,438,488
Rest of Europe	771,937	539,813
Rest of the World	4,559,131	3,906,033
	<u>6,396,921</u>	<u>5,884,334</u>

**4. Operating profit**

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

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Amortisation of intangible assets	252,078	1,600,504
Auditor's remuneration	7,050	10,060
Exchange differences	(255,785)	(164,317)

**5. Employees**

Staff costs were as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Wages and salaries	568,405	804,158
Social security costs	37,207	71,272
Cost of defined contribution scheme	2,767	6,792
	<u>608,379</u>	<u>882,222</u>

The Company has no employees. Staff costs are recharged by a fellow group company. Directors are employed and remunerated through other group companies.

**INTERNATIONAL BRAND MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 24 APRIL 2016**

**6. Taxation**

	<b>2016 £</b>	<b>2015 £</b>
<b>Foreign tax</b>		
Foreign tax on income for the year	384,801	412,982
<b>Total current tax</b>	<u>384,801</u>	<u>412,982</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	(4,227)
Effect of increased tax rate on opening asset	-	(917)
<b>Total deferred tax</b>	<u>-</u>	<u>(5,144)</u>
<b>Taxation on profit on ordinary activities</b>	<u><u>384,801</u></u>	<u><u>407,838</u></u>

**Factors affecting tax charge for the period**

The tax assessed for the period is lower than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	<b>2016 £</b>	<b>2015 £</b>
Profit on ordinary activities before tax	<u>2,333,864</u>	<u>1,399,460</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	466,773	293,887
<b>Effects of:</b>		
Fixed asset timing differences	-	(9,371)
Non deductible expenses	-	24,236
Foreign corporation tax	-	412,982
Group relief	(81,972)	(926,582)
UK transfer pricing adjustment for notional interest and royalties	-	612,686
<b>Total tax charge for the period</b>	<u><u>384,801</u></u>	<u><u>407,838</u></u>

**Factors that may affect future tax charges**

A reduction in the UK corporation tax rate from 21% to 20% took effect from 2015. Further reductions in the UK tax rate to 19% from 1 April 2017 and 18% from 1 April 2020 have been announced and substantively enacted in October 2015. Following the budget in 2016, a further reduction in the main rate of corporation tax to 17% from April 2020 has been announced but has not been substantively enacted.

**INTERNATIONAL BRAND MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 24 APRIL 2016**

**7. Intangible assets**

	<b>Trademarks £</b>
<b>Cost</b>	
At 27 April 2015 and at 24 April 2016	<u>5,272,084</u>
<b>Amortisation</b>	
At 27 April 2015	4,651,961
Charge for the period	<u>252,078</u>
At 24 April 2016	<u>4,904,039</u>
<b>Net book value</b>	
At 24 April 2016	<u>368,045</u>
At 26 April 2015	<u>620,123</u>

**8. Debtors**

	<b>2016 £</b>	<b>2015 £</b>
Trade debtors	3,955,077	3,801,994
Amounts owed by group undertakings	21,535,281	12,577,577
Other debtors	103,260	17,071
Prepayments and accrued income	2,480,952	3,546,450
Deferred tax asset (see note 10)	84,641	84,641
	<u>28,159,211</u>	<u>20,027,733</u>

An impairment loss of £350,567 (2015 - £73,685) was recognised in administrative expenses against trade debtors during the period.

# INTERNATIONAL BRAND MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 APRIL 2016

### 9. Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	275,908	136,210
Amounts owed to group undertakings	30,225,899	25,019,483
Taxation and social security	-	28,729
Other creditors	34,471	366,278
Accruals and deferred income	909,735	878,719
	<u>31,446,013</u>	<u>26,429,419</u>

### 10. Deferred tax asset

	2016 £
At beginning of period	84,641
Charged to the profit or loss	-
<b>At end of period</b>	<u><u>84,641</u></u>

The deferred tax asset is made up as follows:

	2016 £
Other timing differences	<u><u>84,641</u></u>

### 11. Share capital

	2016 £	2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	<u><u>1,000</u></u>	<u><u>1,000</u></u>

## **INTERNATIONAL BRAND MANAGEMENT LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 24 APRIL 2016**

#### **12. Reserves**

##### **Profit and loss account**

The profit and loss reserve represents accumulated comprehensive income for the current period and prior periods.

A share-based payment charge is allocated from the group plan recognised in Sports Direct International plc, 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 bonus share scheme has been accounted for as an equity settled scheme.

##### **The Executive Bonus Share Scheme**

An award of shares in Sports Direct International plc was granted on 10 September 2010. A number of shares have since lapsed due to the retirement of a director during the prior year. The remaining shares will only vest if the performance conditions are met in the next 3 years.

##### **The Bonus Share Scheme**

The 2011 Sports Direct International plc Bonus Share Scheme was approved by the board on 10 September 2010. The first tranche of the 2011 scheme vested in September 2015. The remaining shares under the 2011 Employee Bonus Share Scheme are due to vest in 2017. Under the Scheme certain employees are eligible for awards on a pro-rata basis depending on their length of service within the Group. Awards under the 2011 scheme are granted at either 100%, 75%, 50% or 25% of the employees' base pay.

The 2015 Sports Direct International plc Bonus Share Scheme was approved by the board on 2 July 2014. The scheme was due to vest in 2019 and 2021, subject to the achievement of EBITDA targets for the years FY16 to FY19 and service conditions (continued employment) being met.

The first year EBITDA target of the 2015 Bonus Share Scheme has not been met, and under the Share Scheme rules, the entire Share Scheme falls away and does not complete. The Board and Group Executives are working towards developing a new incentive structure that continues to align the interests of our employees and shareholders, and enables our employees to share in the success of the Group.

#### **13. Ultimate parent undertaking and controlling party**

The ultimate controlling party is M J W Ashley, by virtue of his 100% ownership of MASH Holdings Limited, the ultimate parent company. MASH Holdings Limited indirectly holds the majority of shares in Sports Direct International plc (the immediate parent company).

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