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**SPORTSDIRECT.com**

# INVESTING FOR THE FUTURE

**Annual Report & Accounts 2016**



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The Sports Direct International plc website is available on multiple platforms including mobile devices

Go online at [www.sportsdirectplc.com](http://www.sportsdirectplc.com) & [www.sportsdirect.com](http://www.sportsdirect.com)



Founded in 1982, Sports Direct International plc (**Sports Direct, Group or the Company**) is today the UK's largest sporting goods retailer, and operates a diversified portfolio of sports, fitness, fashion and lifestyle fascias and brands

We aspire to be a leading sports and lifestyle retailer internationally and to deliver sustainable growth for our shareholders in the medium to long term by offering our customers an unrivalled range of high quality leading brands and maximising the efficiency, capacity and effectiveness of our operations to deliver this experience

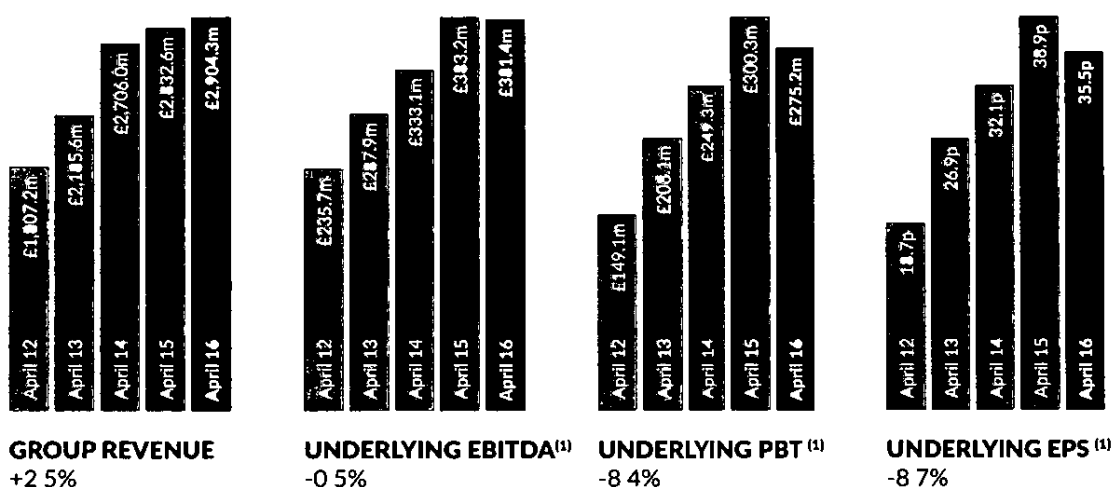
The Group provides a full multi-channel retail approach across its fascias in the UK and increasingly across its fascias in continental Europe. The Group also wholesales and licenses its Group Brands to partners in the UK, continental Europe, the Americas, and the Far East.

Each year Sports Direct's c 29,000 people work together to serve customers and collaborate with our global wholesale and licensing partners to promote the Group's Brands



# FINANCIAL HIGHLIGHTS

- Sports Retail revenue increased by 0.6% (excluding Heaton's)
- Sports Retail like-for-like stores gross contribution decreased by 0.8% (FY15 increased by 7.4%)
- Underlying profit before tax decreased by 8.4% to £275.2m <sup>(1)</sup>
- Underlying earnings per share decreased by 8.7% to 35.5p <sup>(1)</sup>
- Underlying free cash generation of £309.1m <sup>(2)</sup>
- Net debt increased to £99.6m (£59.7m at 26 April 2015) <sup>(3)</sup>
- Continued investment in inventory and strategic stakes while maintaining a strong balance sheet



(1) Underlying EBITDA, underlying profit before taxation and underlying EPS exclude realised foreign exchange gains/losses in selling and administration costs, exceptional costs and the profit/loss on sale of strategic investments. Underlying EBITDA also excludes the Share Scheme charges.

(2) Underlying free cash generation is defined as operating cash flow before working capital made up of underlying EBITDA (before Share Scheme costs) plus realised foreign exchange gains and losses, less corporation tax paid.

(3) Net debt is borrowings less cash held.

"The Group has delivered a disappointing full year financial performance impacted primarily by a tough trading environment in the second half across our Sports Retail businesses

Our continued investment in upgrading and relocating stores, including 'Key Location Doors' such as Leeds and Plymouth, has been well received by our leading third party suppliers

Unfortunately our disappointing results have meant that the Group has not achieved the first EBITDA target set by the 2015 Share Scheme, which is a key long term share-based incentive scheme that rewards eligible staff for their hard work and commitment, and is based on the achievement of four consecutive full year EBITDA targets. This is very disappointing as the Share Scheme is a significant part of our high performance and reward culture and we are working to replace this arrangement to continue to reward our people for their commitment and performance

I would like to thank all of our people for being part of the Sports Direct team in what has been a particularly tough year for the Group. Thank you for all your hard work this year and in the past, and I look forward to our future achievements"

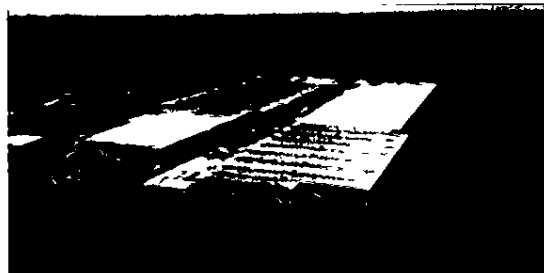
**Dave Forsey**  
Chief Executive  
7 July 2016

# OPERATIONAL AND BRAND HIGHLIGHTS



## CONTINUED ROLL OUT OF LARGE FORMAT 'KEY LOCATION DOORS'

Our 'Key Location Doors' enable us to construct exceptional visual merchandising and specialist performance areas often in partnership with leading third-party brand partners



## LATEST PHASE OF ONGOING SHIREBROOK CAMPUS DEVELOPMENT NOW COMPLETE

An additional c 700,000 sq ft of warehouse and office space was added to the site. It is the Group's central hub for all third party and Group branded product



## COMPLETED THE ACQUISITION OF REMAINING 50% OF THE HEATONS IRISH BUSINESS

The acquisition will build upon the Group's existing relationship with Heatons and strengthen our presence in the Republic of Ireland



## USA PRO PARTNER WITH LITTLE MIX

World-famous artists Little Mix became the new global ambassadors for the female fitness brand and will launch a co-branded range of sportswear for the female fitness market



## ELEVATION AND ENHANCEMENT OF THE SPORTSDIRECT.COM WEBSITE

Enabling us to further support better and best product distribution with emphasis on key brand and category 'store in store' concept landing pages. New platform allows for full integration between our website and social channels

# UNRIVALLED RANGE OF LEADING BRANDS



Our relationship with the adidas-group has never been better. Through dedicated teamwork and an improved joint business planning process we have been able to deliver significant sales growth with the adidas brand through FY16.

Not only in the football category where it has dominated market share this year with its integrated all door launch of the X Ace and Messi boot silos and an excellent launch with Manchester United but also across a range of categories which we feel reflects its growing brand appeal in the European marketplace.

To maintain this momentum through FY17 it is investing a record amount of money with us to drive sell through at the point of sale, both online and in-store which will be supported by a brand new adidas-group Training Academy at our head office facility in Shirebrook due to open in July 2016.





The focus of much of our activity with Nike throughout the year has continued to be on elevating our retail environments and the Nike brand presentation within them to provide our customers with great shopping experiences

To support us with this ambition Nike has invested heavily in the team dedicated to the Sports Direct business which now numbers more than 20, ensuring the Nike brand spaces in the key categories of Training Football and Running are well stocked and excellently presented 365 days a year. Recently we have engaged with them on a couple of projects to launch new Nike brand pages on our SoccerScene website with a view to taking these learnings onto the main SPORTSDIRECT.com website in due course. We are also developing a new branded Young Athletes area in store to build upon the success of the one launched in Oxford Street earlier this year.

5



## UNRIVALLED RANGE OF LEADING BRANDS Continued



We have had some truly inspiring team to team meetings with the Under Armour brand this year and are excited about the potential this brand has to offer our customers and our business

It was the first brand to work with us in developing its own homepage on SPORTSDIRECT.com which typifies its agility and speed to market and makes it an appealing partner for us. Following the success of our Under Armour 'store in store' installation in Argyle Street, we have rolled out branded men's training areas to all our tier one stores. In FY17 we will build upon this and aim to increase the focus on Women's Training, Footwear and Football to offer our customers a much more integrated Under Armour brand experience.







## KARRIMOR

Karrimor continued its multichannel running campaign, with predominant focus on digital, and in-store channels, to coincide with the world renowned London Marathon. The campaign focused on the latest running apparel and footwear. This coincided with Karrimor ambassador James Cracknell running the 2015 and 2016 marathons. Karrimor also launched its 'Run Knit Your Way' campaign across multiple channels to promote its revolutionary knitted trainer range.



## SLAZENGER

Slazenger continued its long-term partnership with Wimbledon, which has now stood for 114 years, the longest partnership in sporting history. The partnership is a perfect reflection of the prestige and longevity of the brand and serves to showcase Slazenger worldwide on the biggest stage there is. In addition to this, Slazenger announced England international cricketer Jason Roy as its latest cricket ambassador. Jason is regarded as one of the world's most promising young players, and we look forward to the increasing impact he will have on the world stage. In swimming, Slazenger was proud to announce four-time Olympic Medallist Rebecca Adlington as a brand ambassador. Rebecca is a fantastic representative of the sport and we look forward to working closely with her.



## LONSDALE

Throughout the year Lonsdale has continued to go from strength to strength, further establishing its position in the fight sports market. The brand has been showcased to fight fans at BAMMA, and announced undefeated BAMMA fighter Marc Diakiese as its latest brand ambassador.



## EVERLAST

Everlast has continued to hold its position as the leader in fight sports equipment. Additionally it has increased share-of-voice in the fitness and wellness markets. A major focus has been announcing #TeamEverlast, a roster of over 25 athletes like Deontay Wilder, Canelo Alvarez, Luke Campbell and Jon Jones. A new site accessed from Everlast.com will tell their stories and be a daily destination for content. Additionally, Everlast has built a Media Team that now produces a number of original web series and a podcast called Talkbox, hosted by boxing journalist Mike Woods. To help earn credibility in the fitness market, Everlast has announced a partnership with National Association of Sports Medicine (NASM), the largest personal training certification in the world, and released Everlast FIT – a certification for personal trainers that combines traditional fight sports training with functional full-body strength and conditioning.



## NO FEAR

No Fear made the exciting announcement that British snowboarder and GB Olympian Billy Morgan would be joining as a brand ambassador. Billy continues to win plaudits across the world for his snowboarding and we are excited to have him on board.



## USA PRO

USA Pro continued its work with world-famous artists Little Mix, and are set to announce a co-branded range which is a perfect reflection of how USA Pro is continuing to expand its product offering and increase its share in the female fitness market.

# SPORTS DIRECT AT A GLANCE

Sports Direct is the UK's largest sporting goods retailer and operates a diversified portfolio of sports, fitness, fashion and lifestyle fascias and brands

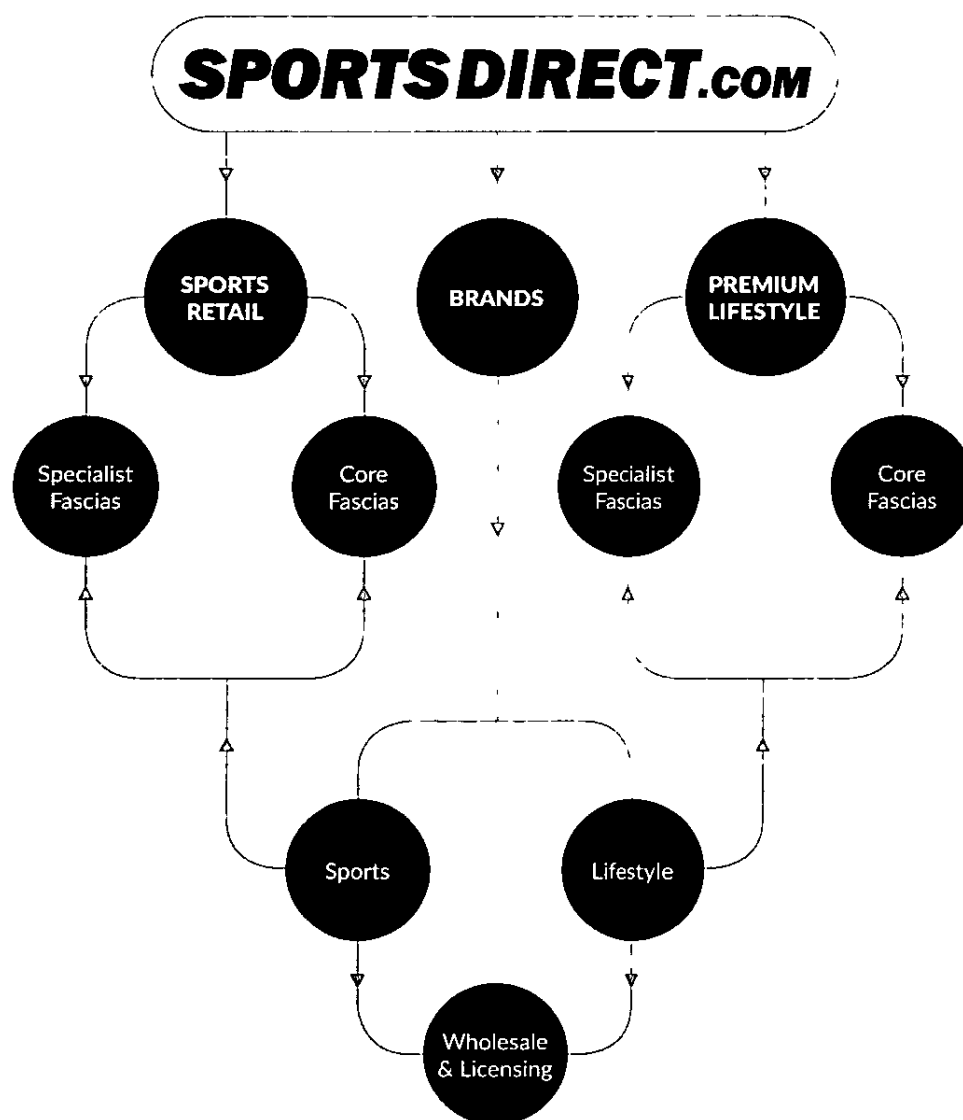
We aspire to be a leading sports and lifestyle retailer internationally and to deliver sustainable growth for our shareholders in the medium to long term by offering our customers an unrivalled range of high quality leading brands and maximising the efficiency, capacity and effectiveness of our operations to deliver this experience

The Group provides a full multi-channel retail approach across its fascias in the UK, and increasingly across its fascias in continental Europe. The Group also wholesales and licenses its Group Brands to partners in the UK, continental Europe, the Americas and the Far East.

Each year Sports Direct's c 29,000 people work together to serve customers and collaborate with our global wholesale and licensing partners to promote the Group's brands

The Group continues to enhance its store portfolio and Sports Retail now operates out of over 733 stores in the UK and internationally

The Group operates through three strategic business segments: Sports Retail, Brands and Premium Lifestyle





## STORE COVERAGE

(No. of Stores)	Sports Direct UK & ROI	Sports Direct Europe	Premium Lifestyle
2015	440*	221	103
2016	500	233	83

2015 Comparatives exclude Heaton's stores in Northern Ireland and Republic of Ireland as this business was acquired in FY16

# SPORTS RETAIL

**86% Total Revenue £2,491.6m Up 3.9%**

The Group's Sports Retail division supplies the broadest range of sports and leisure equipment and apparel from the world's leading global brands across the UK and continental Europe. In the UK, we also operate 30 fitness gyms, of which three are combined with retail destinations, as we seek to enhance and broaden our customer offer.

In the UK, our predominant fascia is SPORTSDIRECT.com, which offers customers unbeatable value across our range, a customer proposition which has helped to define Sports Direct's leading market position in the UK, and to which the Group has extended to its fitness offering. Our other Sports Retail fascias include Lillywhites, which also offers a similarly broad range of brands and products at unbeatable value to our customers.



Our fascias offer a full multi-channel retail approach in the UK and our store footprint is significant with over 700 stores and concessions across the UK and Continental Europe, totalling c 8.25m sq. ft. in retail space

## SPORTS RETAIL

**SPORTS  
DIRECT.COM**

*Lillywhites*

## SPECIALIST SPORTS

**field & trek.com**

*sweatshop.com*  
WE KNOW RUNNING

**DIRECTGOLF.co.uk**

*ROBINSONS*  
EQUESTRIAN.COM

Similarly the Group delivers its extensive e-commerce sites and websites through one platform, and has invested to improve the customer experience and efficiency of shopping online across all of our sites. The Group's web platform is supported by the completion of our enlarged National Distribution Centre at Shirebrook, which has improved our inventory capacities and availability, and delivery processes and times.



# BRANDS

**8% Total Revenue £231.5m Up 2.3%**

The Brands division operates our globally renowned heritage Group Brands, and our wholesale, licensing and distribution relationships across the world as well as our partnerships with third party brands that we license-in to sell in Sports Retail and Premium Lifestyle products

The Group owns brands which are managed both individually and centrally within this division. This unique, integrated approach to brand management leverages the expertise of our people, encourages innovation and ensures consistency across our brands

We maintain significant investment in our brands to preserve value, and are proud to have a number of high-profile sporting and entertainment personalities as well as international sporting events and sporting venues as ambassadors for our brands

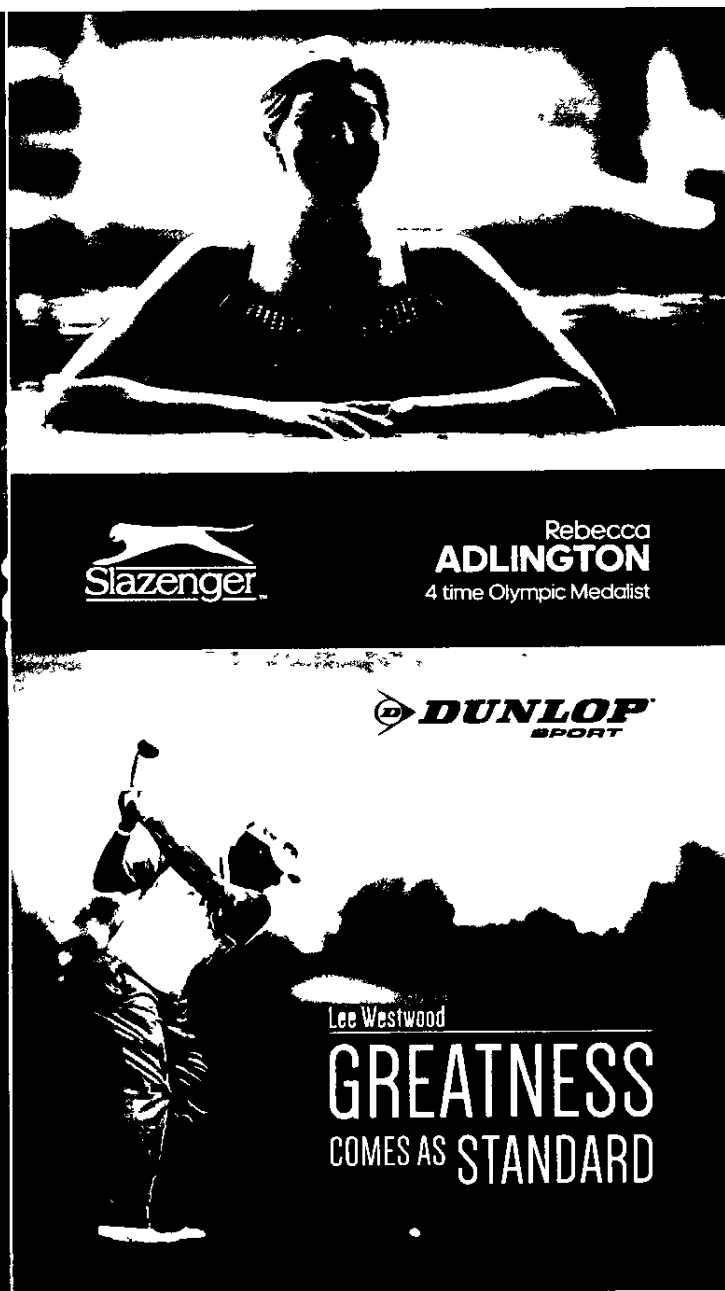


USA PRO ♥ Little Mix

#joinourmovement

SWEAT BURN LYN

Advertisement for USA PRO and Little Mix. The image shows four members of the band Little Mix in athletic wear. The text 'USA PRO ♥ Little Mix' is at the top, and '#joinourmovement' is at the bottom. One member's leggings have 'SWEAT BURN LYN' written on them.



Slazenger

Rebecca ADLINGTON  
4 time Olympic Medalist

DUNLOP SPORT

Lee Westwood  
GREATNESS COMES AS STANDARD

Advertisement for Slazenger, Rebecca Adlington, and Lee Westwood. The top section features Rebecca Adlington in a swimming pool with the Slazenger logo and her name. The bottom section features Lee Westwood in a golfing pose with the Dunlop Sport logo and the text 'GREATNESS COMES AS STANDARD'.



## SPORTS & LEISURE

 **DUNLOP**  
SPORT

 **Slazenger**

 **Sondico**

 **EVERLAST**

**MUDDYFOX**

**USA PRO**

 **NO FEAR**

 **karrimor**

**ANTIGUA**  


**CAMPRI**

 **LONSDALE**  
LONDON

**NEVICA**

**TITLE**

**DONNAY**

 **carlton**

**LAGEAR**

**SILVERFOX**

**gelert** 

## FASHION & LIFESTYLE

 **SOVIET**

**SOULCAL&CO**



**Firetrap**



**golddigga**

 **voodoo dots**

**FULLCIRCLE**

**CRAFTED**

**MISO**

**FABRIC**

# PREMIUM LIFESTYLE

**6% Total Revenue £181.2m Down 12.7%**

The Group's Premium Lifestyle division offers a broad range of clothing, footwear and accessories from leading global contemporary and luxury retail brands through our fascias in the UK. Flannels, USC, Cruise and van mildert. Each fascia operates as a multi-brand premium retail destination and is focused on providing fashion conscious shoppers with high-end and on trend products.

Each of our fascias offers a full multi-channel retail approach and is supported by our Group wide centralised commercial and support functions, giving the benefit of scale and operating efficiencies to each fascia. In certain locations, our Premium Lifestyle stores are co-located alongside our Sports Retail stores to benefit from increased customer footfall and operating synergies.



**FLANNELS.com**

**USC**  
USC.CO.UK

**CRUISE**

**PULP**

**van mildert**



# CHAIRMAN'S STATEMENT

## OVERVIEW

The Group's financial performance has been disappointing in what has been a tough year for trading and external attention on the business. With this performance, it is with regret that I note that we did not achieve the FY16 EBITDA target of £420m in relation to the Group's 2015 Share Scheme for eligible employees. The Board is currently working on developing a new incentive scheme to replace this and ahead of this I would like to thank all of our people for their continued hard work and commitment during what has been a difficult time.

## OUR VALUES AND PEOPLE

Sports Direct has been built on the expertise and passion of our people from day one. The Group's values are operating as one team, planning for success, striving to lead and energise others, doing things the right way, creating a good impression, wowing our customers, and, delivering results. Our values and the development of our people have underpinned our high performance and high reward culture, which has driven the Group's success since it was founded in 1982.

During the year the Group received serious criticism regarding some of its workplace practices, particularly in relation to its agency workers in the warehouse of the Group's Shirebrook campus, which we have taken very seriously. The Board made it a priority to undertake a review of what was raised and from the preliminary findings a number of measures were put in place to address the concerns. These included an increase in pay for the Group's directly employed UK employees and directly engaged casual workers from being on the National Minimum Wage to being above the National Minimum Wage from 1 January 2016. This was implemented without any reduction in existing benefits.

Since the end of FY16, the Group's Executive Deputy Chairman, Mike Ashley, has given evidence to the Business, Innovation and Skills Select Committee regarding the assertions made in relation to the Company's workplace practices. The Board has set in motion a review of the specific concerns.

Additionally following year end, the Board was informed of the decision of the Chief Executive, Dave Forsey, to forego the vesting of 1m shares due to him in September 2017 under the Executive Share Scheme. At the time of the announcement this represented a value of approximately £3.6m. The Board believes that this decision is very much reflective of the Executive Directors sharing risk with shareholders and taking responsibility for results that fell short of their expectation.

## STRATEGIC ACQUISITIONS AND INVESTMENTS

The Board remains committed to our organic and inorganic growth strategy and will continue to maintain an appetite for strategic opportunities alongside the work being conducted on the review of the Group's people strategy.

The Group's acquisition and investments strategy, parameters and decision-making is performed by the Board and delegated at a certain materiality level to be performed by the Executive Directors within the agreed strategy. The Group is focused on opportunities that will deliver extensions or enhancements to our customer offering, broaden or enhance our commercial relationships, broaden or enhance our retail channels, selectively grow our market share, further diversify our operations, further expand our gross margin and/or deliver operational efficiencies. Given the breadth of our business, our strategic benefits can be varied and extensive, and the Group employs an array of mechanisms to facilitate strategic discussions with potential partners towards varied strategic goals.

This year we were pleased to announce the acquisition of the remainder of the Heaton's business in Northern Ireland and the Republic of Ireland, which will build upon the Group's existing relationship with Heaton's and strengthen our presence in one of the fastest growing economies in Europe. We also announced the extension of our strategic investment interest in Debenhams Retail plc (Debenhams). Through this investment interest we have developed a commercial relationship with Debenhams and currently have nine concessions throughout Debenhams stores which provide mutual benefits for both parties.

## BOARD PRIORITIES

In FY16, our priorities have been focused on leadership, remuneration for performance and enhancing the working conditions of our people as I have discussed, and, working with the Executive Directors to develop strategic priorities and plans for the Group.

In terms of the Board's focus on leadership, our search for independent directors to add complementary expertise and further diversify the board is ongoing and forms part of the Board's succession plans.

We continue to be very appreciative of the work and efforts of our Acting Chief Financial Officer, Matt Pearson. Matt is still acting in this role and the Board expects to be able to make a decision on his role in due course.

## POTENTIAL SHARE BUYBACK

Further to the authority to repurchase shares granted by the Company's shareholders at its 2015 Annual General Meeting (AGM), and in light of current volatility in equity markets, the Company announced on 7 July 2016 that it is considering commencing a share buyback, the purpose of which would be to reduce its share capital.

## MIKE ASHLEY'S SHAREHOLDING

In response to repeated press speculation about his intentions with regards to his shareholding in Sports Direct, Mike Ashley has confirmed to the Board that he has no current intention of taking the Company private, and has indicated his willingness for the Company to confirm this statement publicly.

## DIVIDEND

The Board has decided not to propose a dividend in relation to FY16. The Board remains of the opinion that it is in the best interests of the Group and its shareholders to preserve financial flexibility, facilitating future investments and other growth opportunities. The payment of dividends remains under review.

**Dr Keith Hellawell QPM**  
Non Executive Chairman

7 July 2016

# OUR BUSINESS

From our beginnings as a standalone sports store in Maidenhead in 1982 Sports Direct has today become the UK's largest sporting goods retailer, and operates a diversified portfolio of sports, fitness, fashion and lifestyle fascias and brands. We aspire to be a leading sports and lifestyle retailer internationally and to deliver sustainable growth for our shareholders in the medium to long term.

Each year Sports Direct's c 29,000 people work together to serve customers and collaborate with our global wholesale and licensing partners to promote the Group's brands.

Our culture is very important to us and our values are vital to maintaining our culture. Our values are: operating as one team, planning for success, striving to lead and energise others, doing things the right way; creating a good impression, wow-ing our customers and, delivering results. Our values and the development of our people have underpinned our high performance and high reward culture, which has made Sports Direct the successful business that it is today.

## BUSINESS MODEL

Our business model is focused on delivering our strategy to offer an unrivalled range of high quality leading brands to our customers and maximising the efficiency, capacity and effectiveness of our operations to deliver this experience. Below we have outlined our business model in more detail by outlining our offer to customers: our fascias and retail channels, our Group Brands and third party brand partners, our National Distribution Centre at our Shirebrook campus, our centralised commercial and support functions, and our people.

## OUR OFFER TO CUSTOMERS

Our overarching commitment to our customers is to deliver the broadest range of high quality leading brands – both third party brands and Group Brands – with different customer value propositions across our Sports Retail and Premium Lifestyle fascias.

In Sports Retail we offer a complete range of sporting apparel, footwear and equipment through our predominant fascia, SPORTSDIRECT.com, which offers customers unbeatable value across all of our brands and products.

In 2014 we extended our customer proposition to include fitness. The Fitness Division comprises 30 gyms located across the UK. Our sites were largely accumulated through the acquisition of 25 LA Fitness gyms as well as a further three gyms which have been co-located with SPORTSDIRECT.com retail stores. The Fitness Division similarly offers customers unbeatable value in gym memberships.

In Premium Lifestyle, our main fascias are Flannels, USC, Cruise and van Mildert and each offer fashion conscious shoppers a premium multi-brand retail destination with high-end and on trend products.

## OUR FASCIAS AND RETAIL CHANNELS

Having a range of specialist fascias assists the Group to appeal to more customers and customer needs, and brings the benefit of scale and efficiency to smaller and more niche fascias to improve their profitability and viability long term.

Our channels include standalone stores and multi-fascia retail spaces, concessions within department stores, such as Debenhams and Heaton's, and online.

Our store footprint is significant and typically situated in prime retail shopping areas or in out of town shopping destinations. Across our Sports Retail fascias we have over 700 stores and across our Premium Lifestyle fascias we have 83 stores.

We are always seeking to improve our in-store customer experience and have a programme of investment allocated to reconfiguring, upgrading and relocating our stores, with a focus on opening larger format stores, or 'Key Location Doors', to further enable us to offer our customers the broadest range of leading brands in an inspiring store environment. Larger stores enable the creation of retail destinations which incorporate more than one fascia and offering. This appeals to more customers, and generates operating synergies for the Group.

Online, the Group has invested to operate one web platform which supports all of the Group's websites and e-commerce sites, maximising the efficiency of the Group's investment to improve the online customer experience. All of the Group's websites and e-commerce sites are fully responsive to mobile phones and tablets, which is increasingly important as more and more of our customers are using these to browse and shop online.

## OUR SHIREBROOK CAMPUS

During the year the Group completed the latest phase of our ongoing Shirebrook campus development, our National Distribution Centre, which added an additional c 700,000 sq. ft. of warehouse and office space to the site. It is the Group's central hub for all third party and Group branded product.

The extension has enhanced our supply chain and distribution capabilities, the Group's online capacity, improved our office space and ability to bring teams together to benefit from co-location, and enhanced our training environment for staff, with an International Training Centre supported by Nike and Puma located on site. The additional office space has also enabled us to incorporate more office space for third party brand partners to help us to continue to work closely together on building a better business.

## OUR GROUP BRANDS

Since we acquired our first heritage brand, Donnay, in 1996, the Group now has a significant portfolio of world famous heritage brands, which we offer via our fascias, and also wholesale and license to partners internationally. Alongside our Group Brands we work with our leading third party global brand partners and provide significant prominence to these specialists with our customers in our stores and online.

Our Group Brands and third party brands are managed by central brand and marketing teams. This centralised structure significantly benefits the Group by enabling the individual brands to participate in Group buying and sourcing, aggregated supplier relationships and enhanced supply chain disciplines, Group stock monitoring and replenishment and more inspired and harmonious visual merchandising in store.

We are committed to investing in our brand experience alongside our third party brand partners to continually generate brand awareness and value. In addition to appointing internationally-recognised celebrities and sporting professionals as brand ambassadors, the Group Brands also partner with major sporting events and venues, bringing our passion for sport to life.

Our Group Brands include Karrimor, Slazenger, Dunlop and Everlast, and across all of our Group Brands we support 258 wholesale and licensing partners globally. Our focus has consistently been to grow our licensing partners to further build our reach and presence in existing and new markets, driving growth and profitability.

## OUR CENTRALISED COMMERCIAL AND SUPPORT FUNCTIONS

The Group operates centralised commercial and support functions which are based at our Shirebrook campus.

Our Head Office team works across Retail, Buying, Brands, HR, Warehousing, IT, Property, E-commerce, Legal, Mergers and Acquisitions, and Finance. These functions reside in the office space and work alongside our people in the Shirebrook warehouse, transport and retail stores.

Having centralised commercial functions brings a significant scale benefit to the businesses within the Group, which enhances the efficiency of day-to-day operations and enables significant synergy potential when approaching acquisitions.

## OUR PEOPLE

Our team is comprised of c. 29,000 people who make Sports Direct the successful company that it is today.

The Board is committed to ensuring that all of our people have the opportunity to be inspired, stimulated, motivated, and empowered. We believe that it takes every single team member to make a difference and drive performance, and we are committed to developing and rewarding our people to enable the Group to achieve its future growth plans.

Training and development is a very important part of our commitment to our people. Our programmes form part of our employee attraction and retention strategies, and have accelerated the growth of many careers at Sports Direct. We prefer to hire from within and retain our people to continually improve our business, and our training and development programmes enable us to do that. Our programmes include both personal development and product knowledge courses, from our "Home Grown" Talent Management programme, to Customer Service Training and specialist Footwear Masterclasses run by our third party brand partners. We have also extended our programmes to some of our newer team members who have joined through acquisitions.

Consistent with our high performance and high reward culture, in addition to salaries and other benefits, the Group also offers share schemes for eligible participating employees. The Group introduced share schemes in 2009 as a way of attracting, motivating and incentivising our existing and future employees by aligning the interests of our team with our shareholders and giving our employees the opportunity to participate in the success of the Group. While the Group successfully achieved the targets relating to the 2011 Share Scheme, the 2015 Share Scheme prescribed four EBITDA targets to be achieved over consecutive years for the Share Awards to vest at the end of the scheme. In 2021, it is disappointing to note that the Group has not achieved the first EBITDA target set by the 2015 Share Scheme, and so the 2015 Share Scheme has fallen away and the Share Awards can no longer be achieved. As discussed earlier in this report, the Board is currently working towards developing a new incentive scheme that continues to align the interests of our employees and shareholders. Further information about the Group's approach to its people can be found in the Corporate Social Responsibility Report on pages 28 to 35.

## OUR STRATEGY

We aspire to be a leading sports and lifestyle retailer internationally and to deliver sustainable growth for our shareholders in the medium to long term. The Group's strategy is to offer an unrivalled range of high quality leading brands to our customers and maximise the efficiency, capacity and effectiveness of our operations to deliver this experience. It is based on four key objectives which are outlined in the diagram below. Discussion of the Group's strategic initiatives is outlined in the Chief Executive's Report and Business Review on page 18.



# CHIEF EXECUTIVE'S REPORT AND BUSINESS REVIEW

FY16 has been a challenging year and the Group has delivered a disappointing full year financial performance impacted primarily by a tough trading environment in the second half across our Sports Retail businesses. Our continued investment in upgrading and relocating stores, including 'Key Location Doors' such as Leeds and Plymouth, has been well received by our leading third party brand partners.

## KEY PERFORMANCE INDICATORS

The Board manages the Group's performance by reviewing a number of Key Performance Indicators (KPIs). The KPIs are discussed in this Chief Executive's Report and Business Review, the Financial Review, and the Corporate Social Responsibility Report. The table below represents the most important of these KPIs.

	52 weeks ended		
	24 April 2016	26 April 2015	27 April 2014
<b>FINANCIAL KPIs</b>			
Group revenue	£2,904.3m	£2,832.6m	£2,706.0m
Underlying EBITDA <sup>(1)</sup>	£381.4m	£383.2m	£331.1m
Sports Retail gross margin	44.6%	44.6%	42.9%
Sports Retail like-for-like stores gross contribution <sup>(2)</sup>	-0.8%	+7.4%	+10.5%
Underlying earnings per share <sup>(3)</sup>	35.5p	38.9p	32.1p
<b>NON-FINANCIAL KPIs</b>			
No. of Sports Retail stores <sup>(4)</sup>	733	661	629
Workforce turnover	22.0%	18.7%	19.2%
Cardboard recycling	10,000 tonnes	9,526 tonnes	9,230 tonnes

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

(2) 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.

(3) The method for calculating underlying earnings per share is set out in the Financial Review.

(4) Excluding associates and stores in the Baltic states that trade under fascias other than SPORTLAND or SPORTSDIRECT.com

## PROGRESS ON OUR STRATEGIC INITIATIVES

Sports Direct aspires to be a leading sports retailer internationally and to deliver sustainable growth for our shareholders in the medium to long term by offering our customers an unrivalled range of high quality leading brands, and maximising the efficiency, capacity and effectiveness of our operations to deliver this experience. This strategy has delivered shareholder growth and generated rewarding careers for many of our people over our 34-year history, and the Board believes it is important that we continue to strive to live our values, and to evolve and embed our high performance culture to continue to work towards achieving our goals in the medium to long term.

We remain committed to our organic and inorganic growth strategy alongside the review of our people strategy, and will continue to maintain our active search for strategic opportunities, both in our existing markets and in new territories.

Below we have outlined the progress on our key strategic initiatives for FY16.

### Strategic acquisitions and investments

The Group's acquisition and investments strategy, parameters and decision-making is performed by the Board, and delegated at a certain materiality level to be performed by the Executive Directors within the agreed strategy. The Group is focused on opportunities that will deliver extensions or enhancements to our customer offering, broaden or enhance our commercial relationships, broaden or enhance our retail channels, selectively grow our market share, further diversify our operations, further expand our gross margin, and/or deliver operational efficiencies.

Given the breadth of our business, our strategic benefits can be varied and extensive, and the Group employs an array of mechanisms to facilitate strategic discussions with potential partners towards varied strategic goals.

During the year we completed the acquisition of the remainder of the Heaton's business in Northern Ireland and the Republic of Ireland for consideration of €48.0m. The acquisition will build upon the Group's existing relationship with Heaton's and strengthen our presence in the Republic of Ireland. Additionally during the year, we also acquired a standalone gym in West London to add to our Fitness Division.

### Completion of our Shirebrook Campus

In late 2015 the Group completed the latest phase of our ongoing Shirebrook campus development, our National Distribution Centre which added an additional c 700,000 sq. ft. of warehouse and office space to the site.

The extension has enhanced our supply chain and distribution capabilities, the Group's online capacity improved our office space and ability to bring teams together to benefit from co-location and enhanced our training environment for staff, with an International Training Academy supported by Nike and Puma located on site. The additional office space has also enabled us to incorporate more office space for third party brand partners to help us to continue to work closely together on building a better business.

#### **Developing our stores and in-store customer experience**

Consistent with our plans in FY15, this year we have focused on re-locating, re-configuring and upgrading our store portfolio across all of our fascias and geographies to enhance the customer experience.

We have continued our focus on growing our larger format stores, our 'Key Location Doors', and this year we opened Leeds and Plymouth, and we recently announced the acquisition of the freehold property at 161-167 Oxford Street, London. This property, once redeveloped, will operate as a flagship site in London for a c 20,000 sq ft Flannels.com store and c 20,000 sq ft of prestige office space.

Our 'Key Location Doors' enable us to construct exceptional visual merchandising and specialist performance areas, often in partnership with leading third-party brand partners, creating an inspiring store experience for our customers, and a rewarding experience for our third-party brand partners. With this investment in stores, we expect to be able to offer our customers even more in premium ranges from leading global brands as well as the Group's 'better' and 'best' branded products, as part of our commitment to offer the broadest range of brands in our stores and online.

With the acquisition of the remainder of Heaton's completed during the year, the Group plans a substantial investment in the Heaton's store portfolio over the coming years to enhance the sports offering and to continue to develop the store experience.

#### **Extending the Fitness Division**

During the year we opened two gyms which were co-located with SPORTSDIRECT.com retail stores in Newport and St Helens. The gyms offer membership value consistent with SPORTSDIRECT.com. This is a proactive strategy to capture market share in the low cost fitness market and to generate synergies from co-locating our gym and retail offering, given the natural lifestyle fit.

#### **Enhancing our online offering**

Online is a growing channel for the Group and we have always maintained discipline to ensure that this channel is profitable. In FY16 we made a number of enhancements to our websites, which included improved search capabilities, optimisation of the speed of the platform, enhancing the platform for mobile and tablet devices and improvements in security and data protection. We have also fully integrated the SPORTSDIRECT.com website with social media channels, to execute partner marketing initiatives, and developed an additional 14 non-UK local websites to facilitate demand and complement our stores in these countries.

#### **Building our world famous brand portfolio**

The Group is dedicated to enhancing the value of our Group Brands and during the year we successfully appointed internationally-recognised celebrities and sporting professionals as brand ambassadors, as well as announcing that Slazenger had secured a further three year partnership with The Championships, Wimbledon during the year. This relationship has stood for 114 years and is the longest relationship of its kind in sporting history.

Slazenger was also excited to announce that four time Olympic Medallist swimmer Rebecca Adlington and cricket player Jason Roy had joined as brand ambassadors and British snowboarder and GB Olympian Billy Morgan was secured to fly the flag for No Fear which is expected to be a great partnership.

USA Pro's partnership with world-famous girl band Little Mix, was announced during the year and we are set to launch a co-branded clothing range which is expected to be in stores in FY17.

#### **Growing our licensing relationships**

Our strategic focus for our Group Brands continues to be on growing our licensing partners, having signed 35 new license agreements in FY16, as well as renewals of existing licensees with contracted minimum royalties of US\$15.5m over the life of the contracts. We expect to maintain our presence in our current markets, and will focus on growing our presence and licensing partners in Asia and Australia.

#### **Increasing our wages for our UK workforce**

During the initial review of the Group's workplace practices in its Shirebrook warehouse undertaken by the Board in December 2015, the Group determined to increase the wages of directly employed UK employees and directly engaged casual workers from being on the National Minimum Wage to being above the National Minimum Wage from 1 January 2016, resulting in an annualised cost increase of c £10m.

#### **Engaging with local communities**

The Group engages at various levels with the local communities in which we operate.

In relation to our Shirebrook campus, we have engaged with the Shirebrook Forward NG20 Working Group which aims to help Shirebrook to retain its community spirit, its breadth of services and help local support functions in community initiatives.

The Group Brands also supported local communities and causes in various ways. For example, Karrimor was proud to support Jo Brand in her "Hell of a Walk" for Sport Relief earlier this year, which saw Jo walk for 150 miles from Hull to Liverpool in just seven days. Karrimor provided jackets to Jo and her entire crew for the challenge, which ultimately raised over £1m.

Additionally, Everlast, Antigua, Dunlop, Lonsdale and Sondico supported a variety of sports, youth and charity related organisations throughout the year. These included the Salvation Army, The Breast Cancer Research Foundation and The Jerry Colangelo Prostate Cancer Event, amongst others.

# CHIEF EXECUTIVE'S REPORT AND BUSINESS REVIEW Continued

## PERFORMANCE

### OVERVIEW

In the midst of a tough trading environment, particularly in the second half, the Group has achieved a disappointing financial result for FY16 with underlying EBITDA largely flat on FY15

Group revenue increased by 2.5% to £2,904.3m in the year. This was primarily due to the increase in Sports Retail revenue of 3.9% to £2,491.6m, which includes the impact of the acquisition of the remaining 50% of the Heaton's business during the year, and the increased store footprint. Premium Lifestyle revenue fell by 12.7%, largely due to the closure of loss-making stores in the period, and revenue was up 2.3% in Brands, with increases in both wholesale and licensing.

Group gross margin in the year increased by 40 basis points from 43.8% to 44.2%. Sports Retail maintained the previous year's gross margin at 44.6%, while the Brands division gross margin increased by 180 basis points from 40.3% to 42.1%, and Premium Lifestyle's gross margin increased by 330 basis points from 38.8% to 42.1%, which was largely due to discounting and clearance of stock in the prior year. We expect gross margin to be impacted significantly by negative movements in exchange rates in FY17 and beyond, given the recent movements in the US Dollar compared with the pound.

Group operating costs increased by 5.3% to £905.7m (FY15: £860.5m), as a result of completion of the Shirebrook campus and associated increased costs, the part year impact of the Group's decision to increase wages from the National Minimum Wage to above the National Minimum Wage for directly employed UK employees and directly engaged casual workers, and the impact of acquisitions.

As a result, Group underlying EBITDA (pre-Share Scheme costs) for the year was down 0.5% to £381.4m (FY15: £383.2m). Sports Retail underlying EBITDA was down 2.2% to £349.0m (FY15: £356.8m), while the Premium Lifestyle and Brands division underlying EBITDA increased to -£5.1m and £37.5m respectively (FY15: -£7.7m and £34.1m). The Premium Lifestyle division achieved a breakeven Underlying EBITDA result in H2 FY16.

Excluded from underlying EBITDA is a £7.1m (FY15: £10.1m) charge in respect of the 2011 Share Scheme. This charge has been taken centrally and is not reflected in the divisional numbers in this report.

The depreciation charge has increased by 41.0% to £95.6m (FY15: £67.8m) due to the acquisition of the controlling interest in Heaton's and increased investment in our store portfolio.

Group underlying profit before tax decreased 8.4% to £275.2m, due to lower EBITDA and higher depreciation charges. In line with this movement, underlying EPS for the year decreased by 8.7% to 35.5p (FY15: 38.9p).

The Group generated underlying free cash flow during the year of £309.1m, up from £301.8m in the prior year, and net debt increased by £39.9m to £99.6m at year end as a result of investment in inventory, freehold property and the acquisition of Heaton's. Net debt currently stands at 0.31 times reported EBITDA (26 April 2015: 0.16 times).

## REVIEW BY BUSINESS SEGMENT

### RETAIL REVENUE

	52 weeks ended	
	24 April 2016 (£'m)	26 April 2015 (£'m)
<b>Revenue</b>		
Sports Retail	2,491.6	2,398.6
Premium Lifestyle	181.2	207.6
<b>Total Retail Revenue</b>	<b>2,672.8</b>	<b>2,606.2</b>
<b>Cost of Sales</b>		
Sports Retail	(1,380.7)	(1,329.5)
Premium Lifestyle	(105.0)	(127.1)
<b>Total Cost of Sales</b>	<b>(1,485.7)</b>	<b>(1,456.6)</b>
<b>Gross Profit</b>		
Sports Retail	1,110.9	1,069.1
Premium Lifestyle	76.2	80.5
<b>Total Gross Profit</b>	<b>1,187.1</b>	<b>1,149.6</b>
<b>Gross Margin %</b>		
Sports Retail	44.6	44.6
Premium Lifestyle	42.1	38.8
<b>Total Retail Gross Margin %</b>	<b>44.4</b>	<b>44.1</b>

## BRANDS REVENUE

	52 weeks ended	
	24 April 2016 (£'m)	26 April 2015 (£'m)
Wholesale	196.7	193.3
Licensing	34.8	33.1
<b>Total Brands Revenue</b>	<b>231.5</b>	<b>226.4</b>
Cost of Sales	(134.0)	(135.2)
Gross Profit	97.5	91.2
Gross Margin %	42.1%	40.3%

## SPORTS RETAIL

Revenue grew 3.9% to £2,491.6m, largely as a result of the acquisition of Heaton's during the year. Excluding the impact of Heaton's, Sports Retail revenue growth was broadly flat at 0.6%.

Sports Retail gross margin for the second half of the year decreased to 43.6% (FY15 H2: 44.6%) due to discounting required to clear excess winter stock. The margin for FY17 is expected to be affected by adverse foreign exchange movements.

Sports Retail like-for-like gross contribution, which excludes online sales, decreased by 0.8% compared to the prior year. The number of stores included in this year's KPI is 531 (FY15: 432).

Operating expenses increased by 2.6% excluding the impact of Heaton's and 6.9% including the impact of Heaton's in the year, to £764.4m (FY15: £715.2m). Store wages were up 4.7% in the year to £250.5m (FY15: £239.2m) but as a percentage of sales remained at 10.0% (FY15: 10.0%). The aggregate wages expense increase included approximately four months' impact of the expected annualised increase in costs of c. £10m as a result of the increase in wages for all directly employed UK employees and directly engaged casual workers from being on the National Minimum Wage to being above the National Minimum Wage.

Underlying EBITDA for Sports Retail was £349.0m (FY15: £356.8m), a decrease of 2.2% for the year.

During the year we opened 60 new stores in 11 countries, as well as completing the acquisition of Heaton's which operates 15 Sports Direct stores in Northern Ireland and 27 sports stores in the Republic of Ireland. We also own a 40% shareholding in the Sports Direct business in Iceland.

During the period the Group impaired the goodwill relating to the acquisition of our Austrian subsidiary due to its recent trading being below expectations. Converting the former Eybl megastores is taking longer than expected and the lost revenue in certain categories is also proving harder to replace than expected.

Period end square-footage now stands at c. 8.25m sq. ft<sup>(1)</sup> (FY15: c. 7.75m), excluding Heaton's.

All of the following stores are operated by companies wholly owned by the Group, except Portugal where the Group owns 50.1% and Estonia, Latvia and Lithuania where the Group owns 60.0%.

Since the year end, the Group has increased its shareholding in its Portuguese subsidiary to 100%.

## SPORTS STORE PORTFOLIO<sup>(1)</sup>

	24 April 2016	26 April 2015
England	393	381
Scotland	35	34
Wales	30	25
Northern Ireland	15	0
Austria	42	46
Republic of Ireland	27	0
Belgium	41	43
Estonia <sup>(2)</sup>	25	24
Latvia <sup>(2)</sup>	14	13
Lithuania <sup>(2)</sup>	14	12
Portugal	17	17
Slovenia	15	15
Poland	15	10
France	6	7
Czech Republic	7	6
Holland	6	6
Cyprus	6	6
Hungary	13	5
Slovakia	5	4
Germany	3	3
Luxembourg	2	2
Spain	2	1
Switzerland	0	1
<b>Total</b>	<b>733</b>	<b>661</b>
Opened	60	39
Closed	30	16
Acquired	42	-
<b>Area (sq. ft)<sup>(3)</sup></b>	<b>c.8.25m</b>	<b>c.7.75m</b>

(1) Excluding Iceland.

(2) Includes only stores with SPORTSDIRECT.com and SPORTLAND fascias.

(3) Excluding Heaton's stores.

# CHIEF EXECUTIVE'S REPORT AND BUSINESS REVIEW Continued

## PREMIUM LIFESTYLE

Premium Lifestyle sales decreased by 12.7% to £181.2m (FY15: £207.6m), due to the closure of loss-making stores in the prior year. The Premium Lifestyle gross margin for the year increased by 330 basis points to 42.1% (FY15: 38.8%) as a result of the clearance of legacy stock in the prior year.

Premium Lifestyle operating costs decreased by 7.8% to £81.3m (FY15: £88.2m) due to the continued rationalisation of the USC and Republic businesses and synergies gained by the consolidation of key head office functions in Flannels, Cruise and van mildert and the integration of the distribution function.

We continue to strengthen our relationships with key third party suppliers and have introduced several new brands in the period. Growth at Cruise, Flannels and van mildert also reflects the Group's buying disciplines and online expertise.

The Underlying EBITDA loss for Premium Lifestyle decreased to £5.1m (FY15: £7.7m loss) and achieved breakeven in H2 FY16, as we continue to see the benefit of rationalisation of the businesses. We expect to see further benefits of this in future years.

At the year end, the Premium Lifestyle division traded from 83 stores under four main fascias:

	24 April 2016	26 April 2015
USC	50	66
Cruise	10	10
Van Mildert	9	10
Flannels	9	8
Other	5	9
Total	83	103

## BRANDS

The Brands portfolio includes a wide variety of world-famous sport and lifestyle brands. The Group's Sports Retail division sells products under these brands in its stores, and the Brands division sells the brands through its wholesale and licensing activities. The Brands division continues to sponsor a variety of prestigious events and retains a variety of globally-recognised, high-profile celebrities and sporting professionals as brand ambassadors.

The Brands division's total revenue increased by 2.3% to £231.5m (FY15: £226.4m). Wholesale revenues were up 1.8% to £196.7m (FY15: £193.3m) including growth in the challenging UK market. Trading in the US market was in line with expectations and continues to represent c. 20% of total wholesale sales.

Brands gross margin increased by 180 basis points to 42.1% (FY15: 40.3%). Wholesale gross margins increased 180 basis points to 31.9% (FY15: 30.1%) largely due to a shift in the sales mix away from lower margin lines.

Licensing revenues in the year were up 5.1% to £34.8m (FY15: £33.1m). During the year we signed 35 new licence agreements and renewed several existing licensees, covering multiple brands, product categories and geographies, with minimum contracted values of \$15.5m over the life of the agreements.

Longer term, we still regard licensing as the key driver of the Brands division's profitability and central to the overall growth of the Brands business. The key growth areas are expected to include Australasia and Asia Pacific.

Brands operating costs increased by 5.3% to £60.0m (FY15: £57.0m) primarily due to increased bad debt costs in the year. Underlying EBITDA increased by 10.0% to £37.5m (FY15: £34.1m).

## 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, and considers that continued supplies from these companies are critical to the business of the Group.

## ENVIRONMENTAL MATTERS

The Corporate Social Responsibility Report is on pages 28 to 35 and a review of the assessment of the Group's impact on the environment is included in this report.

## 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.



## **OUTLOOK**

Trading since the start of May and leading up to the EU referendum was broadly in line with management expectations albeit with the continued volatility seen in the wider retail sector. Since the EU vote we expect the current political uncertainty, and potential weakness in the UK's short to medium term economic outlook, is likely to act as a continuing drag on consumer confidence. When combined with the structural difficulties for UK retailers including high street footfall, and our exposure to the weakness of the pound against the US Dollar (as announced on 24 June 2016) these factors make the current outlook for FY17 somewhat uncertain and therefore hard to predict.

We shall continue to focus on delivering an enhanced retail offering for our customers through an expanded product range and availability as well as optimising our online capability to benefit the overall Group performance. Furthermore we will continue to invest for the future by upgrading and relocating stores and working closely with our key third party brand partners on our assortment and new generation concept stores.

We will continue to update the market on FY17 performance as the situation becomes clearer.

**Dave Forsey**  
Chief Executive

7 July 2016

# FINANCIAL REVIEW

The Financial Statements for the Group for the 52 weeks ended 24 April 2016 are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

## SUMMARY OF RESULTS

	52 weeks ended	
	24 April 2016 (£'m)	26 April 2015 (£'m)
Revenue	2 904.3	2,832.6
Underlying EBITDA	381.4	383.2
Underlying Profit Before Tax	275.2	300.3
Reported Profit Before Taxation	361.8	313.4
	Pence per share	Pence per share
Reported EPS	46.8	40.6
Underlying EPS	35.5	38.9

The Directors believe that underlying EBITDA, underlying profit before tax and underlying EPS 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 Share Schemes.

## EBITDA AND PROFIT BEFORE TAX

	EBITDA (£'m)	PBT (£'m)
<b>Operating profit</b>	223.2	-
Depreciation, amortisation and impairment	95.6	-
Share of profit of associated undertakings (excl. FV adjustments)	2.4	-
<b>Reported</b>	321.2	361.8
Share Scheme	7.1	-
Impairment	-	-
Exceptional items	50.8	50.8
Investment income	-	(146.5)
Realised FX loss	2.3	2.3
IAS 39 FX fair value adjustment on forward currency contracts	-	6.8
<b>Underlying</b>	381.4	275.2

Underlying 52 week FY16 profit before tax excludes:

- (i) exceptional items which decreased profit by £50.8m,
- (ii) investment income which increased profit by £146.5m,
- (iii) realised foreign exchange losses which decreased profit by £2.3m, and
- (iv) IFRS revaluation of written options which decreased profit by £6.8m

	52 weeks ended 24 April 2016 (£'m)
<b>Group Operating costs</b>	905.7
Depreciation, amortisation and impairment	95.6
Bonus Share Scheme	7.1
Realised FX loss	2.3
Operating income	11.1
<b>Selling, distribution &amp; administration costs</b>	1,021.8

Group operating costs for the purposes of management reporting:

- (i) Excludes depreciation, amortisation and impairments, share scheme charges and realised FX losses, and
- (ii) Includes other operating income

## 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 strategy is to hold or hedge up to five years of anticipated Euro denominated sales and US Dollar purchases.

Following the outcome of the EU referendum, we are aware of the associated market volatility and in particular material changes to sterling/dollar and sterling/Euro exchange rates, and the lack of transparency as to how those rates will move in the short to medium term. These factors are likely to impact US Dollar purchases and therefore profitability for which the Company is currently not hedged for the FY17 period and beyond.

There is also a potential exposure in relation to the Euro forward sales contracts and written option arrangements that the Group is party to although we would highlight that the contracted rates on the forward contracts are favourable to underlying Euro/sterling rates experienced during FY16.

As at 24 April 2016 the Group was party to €840m of Euro forward sales contracts that qualify for hedge accounting and €840m of written currency option contracts that do not qualify for hedge accounting. The contracted forward rates for these instruments are shown in the notes to the financial statements.

The forward contracts will be covered by our forecast Euro denominated online sales over the four year period of cover in place. Sales that we make over and above the covered amount and existing surplus Euros within the business will mitigate the risk associated with the written currency options.

If sterling depreciates by 10% against the Euro a fair value loss of £65m would be recognised in the income statement in relation to these option contracts.

The realised exchange loss of £2.3m (FY15: £3.7m loss) included in administration costs has arisen from:

- a) accepting dollars and Euros at the contracted rate, and
- b) the translation of dollar and Euro denominated assets and liabilities at the period end rate or date of realisation.

The exchange loss of £6.8m (FY15: £7.2m gain) included in finance costs substantially represents the increase in the mark-to-market liability made (under IFRS) for the Group's unhedged written option contracts as at 24 April 2016. A number of the forward contracts outstanding at 24 April 2016 qualify for hedge accounting and the fair value loss on these contracts has been debited to equity through the Consolidated Statement of Comprehensive Income. The sterling exchange rate with the US Dollar was \$1.502 at 26 April 2015 and \$1.440 at 24 April 2016. The sterling exchange rate with the Euro was 1.392 at 26 April 2015 and 1.283 at 24 April 2016.

Given the potential impact of commodity prices on raw material costs, the Group may hedge certain input costs, including cotton, crude oil and electricity.

## FINANCE COSTS

	52 weeks ended	
	24 April 2016 (£'m)	26 April 2015 (£'m)
Interest on bank loans and overdrafts	(7.5)	(6.7)
Interest on other loans	(0.6)	(0.2)
Interest on retirement benefit obligations	(0.4)	(0.6)
Fair value adjustment to written currency option contracts	(6.8)	-
	(15.3)	(7.5)

The increase in interest payable is a result of the increased use of the Revolving Credit Facility.

The fair value adjustment to written currency option contracts relates to differences between the fair value of the written options that do not qualify for hedge accounting.

## EXCEPTIONAL ITEMS

	52 weeks ended	
	24 April 2016 (£'m)	26 April 2015 (£'m)
Profit on sale of freehold properties	13.5	10.3
Provision against receivables and other	(5.8)	-
Impairment and accelerated depreciation and amortisation	(58.5)	(13.3)
Total Exceptional Items	(50.8)	(3.0)

The profit on disposal of freehold property relates to the sale of a freehold property for £44m, realising a profit of £13.5m. In the prior year, the profit on disposal related to the sale of a warehouse.

The impairment mainly relates to goodwill in our Austrian business, reported within our Sports Retail segment, due to recent trading being below expectations. Converting the former Eybl megastores is taking longer than expected and the lost revenue in certain categories is also proving harder to replace than expected. Other impairments relate to certain brands that had been acquired a number of years ago.

The provision against receivables mainly relates to a funding loan made to an associate on acquisition of the initial stake.

# FINANCIAL REVIEW Continued

## TAXATION

The effective tax rate on profit before tax in FY16 was 22.9% (FY15: 23.0%). This rate reflects depreciation on non-qualifying assets and overseas earnings being taxed at a higher rate than the UK corporate tax rate.

## EARNINGS

	52 weeks ended		
	24 April 2016 (pence per share)	26 April 2015 (pence per share)	Change (%)
Reported EPS (Basic)	46.8	40.6	15.3
Underlying EPS	35.5	38.9	(8.7)
Weighted average number of shares (actual)	592,573,254	592,294,371	

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 is as follows:

	52 weeks ended	
	24 April 2016 (£'m)	26 April 2015 (£'m)
Profit after tax	277.4	240.4
Post tax effect of adjustment items		
Profit on disposal of listed investments	(104.5)	(2.8)
Fair value adjustment to forward foreign exchange contracts	5.2	(12.5)
Fair value adjustment to derivative financial instruments	(8.4)	-
Impairment of fixed assets	4.4	-
Realised loss/(gain) on forward foreign exchange contracts	1.8	2.9
Profit on disposal of freehold properties	(10.4)	(7.9)
Impairment and accelerated depreciation and amortisation	45.2	10.2
Underlying profit after tax	210.7	230.3

## DIVIDENDS

The Board has decided not to propose a dividend in relation to FY16. The Board remains of the opinion that it is in the best interests of the Group and its shareholders to preserve financial flexibility, facilitating future investments and other growth opportunities. The payment of dividends remains under review.

## CAPITAL EXPENDITURE

During the year, capital expenditure amounted to £207.1m (FY15: £100.3m), which includes £115.3m on freeholds and construction costs relating to our Shirebrook warehouse.

## ACQUISITIONS

During the year the Group acquired the remaining 50% of the share capital of Warrnambool, the holding company for the Heaton's business in Northern Ireland and the Republic of Ireland.

## STRATEGIC INVESTMENTS

During the year the Group disposed of c. 11.6m shares in JD Sports Fashion plc. At the year-end the Group held a 5.4% stake in JD Sports Fashion plc.

The maturity date of the Put Option put in place on 23 January 2015 referencing 128,927,113 ordinary shares of Debenhams plc (representing 10.5 per cent of the issued share capital of Debenhams plc) has been extended by 12 months post year-end.

During the year the Group acquired 16.4m shares and an economic interest in Findel plc and disposed of 1.5m shares during the year. At the year-end the Group held a stake of 29.9% in Findel plc.

In January 2016 the Group acquired c. 2m shares (including an economic interest) in Dicks Sporting Goods Inc., representing c. 2% of the issued share capital of Dicks Sporting Goods Inc.

During the year the Group acquired shares and an economic interest in Findel plc. At the year-end the Group held a stake of 29.9%.

In January 2016 the Group acquired c. 2m shares (including an economic interest) in Dicks Sports Goods Inc., representing c. 2% of the issued share capital of Dicks Sporting Goods Inc.

These stakes allow us to develop relationships and commercial partnerships with the relevant retailers and assist in building relationships with key suppliers and brands

The fair value of equity derivative agreements is included within the derivative financial assets balance of £82.5m

All above percentage holdings are inclusive of economic interests held through contracts for difference

## CASH FLOW AND NET DEBT

Net debt increased by £39.9m from £59.7m at 26 April 2015 to £99.6m at 24 April 2016

The analysis of debt at 24 April 2016 was as follows

	24 April 2016 (£'m)	26 April 2015 (£'m)
Cash and cash equivalents	233.7	78.3
Borrowings	(333.4)	(138.0)
Net debt	(99.6)	(59.7)

During the year the Group utilised the accordion option under its £688m Revolving Credit Facility (RCF). As a result the RCF has been increased from £738m to £788m. The facility is available until September 2018 and is not secured against any of the Group's fixed assets.

Under the terms of the RCF the interest rate payable by the Group increases if it is more than one third drawn (i.e. more than £263m). Previously, when the Group has required borrowing in excess of this amount, it had utilised its £250m loan facility (MALF) with Mike Ashley/Mash Holdings Limited. The rate of interest payable on this facility was c. 50% lower than that payable on the RCF, and did not attract arrangement fees or commitment fees. Accordingly, although an unusual arrangement for a public company using this facility in this way was a significant benefit to the Group over time giving rise to a saving of over £1m.

Further to the Company's announcement on 26 February 2016, the MALF has not been renewed.

The Group continues to operate well within its banking covenants and the Board remains comfortable with the Group's available headroom.

## CASH FLOW

Total movement is as follows

	24 April 2016 (£'m)	26 April 2015 (£'m)
Underlying EBITDA	381.4	383.2
Realised (loss)/profit on forward foreign exchange contracts	(2.4)	(3.7)
Taxes paid	(69.9)	(77.7)
Underlying free cash flow	309.1	301.8
Invested in -		
Movement in inventory	(155.4)	49.3
Working capital and other	(88.0)	(114.1)
Purchase of own shares	-	-
Acquisitions (including debt)	(33.1)	(3.8)
Net proceeds from investments	92.1	4.1
Net capital expenditure	(163.1)	(79.1)
Finance costs and other financing activities	(1.5)	(5.9)
Decrease/(Increase) in net debt	(39.9)	152.3

The increase in working capital is partly to support the growth of Sports Retail and the online business and partly due to the timing of payments around year end.

## PENSIONS

The Group operates a number of closed defined benefit schemes in the Dunlop Slazenger companies and a defined benefit scheme in Sport Eybl Holding GmbH. The net deficit in these schemes decreased from £14.9m at 26 April 2015 to £13.1m at 24 April 2016.

**Matt Pearson**  
Acting Chief Financial Officer

7 July 2016

# CORPORATE SOCIAL RESPONSIBILITY REPORT

Corporate Responsibility is central to our vision to be a leading sports and lifestyle retailer internationally. Our established Corporate Responsibility framework focuses on five key areas: People, 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 discussed further in this Corporate Social Responsibility Report and in the Chief Executive's Report and Business Review and the Financial Review, and are based solely on our UK operations, unless expressly stated.

## OUR PEOPLE

The Group employs and engages over 29,000 people, across various sectors from Sport, Fashion, Lifestyle, Fitness and Brands and our people are what makes the Sports Direct Group such a success.

The Board is committed to ensuring that all of our people have the opportunity to be inspired, stimulated, motivated and empowered. We believe that it takes every single team member to make a difference and drive performance, and we are committed to the development and rewarding of our people to enable the Group to achieve its future growth plans.

The Group's approach to our people is focused on continual development to nurture our people towards their full potential and to enable our teams to promote from within wherever possible, rewarding our employees and retaining our people and investment in talent.

The Group has several policies and systems in place to ensure staff welfare is monitored and maintained, as illustrated in the diagram below. In support of these policies and systems, communication with our people occurs via Group news emails, letters and the intranet, as well as through briefings by direct managers and through the Group's training programmes, which have been outlined in further detail in the following sections:



## ATTRACTION AND RETENTION

As a Group, we like to train and retain our staff to ensure that valuable knowledge remains within the Group. The Group uses a number of incentives to retain our people, including regularly holding employee appraisals, to identify the areas where we, as an employer, can improve. We find that regular appraisals also highlight the knowledge gaps which our employees have, and allows us to offer staff training which will develop their understanding.

During FY16 22.0% of our UK salaried staff left the Group, an increase from 18.7% in FY15. We estimate that this figure will reduce during the remaining 2011 Share Scheme vesting period.

Our Share Schemes are utilised to attract, motivate and incentivise our people and potential future employees. We have found that creating a shared goal has improved employee satisfaction levels.

Store Manager stability with Sports Direct is currently sitting at 80.4%, this is a decrease of 12% on the FY15 figure. Assistant Manager and Footwear Manager stability currently sit at 79.8% and 83.5% respectively, which is a decrease of 6% and 7% across the positions.

## SALARIED STAFF TURNOVER SINCE FY11



## PERFORMANCE AND REWARD

We reward the hard work of our participating eligible employees with the Share Schemes. The Share Schemes are dependent on the achievement of pre-determined Underlying EBITDA targets as well as satisfactory performance of the individual employee.

The targets for the 2011 Share Schemes were:

2012 Underlying EBITDA of **£215m - Achieved**  
2013 Underlying EBITDA of **£250m - Achieved**  
2014 Underlying EBITDA of **£260m - Achieved**  
2015 Underlying EBITDA of **£300m - Achieved**

All four of the 2011 Share Scheme targets have now been achieved. Under the 2009 Share Scheme c 27m shares in total vested and under the 2011 Share Scheme c 4m vested in FY16, and c 18m are expected to vest in FY18.

## DIVERSITY

Diversity within the Group is essential and we believe this plays an important role in a successful business. At all times we try to ensure that our people meet the diversity, cultures and values of our varied customer base.

Our Board currently has a 14% female representation, with further details being shown on page 43.

Females make up 34% of our senior management team. While we appreciate that work could be done to ensure that the figure is more balanced, we are satisfied that the team possesses the appropriate balance of skills and knowledge. As positions become available the necessary level of consideration will be given to ensuring diversity within the team.

Our overall UK workforce base consists of 47% females, proving that discrimination for factors including gender will not be tolerated within the Group. The law is paramount when we recruit employees and we aim to ensure that both male and female candidates are provided with equal opportunities to apply for and work in all positions across the Group.

## A BREAKDOWN OF GENDER DIVERSITY:

	Male	Female
Directors	6	1
Other senior managers	42	22
All UK workforce	11,924	10,694

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## TALENT AND CAPABILITY DEVELOPMENT

In FY15 the Group launched a new competency framework, the 'Success Factors', to provide the behaviours that lead to great performance in individual job roles within Sports Direct and include the qualities and skills that help people to be successful. In short, it's what our 'best performers do' and 'how we need to be'.

This year we have continued to work on embedding the Success Factors into all of our people practices, including introducing new recruitment tools and providing our store manager population in the UK with competency based interview training.

With the introduction of the Success Factors we have created a structured mechanism of identifying and developing internal talent across the Group to support our future growth plans.

Our teams have a variety of development opportunities and we encourage our people to grow within their current role, take on new challenging tasks, learn from others and support individuals in realising their potential, in addition to providing formal training opportunities.

## KEY HIGHLIGHTS:

Total workforce (total Group) 29,457

Hours invested in training at our Training Centre c 60,000

## TRAINING AND DEVELOPMENT PROGRAMMES

The aim of our Training and Development Programmes are to use our expertise and knowledge as well as our state of the art Sports Direct International Training Centre (Training Centre), to provide the opportunity to develop and nurture our people and teams, enabling them to flourish into champions. We aim to instil the Group's values throughout our programmes, and we help others to identify, aspire and achieve their own unique individual personal potential. Our goal is to give every member of our team, from all areas of the Group, the opportunity to be inspired, stimulated, motivated, and empowered to grow, making a difference to their performance as well as that of the Group.

We remain focused on the need to proactively develop our team's competence base and leadership capabilities in order to meet the continually changing industry dynamics, towards our goal to become a leading retailer internationally.

During FY16, over 60,000 hours were invested into training and developing our teams at our Training Centre, and we believe this commitment to ensuring our teams have the knowledge they need to perform at the highest level, and is paramount to the continued success of the Group.

# CORPORATE SOCIAL RESPONSIBILITY REPORT Continued

We offer a varied portfolio of training courses for our teams, the majority of which are hosted in our own facilities. The Training and Development Programme portfolio continues to grow, as it has year on year and is facilitated across the following areas:

- Customer Service Training,
- E-learning,
- "Home Grown" Talent Management Programme,
- Brand and Product Knowledge, and
- Management Training

On-the-job training is still one of our most effective methods, reflecting our continued focus on having the maximum impact with a relatively low operating cost. The approach taken has been one of raising awareness and insight about individual patterns of learning behaviour, as well as sharing knowledge and best practice.

Informal sessions throughout all stores have also been further strengthened by instant coaching methods being embraced by in-store management teams using the daily team briefs as an opportunity to train our teams every day. We continue to believe in the integration between coaching, organisational development and performance management to support any new initiative or change to improve business performance.

The Training Centre is a truly unique and state of the art training environment across the industry. The Training Centre is supported by our brand partners Nike and Puma, who have their own individual environments and this training facility remains the only third party training centre in the world for both Puma and Nike. The training facilities on the Shirebrook campus feature six specialised training environments incorporating inspiration from the following sports:

- Running,
- Football, and
- Women's training

Sitting alongside the Training Centre is our 500 seat auditorium, which is utilised throughout the year for many events on the training calendar, as well as local community events.

We continue to have an international approach to training, offering new members of management joining the Sports Direct team from around the world the chance to join us in the Training Centre to learn about the Group, our values, policies, processes and procedures. Teams from Austria, Estonia, Czech Republic, Dubai, Malaysia, France, Portugal, Holland, Cyprus, Switzerland, Kuwait, Belgium, Iceland, Hungary, Slovenia, Slovakia and Poland have all attended.

## CUSTOMER SERVICE TRAINING

The Customer Service Training Programme continues to look at how we engage, inspire and equip Sports Direct people to serve customers well and sell more through service. It is based on the sales through service model, "STARS", which is linked to the Group's 5-Star commission scheme for retail staff. The STARS Programme is based on five key attributes that we encourage staff to embody in approaching customers:

- Smile
- Talk
- Ask
- Recommend
- Sale

The STARS programme was originally rolled out to all store managers during FY15 through a seminar and supporting documentation and continues to be used to train and develop new members of our team. The STARS programme has been supplemented since with the addition of our own E-learning platform.

## E-Learning

At Sports Direct we understand the importance of staff being engaged with the business, ensuring everyone understands who we are and what we do, so that we can deliver a consistent message to our customers.

Effective induction training is key to this. Without a proper induction, there is the risk of staff not understanding compliance issues or policies, low productivity and poor motivation, poor customer service and lost sales.

As a result we implemented an interactive induction programme for all staff which creates pride in Sports Direct and offers consistency and structure in foundation training, ensuring we engage new starters and re-energise existing colleagues. In order to achieve this, the training team commissioned e-learning company Sponge UK to develop an online induction that would complement the existing face-to-face training.

It is important for staff to be able to access the learning on the go, so the course was built using Adapt - the new open-source, responsive e-learning framework. This means that the course will work on tablets and employees' smartphones as well as desktop computers. It's one of the very first Adapt e-learning courses and Sports Direct leads the way with this new innovation in e-learning.

The current modules focus on the five main areas of the Group's induction training: knowledge of the company, sales and service, health and safety (including a focus on the Disability Discrimination Act), merchandising principles, and day-to-day operational information. The platform is aimed at all new, and existing, team members in the UK and we currently have over 19,000 users across the Group. It is the first in a planned suite of courses that will cover all aspects of the Company's activities, and will continue to grow and evolve as more courses are designed and implemented to help improve our teams' knowledge and aid their further development.



## **"HOME GROWN" TALENT MANAGEMENT PROGRAMME**

Our talent management activities are open to the majority of permanent employees, and are focused on those who show potential and ambition. As in previous years developing high-potential employees and growing future Store Managers/Leaders remains one of the Group's key objectives. We aim to produce a common standard of behaviour across all of our people and our team leaders, in order to strengthen and improve the likelihood of Sports Direct achieving its future goals.

The Home Grown Talent Management Programme is a structured programme and assists the Group to identify and develop talent, as well as continually develop our leaders. It helps the Group to have the right employee in the right position at the right time and provides the opportunity for talented employees to perform better and progress within Sports Direct. It also helps retain talented and key employees and reduce staff turnover, as well as recruitment costs.

For leaders, or those who are being promoted into a managerial position, this programme provides training across key areas including people management skills, developing staff/mentoring skills, business management skills, and training in creativity to improve business performance whilst remaining compliant with the Group's policies and procedures.

Additionally, those aspiring to be leaders or to lead more challenging functions, are identified and will attend parts of the programme, and once completed, key positions will be offered to enable the employee to flourish and make a difference to the performance of the Group. In the two and a half years since the programme's inception, it has seen over 300 of our junior managers attend, with 93% of those having been promoted into a senior managerial position. This is demonstrable of the Group's culture and commitment to developing our existing people.

## **BRAND AND PRODUCT KNOWLEDGE**

### **Brand Training**

Robust training programmes to inform and train staff on product innovation and brand initiatives are critical to the Group.

Sports Direct works with adidas to provide bespoke training initiatives to support the continued growth of adidas product throughout the business. In FY16 this partnership grew even more with adidas commissioning a new dedicated training facility to be built alongside their brand showroom at the Group's Shirebrook campus. This training facility partnership between Sports Direct and adidas will support unique training initiatives and events in addition to the existing brand events which equip our people with in-depth knowledge on the latest range of products and technologies available.

Sports Direct is a committed user of the Nike SKU (Sports Knowledge Underground) Training Programme and continues to be one of the front runners in terms of having the greatest proportion of our people who have completed this programme worldwide. SKU is another e-learning opportunity for the Sports Direct team which allows our employees to gain essential foundation knowledge on Nike products. This foundation knowledge is then taken one step further through the many Nike training days held at the Training Centre. The days are hosted by Nike Experts and take the foundation knowledge from SKU to a higher level with interaction and involvement.

Sports Direct also works closely with Puma to compile robust training programmes to support in-store initiatives and product launches.

### **Footwear Masterclass**

The Group develops and conducts Footwear Masterclasses which are aimed at managers responsible for the footwear department in their store. The Footwear Masterclass is a three-day residential course and typically covers merchandising, staff efficiency, best practice, health and safety, and policies and procedures. It also covers management style and behaviour to ensure our managers are able to develop themselves, as well as those around them, to become positive role models and influential leaders.

This course has been very successful to date, and has resulted in the creation of a similar course which is able to be offered to those with responsibilities in the footwear department at a more junior level.

### **Premium Lifestyle**

The Group works with our Premium Lifestyle teams to offer training initiatives, with the majority having benefitted from training at the Shirebrook campus, focussing on operational excellence as well as merchandising, product and brand training. The Group is focused on building our specialist training in relation to our lifestyle division in line with the grown and increasing importance of fashion fascias and products.

## **MANAGEMENT TRAINING**

### **Management Induction**

New members of senior management joining the business (and some existing managers) attend our four-week induction programme at our Shirebrook campus. The four weeks consists of an initial week at the Training Centre at our Shirebrook campus, combining a mixture of shop floor based training and classroom centred activities. Typical subjects covered would be merchandising, delivery process, health and safety, shop closedown process, product training, and retail business skills. It focuses on the basics of the job and the importance of being "World Class" when they start at their store.

The following two weeks are spent refining and honing their new-found skills in their own store as they begin to settle into the role, putting into practice the skills that have helped Sports Direct establish itself as the largest sporting goods retailer in the UK.

The final week of the induction programme sees the new manager return to the Shirebrook campus for a further week, as we look to develop their knowledge further, going into more advanced merchandising practices as well as focussing on all elements of administration, including rota planning, recruitment and security protocols.

We firmly believe this method of induction gives our new managers the best possible chance of becoming a success within the business, giving them the tools and support they need to 'hit the ground running' and being able to make a positive difference to Sports Direct.

In FY16, 194 new members of senior store management attended the Shirebrook campus for induction training.

# CORPORATE SOCIAL RESPONSIBILITY REPORT Continued

## Management Re-Fresh Programme

Members of the team who need further support and coaching to improve their level of performance in store will attend the Operational and Managerial Refresh Programme. This is a five-day residential course that consists of shop floor operational training combined with style and behaviour modules covering communication, leadership and decision making. This course aims to further the manager's operational skills and also improve their ability to successfully lead and manage their team as well.

## ANNUAL CONFERENCE

Our annual conference offers attendees an opportunity to mix with teams with which they wouldn't ordinarily mix, to learn about the Group's aspirations, and to keep up to date with the latest changes in the Group. This is a full day event and also has a range of activities tailored to the specific area in which each individual works.

## INTEGRATION OF THE GROUP'S ACQUISITIONS

During FY16 Sports Direct acquired the remainder of Heaton's, and similarly with other acquisitions made by the Group historically, the Training and Development team created, implemented and delivered a bespoke training package to the management teams of Heaton's stores to ensure they were able to integrate effectively and adapt to the Group's systems and business model. This bespoke package focussed on the Management Induction Programme whilst also being tailored to suit the needs of Heaton's, showing the truly flexible approach to the way the Group delivers training.

## HEALTH AND SAFETY

As the Company continues to grow there has been increased focus on creating a consistent method of implementing health and safety measures and evaluating the Group's health and safety performance. During FY16, the Group hired a new Head of Health & Safety and the Group set out plans to undertake a full review of its health and safety policies and procedures and to set relevant KPIs to monitor performance, including improved accident reporting/investigation and accident trend analysis.

Overall this year our incident rate has increased which is disappointing primarily due to the new Fitness division, but the Group's rate of Reporting of Injuries, Disease and Dangerous Occurrences has significantly reduced from 51 in total as at April 2015, to 25 as at April 2016. These are generally the more serious incidents by nature and are reportable to the local authority.

In relation to the UK workforce we have calculated accident figures per 100 000 hours worked using a 12 month rolling average. The number of accidents involving the warehouse workforce as at April 2016 was 6.6 compared to 5.9 at April 2015. Accidents and incidents involving stillages and cages are the most frequent type of incident, with promotion events leading to congestion in particular areas in the warehouse. This is an issue the Group is working to address. During the year we also added over 1,000 more workers in the warehouse, which put a strain on existing health and safety procedures and the Health & Safety team are working to improve the Group's health and safety standards and performance.

Following the same calculation method, the number of accidents involving the store, office and distribution workforce in the UK increased to 2.7 as at April 2016 compared with 2.5 as at April 2015, which was exacerbated by growth in the Group's store portfolio and employees. With respect to these areas the Health & Safety team are working on enhancing the Group's health and safety guidance in training and education packs, including in the Management Induction and Refresher Training Programmes. These will help to raise general safety awareness and also target specific areas where injuries tend to occur, such as manual handling, and use of step ladders.

In relation to the general public we have calculated the number of accidents per £10m store turnover using a 12 month rolling average. The number of accidents involving the general public increased over the course of the year and was 4.8 as at April 2016, compared to 3.9 in April 2015. This is primarily due to the new Fitness division and the higher injury risks associated with this industry. With the enhancements to the training and education packs for staff we also hope to improve on this figure in the future.

Over the course of the year there were no environmental prosecutions or work-related fatalities.

## MODERN SLAVERY ACT 2015

The Company is investigating its supply chain practices in light of the enactment of the Modern Slavery Act 2015. In accordance with the Act, a statement, approved by the Board, detailing steps taken during the year to ensure that slavery and human trafficking is not taking place in any of our supply chains or in any part of the business will be published on our website within the next few months.

## CUSTOMERS

Customer service is at the forefront of our business. We aim to provide customers with an enjoyable experience both in-store and on-line 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. Online communication has reduced the amount of time it takes for us to respond to queries thereby increasing our service levels, whilst 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 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 goods from suppliers who have proved to uphold ethical employment and trading practices and we have a strict Code of Conduct that we require every supplier to adhere to. The Code of Conduct provides for the fair treatment of workers ensuring a safe environment in accordance with the local and national laws and that workers are treated with respect and paid fairly for what they do. The Code of Conduct also prohibits child labour and the 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 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 supply chain businesses have the highest social and business ethics code which aligns with our own Code of Conduct, the BSCI Code of Conduct (which is based upon the United Nations Declaration of Human Rights) and the Social Accountability 8000 (SA8000) Code.

Sports Direct relies on both 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 Conduct. 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. Both 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.

### Community Involvement

The Group engages at various levels with the local communities in which we operate and in relation to our Shirebrook campus we continue to actively work with Shirebrook Forward NG20 working group, which aims to help Shirebrook retain its breadth of services, local support functions and community spirit.

## CHARITY

Sport is the Group's passion. We believe that everyone should have a chance to participate in sports and enjoy the health and lifestyle benefits it brings, and to work towards achieving this 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. Our charitable programme is compiled each year through various levels of the Group, reaching out to local organisations as well as responding to direct enquiries from organisations and causes globally. This year, Sports Direct has engaged with a number of organisations, and each initiative has been outlined below.

**Shirebrook Academy** Sports Direct provided the local school to our National Distribution Centre, Shirebrook Academy, with a significant range of sports equipment to be used by their PE department. In addition to this, Sports Direct has provided equipment and vouchers to 30 students in order to provide them with equipment to be used on an upcoming school trip to Namibia.

**Willow Tree Family Farm** Sports Direct provided a local farm with a table tennis table, pool table, basketball hoops, cricket set, footballs, basketballs and other sports equipment for use in their educational barn for children.

**Shirebrook Town Council** Sports Direct provided sporting equipment and medals to Shirebrook Town Council for a sports events at the Kissingate Leisure Centre as well as for prizes at their Easter event.

**Local recruitment initiatives** In July 2015, Sports Direct contacted the Shirebrook job centre and offered warehouse operative roles working with either Transline or The Best Connection to all unemployed residents. Since July 2015, the company has been on Shirebrook Market Square five times to provide residents with the opportunity to gain employment. We have also been to Bolsover Market Square and reinstated employment workshops through the local job centre.

**Inspire & Achieve Foundation** Sports Direct are proud to have donated footballs, boxing equipment, tennis rackets and balls to the Inspire & Achieve Foundation, a great project which inspires young people in Mansfield and Ashfield to work towards a positive future by providing them with the support they need.

**Operation Christmas Child** Otherwise known as 'The Shoebox Appeal', this charity is run by Samaritan's Purse UK and involves filling shoeboxes with gifts to send out to less fortunate children across the world. Sports Direct contacted 11 local schools who all agreed to participate and the Company donated its logistics network to support the appeal. Sports Direct delivered all the information required to the schools, collected 459 shoeboxes on behalf of the charity, and covered the £3.00 fee for every single box collected.

**Helping The Homeless** Sports Direct provided this great charity with tents, sleeping bags, roll mats, stoves, torches, and other camping equipment to support them with helping the homeless in Mansfield and the surrounding areas. In addition to this, Sports Direct staff at the Head Office also donated food parcels to the charity. The same support was also given to the Mansfield soup kitchen to assist their efforts in helping the homeless community in Mansfield.

The Group Brands also supported local communities and causes in various ways, and we have outlined some of the special initiatives which the Group Brands took part in this year below.

**Karrimor** Karrimor has been proud to support this year's Sport Relief in the form of Jo Brand's "Hell of a Walk" of 150 miles, from Hull to Liverpool, in just seven days. Karrimor provided jackets to Jo and her entire crew for the challenge, which ultimately raised over £1m.

**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 £40,000 worth of clothing has been provided through sponsorship to the schemes so far.

# CORPORATE SOCIAL RESPONSIBILITY REPORT Continued

**Lonsdale** Lonsdale is the Official Equipment and Fight Sports Apparel Supplier for the RAF and the Royal Navy. We are the proud sponsor of the RAF annual Novice Championships, The Lord Wakefields.

**Everlast:** Everlast supports a variety of organisations throughout the year, including both sports-oriented and charitable programmes. A long-standing supporter of the most prestigious amateur boxing competition in the US, the New York Golden Gloves. Everlast is the official fight glove and apparel sponsor. The organisation celebrated its 89th year in April 2016.

Since 2006, Everlast has also served as a proud supporter of The Breast Cancer Research Foundation® (BCRF). Each year, Everlast donates a portion of the sale proceeds from selected pink products to help the foundation provide funding for clinical and genetic research. Last year, Everlast donated US \$61,433.50 to BCRF's research efforts to find a cure.

Everlast provides support to the Dr. Theodore A. Atlas Foundation, a non-profit organisation providing financial assistance to individuals and programs in need with a focus on youth. In 2015, Everlast provided US \$6,500 to assist their youth programming.

**Antigua Group** Antigua supported a wide variety of sports related and charity related events throughout the year. These include The Phoenix Children's Hospital Annual Golf Classic, The Scottsdale Charros Foundation, The Jerry Colangelo Prostate Cancer Event and The Salvation Army.

Antigua is also heavily involved in the promotion of Junior Golf in Arizona and around the USA. Antigua has sponsored "The Antigua Junior Tour" in partnership with the SWSPGA for over 20 years and also supports Girls Golf, The First Tee and The Junior Golf Association of Arizona. In recent years, Antigua has helped to create the Antigua National High School Golf Invitational which invites teams from all over the United States to participate.

**Sondico** This year, Sondico proudly supported grassroots football by donating £10,000 worth of kit to local Junior Football Club Shirebrook Rangers.

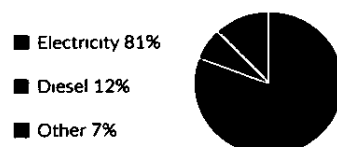
## ENVIRONMENT

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.

We are continuously aiming to reduce our carbon footprint. The single most significant element is electricity, which makes up 84% of the footprint. The carbon footprint spread across all UK sites is detailed in the chart opposite.

## CARBON FOOTPRINT ANALYSIS 1 APRIL 2015 - 31 MARCH 2016

The growth of our Company has increased the number of our stores and therefore the absolute GHG emissions. Our chosen intensity ratio of electricity-related emissions per £m revenue has increased by 1.4% which is a result of a larger increase in square footage of stores than the increase in sales, driven by the strategy to move to larger stores.



## GREENHOUSE GAS (GHG) EMISSIONS REPORTING

<b>Reporting period (1)</b>	1 April 2015 - 31 March 2016
<b>Baseline year (2)</b>	FY15
<b>Consolidation approach</b>	Operational control
<b>Boundary summary</b>	All UK entities and facilities either owned or under operational control were included. Emissions from air conditioning and refrigeration units are excluded due to the cost of data collection. These are expected to be a negligible % of scope 1 emissions.
<b>Consistency with Financial Statements</b>	Other than the emissions declared for the period 1 April 2015 - 31 March 2016 to be in line with the CRC Energy Efficiency Scheme, there are no inconsistencies with Financial Statements.
<b>Emission factor data source</b>	DEFRA (MAY 2013)
<b>Assessment methodology</b>	The Greenhouse Gas Protocol and ISO 14064-1 (2006). We have used the 2014 UK Government's GHG conversion factors.
<b>Materiality threshold</b>	Materiality was set at Group level at 5% with all UK facilities estimated to contribute >0.5% of total emissions included.
<b>Intensity ratio</b>	Emissions per £m revenue

(1) The emissions declared are for the period 1 April 2015 - 31 March 2016 to be in line with the CRC Energy Efficiency Scheme.

(2) As we have full comparative information for all energy sources for the Group, we have set the baseline year as 2015.

Scope 1 GHG emissions are calculated based on the purchased quantities of commercial fuels using published emission factors. Scope 2 GHG emissions are primarily calculated from metered electricity consumption and published emission factors.

CO<sub>2</sub> equivalent (CO<sub>2</sub>e) factors are used which ensures we have reported on all of the emission sources required under the Companies Act 2006.

Year	2016	2015
Scope 1 CO <sub>2</sub> e emissions	15,571	14,129
Scope 2 CO <sub>2</sub> e emissions	120,102	116,335
Total Scope 1 and Scope 2 CO <sub>2</sub> e emissions (Tonnes)	135,674	130,464
CO <sub>2</sub> e Emissions (Tonnes/£m)	46.7	42.3
CO <sub>2</sub> e Emissions vs Turnover Index (2015 = 100)	101.4	100.0

## 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:

- 5,679 units of electrical equipment (2015: 6,127 units)
- 76 tonnes of waste paper (2015: 94 tonnes)
- 10,000 tonnes of cardboard (2015: 9,526 tonnes)
- 308 tonnes of metal (2015: 235 tonnes)
- 710 tonnes of plastic (2015: 618 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 staff engagement.

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

**Dave Forsey**  
Chief Executive

7 July 2016

# 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. Comments and suggestions of shareholders are always considered by the Board. Where the Board considers that a risk has not been fully mitigated, follow-up meetings will be arranged to assess the risk and formulate mitigation strategies. A specialist management team of Directors and Group Executives highlight risks as and when they become apparent. The team then in turn assists the Board in devising controls to minimise the Group's exposure.

## THE GROUP'S APPROACH TO RISK

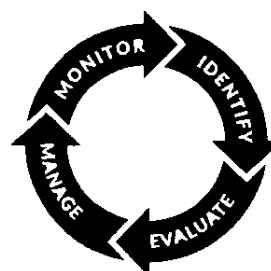
The identification and management of risk is a continuous process, and the Group's system of internal controls and the business continuity programmes are key elements of that. The Group maintains a system of controls to manage the business and to protect its assets with the development of contingency 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 RISKS ARE IDENTIFIED

### 2 RISKS ARE EVALUATED

### 3 ACTION IS TAKEN TO MANAGE THE RISKS

### 4 PRACTICES ARE REVIEWED AND MONITORED TO LIMIT THE RISK



The specialist management teams are responsible for the identification, analysis, evaluation and mitigation of the significant risks applicable to their areas of business. 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 staff can raise concerns about possible financial or other impropriety, which are then appropriately investigated.

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 Audit Committee has also appointed BDO as internal audit advisers (see Audit Committee report on page 50).

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.

The Group's system of internal control and risk management and its effectiveness is monitored and reviewed by the Board, the Audit Committee and the Group Executive Directors, 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 FRC's Risk 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 a 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.

There is an approved whistle-blowing policy within the Group. The policy was established to be utilised by staff who wish to raise any issues or concerns relating to the Group's activities and all matters are discussed on a confidential basis.

## KEY RISKS

### Control Environment

The Group's operating procedures include a comprehensive system for reporting information to the Board including

- assessment of three years of strategy plans for business development,
- creation and assessment of legal policies and
- review of the Group at each Board meeting, focusing on potential new risks (such as key changes in the market and succession planning)

## 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, evaluated the effectiveness of the design and operation of disclosure controls and procedures to ensure that information required to be disclosed in financial reports is recorded, processed, summarised and reported within specified time periods.

## PRINCIPAL RISKS AFFECTING THE GROUP

The Group has identified the following factors in the following table 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.

### SUPPLY CHAIN

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.

The Group is reliant on manufacturers in developing countries as the majority of the Group's products are sourced from outside the UK.

**Risk.** The Group is subject to the risks associated with international trade and transport as well as those relating to exposure to different legal and other standards. Particular risks including worker strikes, failure to meet minimum code of conduct standards, and transport delays for products which could all cause substantial difficulties.

Disasters in or around the factories of our suppliers could bring negative media attention to the Group.

**Mitigation.** The Group requires all suppliers to sign up to the Group's Code of Conduct/Supply Policy which enables the Group to monitor and benchmark the performance of the supplier.

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.

### KEY SUPPLIERS

The Group is reliant on good relationships with its major manufacturers, key brands or brand suppliers.

**Risk.** 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.

**Mitigation.** 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.

Lengthy contracts are often used by the Group to ensure that key manufacturers are aware of our commitment to them.

### TREASURY AND FINANCIAL RISK

The Group operates internationally. The majority of foreign contracts relating to the sourcing and sales of Group branded goods are denominated in US Dollars and the Euro, thus leaving exposure to foreign exchange risk.

The Group has net borrowings, which are principally at floating interest rates linked to bank base rates or LIBOR.

Following the outcome of the EU referendum the Group notes the associated market volatility and in particular material changes to sterling/US dollar and sterling/Euro exchange rates and the lack of transparency as to those rates in the short to medium term. These factors are likely to impact purchases for which the Company is currently not hedged, and therefore profitability for the FY17 period and beyond.

**Risk.** 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 making goods more expensive.

There is also a potential exposure in relation to the Euro forward sales contracts and written option arrangements that the Group is party to. Adverse movements on the sterling/Euro exchange rate could impact in group profitability.

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.

The Group is exposed to interest rate risk due to its borrowings at floating interest rates.

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

**Mitigation** The Group seeks to mitigate the foreign exchange fluctuations by hedging via forward foreign currency contracts which are designated as cash flow hedges. The Group currently has no cover for its US dollar denominated purchases in FY17.

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.

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 1x underlying EBITDA.

## CREDIT AND LIQUIDITY RISK

The Group, primarily the Group Brands division, provides credit to some of its customers.

Funding and liquidity for the Group's operations are provided through bank loans, overdrafts and shareholders' funds.

**Risk** The Group could have a credit risk if customers were unable to make payments for products purchased on credit.

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.

The purchase of strategic acquisitions and investments to strengthen and compliment the Group may be hindered.

Relationships with suppliers could break down if we are unable to pay them in line with our contractual obligations.

**Mitigation** The Group's key suppliers also face credit risks 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.

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.

Credit evaluations are performed on all customers requiring credit over a certain amount, and concentration of credit risk is managed.

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.

The Group mitigates liquidity risk by keeping debt levels low and the current finance facility is held with a club of 13 banks, thereby spreading the risk.

## TAXATION

The Group operates internationally and in a wide range of jurisdictions and is therefore subject to tax risk across its operations.

**Risk** The Group is subject to varying degrees of tax risk in relation to its international trading activities, both in the UK and overseas. These include duty and VAT in relation to its overseas supply chain (both internal and external) and sales taxes in relation to online sales made to overseas customers from the UK. The Group is also subject to transfer pricing regulations relating to trading relationships and transactions between Group companies.

Tax regimes differ country by country and the Groups overseas subsidiaries are subject to local tax compliance requirements and tax enquiries from the local tax authorities.

**Mitigation** Group level tax risks are monitored by the Group finance function, with support from external tax advisors as required. On-going compliance with local tax regulations is maintained through a combination of local finance teams, central oversight from the Group finance function, and the use of external tax advisors in key jurisdictions.

The Group takes a proactive approach to engaging with the tax authorities across its business. Key tax risks are monitored and discussed at Board level, with appropriate actions agreed and implemented.

## SUCCESSION PLANNING

Key individuals within the Group have such a level of knowledge and experience of the business which makes them essential to continue to further the interests of the Group.

**Risk** Natural disaster, illness, injury, or the sudden resignation of key individuals could mean key people are no longer available to manage the Group and this could result in a change to the operations and strategic direction of the Group.

**Mitigation** Our departments work together to develop their understanding of each department and of the Group. Senior managers work at ground level to help to assess the strengths within their teams and to offer development opportunities where appropriate. This can be of assistance when considering the suitability of internal candidates for vacancies.

Promotion opportunities, a competency framework and regular appraisals give staff a voice, encourage a sense of responsibility and support career progression.

Our structured talent management programmes, and specialist masterclasses, encourage internal progression within the Group.

Executive development is important to us and we aim to promote internally rather than recruit external individuals who are unknown to the Group.

Our Share Schemes seek to reward and retain our key members of staff.

The Nomination Committee reviews the succession plan of the Group, and discusses who would take over roles if key team members were to leave.



## MARKET FORCES

The sports retail industry is highly competitive and the Group currently competes at international national and local levels with a wide variety of retailers of varying sizes who may have competitive advantages. New competitors may enter the market.

**Risk.** The competition continues to place pressure on the Group's pricing strategy, margins and profitability

**Mitigation** The Group has a discount pricing policy in its Sports Retail division to help reduce the risk of increased competition in the industry

The Group has a strong property portfolio, and continues to strengthen this by relocating and improving stores to enhance the customer experience and adapt to market conditions

A number of key brands are owned by the Group, reducing pressure on margins. The Group's focus on acquiring competitors enables us to retain our discounted pricing systems in Sports Retail without price increases from the brand owners

## OPERATIONAL

The Group is reliant on the Head Office and National Distribution Centre at its Shirebrook Campus operating without disruption, along with the uninterrupted running of the Group's fleet of vehicles

The majority of the Group's revenue is derived from the UK

**Risk.** Any disruption to the Head Office National Distribution Centre or 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

Any long-term interruption of the Group's IT systems would have a significant impact on the Group's operation, particularly in the Sports Retail division

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

**Mitigation** The Group has a strong business continuity plan that is regularly reviewed to address operational risks

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

The Group constantly monitors the business environment and the nature of the business model allows for the Group to act swiftly under extraordinary circumstances

The Group is extending the Head Office and National Distribution Centre so that there is additional room for storage and workers for future business needs and in case of disaster

## CYBER FAILURES AND ATTACKS

Online sales and advertising are key to the Group's strategy going forward. However, cyber attacks are becoming more sophisticated and frequent, commanding headlines and losing customers' trust

**Risk.** Reputational implications if the attack is reported to the media, including a loss of sales whilst the site is down, and longer term loss of sales through the deterioration of customer confidence. Possible sanctions and penalties from overseeing bodies, and the loss of competitive advantage against market competitors

**Mitigation** The Group has a strategy and processes in place which relate to our IT security. Working with internal and external parties, our colleagues continuously monitor our systems to ensure that they are sufficiently strong to deal with ever increasing cyber risks. We have invested and continue to invest in systems to protect our sites, data and customers

The Group's IT is independently audited by outside agencies on an annual basis to challenge and test our defences. Our existing strategies are under constant review to ensure we are protecting ourselves and fully utilising new technologies where those technologies could assist

## HEALTH AND SAFETY

Health and safety is key across all areas of the Group. Policies are implemented, in conjunction with legal standards, to protect our staff and customers

**Risk.** Potential injuries, distress and fatalities could result from a failure to establish and maintain safe environments. Lack of competence in health and safety reporting could lead to legal claims which are difficult to defend

**Mitigation** We take reasonable steps to train each relevant company within the Group to the appropriate standards applicable in each requisite country

Training courses are regularly offered and staff are encouraged to learn essential health and safety techniques

The team at Head Office is always on hand to visit and assist stores with health and safety issues, assess incidents and refer reportable matters to RIDDOR. There is a team of employees dedicated to solely dealing with claims and complaints

Accidents involving staff or customers are reported to the Board regularly, as are any legal claims that arise from these. The Board considers ways to reduce the number of claims

We have a new Head of Health & Safety who will lead the team and provide a proactive approach in supporting the business. Additional day to day safety support is being added for our stores during 2016

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

## LEGAL

The Group's trade marks, patents, designs and other intellectual property rights are central to the value of the Group's Brands

**Risk** 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.

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.

Third parties may try to challenge the ownership of or counterfeit the Group's intellectual property.

**Mitigation** The Group has an in-house legal team who have knowledge of a variety of legal areas that apply to the Group. This in-house expertise is vital in mitigating such issues.

The legal team work closely with external advisors to assist with, and gain knowledge on, matters outside their areas of expertise.

The Group's legal advisors actively monitor trade mark applications by other companies, as well as the stock of rival retailers, to ensure that our rights are not infringed and where these are infringed, to take appropriate action.

The legal team carefully draft contractual agreements to ensure that documentation is clear and legally binding. Standard templates and key points are shared so that knowledge is retained within the Group.

## SALES

The Group's retail businesses are subject to seasonal peaks. The incidence of and participation in major sporting events will have a particular impact on the Sports Retail business.

**Risk** 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 is dependent upon the store portfolio and consumers' spending habits.

Customer tastes could change and stocked items could no longer be suitable for the market.

**Mitigation** Although unable to mitigate environmental conditions, the Group is able to influence the retail portfolio and therefore constantly monitors development of stores and the Group's aim to increase the square footage through viable new retail space. By monitoring stock levels through sales forecasting the Group can manage the peaks in demand and trading profiles can be predicted.

Building sales units at our Head Office and National Distribution Centre allows us to trial and monitor differing sales techniques and products before rolling these out to the rest of the Group.

Our team keep ahead of the trends, conducting market research on our customers and monitoring our competitors. Sophisticated ordering systems ensure that items which sell well in particular areas will be restocked. Our strong relationship with suppliers ensures that we are able to source key items at short notice should this be required.

# VIABILITY STATEMENT

In this year's Annual Report, the UK Corporate Governance Code requires the Board to express its view of the longer term viability of the Company and to explain how they have assessed the Company's prospects, taking into account the Company's current position and principal risks, over an appropriate period determined by the Board. In line with FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the Board has carried out a robust assessment of those risks that would threaten the Group's business model, future performance, solvency, liquidity and its resilience to the threats to its viability posed by material risks, and determined to review these over a three year period.

The Company chose a three year period as this best reflects the budgeting and planning process and the expected timescales for strategy implementation. Key areas considered included:

- macro economic factors including prevailing marketing conditions in key geographic areas and key currency requirements,
- internal factors including planned store openings, sales modelling profiles and expected capital expenditure requirements, brand profiles and supplier relationships, and
- the impact of the EU referendum and related uncertainty.

Based on the Board's assessment, the Directors have a reasonable expectation that the Company will be able to continue operating and be able to meet its liabilities as they fall due over the three year period assessed, assuming no major changes in its relationship with key suppliers.

The key risks and uncertainties can be found on pages 36 to 40 together with the steps the Company has taken to mitigate them.

The Strategic Report was approved by the Board on 7 July 2016, and signed on its behalf by:

**Dave Forsey**  
Chief Executive

# THE BOARD

## DR KEITH HELLAWELL QPM

**Non-Executive Chairman, Chairman of Nomination Committee**

**Appointed** 24 November 2009

**Committees** Nomination and Remuneration Committees

**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. 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 Sterience Limited, subsidiaries of the French company Veolia Env. 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 sectors such as vehicle manufacturing and IT.

**Present roles** Dr Hellawell is currently a Non-Executive Director of Mortice plc, a Singapore-based facilities management company, a Director of the Super League team Huddersfield Giants and Non-Executive Chairman of SmartWitness PLC, a leading designer, manufacturer and supplier of in-vehicle cameras, recorders, and software. He also runs his own management and training consultancy company.

**Key skills and experiences** 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 and experiences** Mike was the founder of the Group and has the necessary skills for formulating the vision and commercial 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 and experiences** Dave has been with the business for over 30 years, during which time he has acquired significant knowledge and experience of the sports retail business. In conjunction with the Executive 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.

## MATT PEARSON

**Acting Chief Financial Officer**

**Appointed** 04 June 2015

**Previous Roles** A graduate in Maths, he qualified with Tenon, now part of Baker Tilly, in 2004. He subsequently joined Ernst and Young, now EY, in Nottingham where he worked as an auditor before joining the Group.

**Key skills and experiences** Matt joined the Group in June 2007, shortly after it listed on the London Stock Exchange, and has since worked closely with the Executive team and the Audit Committee in his role as Group Financial Controller. Matt is a qualified Chartered Accountant, with substantial knowledge of all financial aspects of the Group.

## SIMON BENTLEY

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

**Appointed** 02 March 2007

**Committees** Audit, Nomination and Remuneration Committees

**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, is a Supervisory Board Director of Global Home, a designer and manufacturer of indoor furniture for retailers, based in Vietnam, and is Chairman of Yad Vashem UK Foundation.

**Key skills and experiences** He has lengthy experience of the sporting goods industry, and maintains the recent and relevant experience necessary to be Chairman of the Audit Committee.

## DAVE SINGLETON

**Non-Executive Director, Chairman of Remuneration Committee**

**Appointed** 27 October 2007

**Committees** Audit, Nomination and Remuneration Committees

**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, Bolton Community Leisure Trust. He is also a Trustee at Bolton Wanderers Community Trust.

**Key skills and experiences** Dave has an extensive senior management record and brings valuable experience of international sports brand operations.

## CLAIRE JENKINS

**Non-Executive Director**

**Appointed** 25 May 2011

**Committees** Audit, Nomination and Remuneration Committees

**Previous roles** Claire's most recent Executive role was as 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. 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 and at Laing & Cruickshank, 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 and experiences** 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 24 April 2016

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Chief Executive's Report on pages 18 to 23 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 on pages 37 to 40. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Financial Review on pages 24 to 27. The Corporate Social Responsibility Report on pages 28 to 35 reports on environmental matters including the impact of the Group's businesses on the environment, the Group's workforce 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 23.

## RESULTS FOR THE YEAR AND DIVIDENDS

Revenue for the 52 weeks ended 24 April 2016 was £2,904.3m and profit before tax was £361.8m compared with £2,832.6m and £313.4m 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 23 and 24 to 27 respectively.

The Board has decided not to propose a dividend in relation to FY16. The Board remains of the opinion that it is in the best interests of the Group and its shareholders to preserve financial flexibility, facilitating future investments and other growth opportunities. The payment of dividends remains under review.

## SHARE CAPITAL AND CONTROL

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

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

Further information regarding the Group's issued share capital can be found on page 92 of the Financial Statements.

Details of our Share Schemes are also set out on page 92.

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 £19,948,829 (being approximately one third of the then issued share capital) for the period expiring at 7 September 2016, the date of the 2016 AGM.

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 £39,897,658 (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 £2,992,324 (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 AGM 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 AGM and at that meeting other 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 59,846,486 representing 10% of the Company's issued ordinary share capital at the 2015 AGM. The above authority expires at the close of the next AGM of the Company.

## 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 written and legally binding Relationship Agreement with the Company. This agreement ensures that the controlling shareholder complies with the independence provisions set out in Listing Rule 6.1.4D. 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,
- 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, and

- 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

The Company has complied with this agreement's independence provisions during the period and as far as the Company is aware, the controlling shareholder has also complied with them

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
Mike Ashley <sup>(1)</sup>	330,000,000	55.14%	Indirect
Odey Asset Management LLP <sup>(2)</sup>	29,593,835	4.94%	Indirect
The Capital Group Companies, Inc. <sup>(3)</sup>	24,645,557	4.12%	Indirect

(1) Mike Ashley holds the shares through two companies, namely MASH Beta Limited and MASH Holdings Limited which hold 303,507,460 (50.71% of the issued ordinary share capital of the Company) and 26,492,540 (4.43% of the issued ordinary share capital of the Company) ordinary shares respectively. These figures are as at 21 January 2015 being the last date on which the Company was notified of a change in the percentage of shares.

(2) These figures are as at 15 March 2016 being the last date on which the Company was notified of a change in the percentage of shares.

(3) These figures are as at 27 November 2015 being the last date on which the Company was notified of a change in the percentage of shares.

## 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.

## CONTRACTS ESSENTIAL TO THE BUSINESS OF THE COMPANY

The Chief Executive's Report on pages 18 to 23 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 56 to 62.

## SHARE SCHEMES

Details of the Executive Share Schemes are set out in the Directors' Remuneration Report on page 58 and details of the Share Schemes for participating employees on page 29 of the Corporate Social Responsibility Report.

## STAFF INVOLVEMENT

The Group currently has a c.29,000 strong workforce in its stores, offices and warehouses. The contributions that key employees have made to the Group's accomplishments have played a vital role, and the overwhelming dedication shown was the deciding factor in encouraging the Group to obtain shareholder approval for the 2015 Share Scheme. Unfortunately, our disappointing results mean that this scheme will no longer vest and the Board is currently working on developing a new incentive scheme to replace it.

The workforce is notified of announcements and major changes in the business via Company news emails and our intranet, as well as information being transmitted through line managers. Training programmes and induction courses provide the workforce with opportunities to keep up to date with the latest developments of the Group. Our annual conference offers attendees an opportunity to mix with teams with which they wouldn't ordinarily mix, to learn about the Group's aspirations, and to keep up to date with the latest changes in the Group. This is a full day event and also has a range of activities tailored to the specific area in which each individual works.

Further information on relationships with our people can be found in the Corporate Social Responsibility Report on pages 28 to 35.

## DIVERSITY AND EQUAL OPPORTUNITIES

The Group's recruitment policy is to match the capabilities and talents of each applicant 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.

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 its workforce to promote equal opportunities in order that an individual's employment within the Group may continue. The Group values the knowledge and expertise that employees have gained throughout their time with us, and therefore does not wish to lose valued employees.

With the aim of achieving our target of 25% female representation on our Board, we are actively seeking applications from female potential Non-Executive Directors.

# DIRECTORS' REPORT Continued

## 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 cash donations of £5,000 (2015: £117,000) in the UK. No political donations were made (2015: nil). There have been a number of further donations of sporting equipment made to worthy causes, and these are set out on page 33

## DIRECTORS

Details of current Directors, dates of appointment, their roles, responsibilities and significant external commitments are set out on pages 42 and 43

Although the Company's Articles of Association require retirement by rotation of one third of Directors each year, the Group complies with the 2014 UK Corporate Governance Code and at each AGM all of the Directors will retire and stand for reappointment

Information on service contracts and details of the interests of the Directors and their persons closely associated (PCAs) in the share capital of the Company at 24 April 2016 and at the date of this report is shown in the Directors' Remuneration Report on pages 56 and 62

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 AGM

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 has granted the Directors with Qualifying Third-Party Indemnity provisions within the meaning given to the term by Sections 234 and 235 of the Companies Act 2006. 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 2016 AGM will be held on 7 September 2016 at Unit D, Brook Park East, Shirebrook, NG20 8RY. The meeting will commence at 11am. The Board encourages shareholders to attend and participate in the meeting.

## GOING CONCERN

The Group'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 23.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 24 to 27. In addition, 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 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 September 2018, 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 forecasts and projections, taking account of reasonable possible changes in trading performance, and its exposure to foreign currency movements in respect of future purchases in US Dollars, and the forward contracts and written options entered into to sell Euros, show that the Group should be able to operate within the level of the current facility.

Having thoroughly reviewed the Group's performance and having made suitable enquiries, the Directors are confident that the Group has adequate resources to remain 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 64 detailing their reporting responsibilities. The Directors fulfil their responsibilities and these are set out in the responsibility statement on page 63.

## AUDITOR

Grant Thornton UK LLP have expressed a willingness to continue in office and have been reappointed after a tender process. 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

Cameron Olsen  
Company Secretary

7 July 2016



# 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 Report, which confirms that for the year ended 24 April 2016, the Group has complied with the 2014 UK Corporate Governance Code

During our continuing search for Non-Executive Directors, we are actively encouraging applications from women

Throughout the year the Board has actively engaged with shareholders through various meetings and lengthy written correspondence. Board members have travelled to a number of locations in order to communicate with shareholders, and have sought guidance from our Company Secretarial team when necessary.

Key topics of discussion throughout the year have included recruitment, legal matters, expansion and corporate governance matters. Additional details of the Group's strategy can be found on page 18.

As Chairman of the Board I feel honoured to be surrounded by fellow members who are so passionate about their roles. The Board is committed to maintaining the principles of governance, by actively questioning, challenging and endeavouring to understand the Executive. Throughout the year one-to-one meetings have been held between Executive and Non-Executive Board members in order that Non-Executive Board members can gain a fuller understanding of what is taking place in 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 ongoing 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 UK Corporate Governance Code, which was issued in September 2014. The main principles of the Code are:

### LEADERSHIP

### EFFECTIVENESS

### ACCOUNTABILITY

### REMUNERATION

### RELATIONS WITH SHAREHOLDERS

The Board has reviewed the Company's corporate governance processes and policies, and has concluded that during the 52 weeks ended 24 April 2016 the Company complied with the provisions of the Code.

## THE BOARD

The Board consists of the Non-Executive Chairman, Keith Hellawell, the Executive Deputy Chairman, Mike Ashley, two other Executive Directors, and three further Non-Executive Directors. The names, skills and short profiles of each member of the Board are set out on pages 42 and 43.

The size and composition of the Board is 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 five 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 FY16 the Board formally met on six occasions.

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, 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. Areas discussed include investor relations, human resources and health and safety. The Board also receives updates on areas including risk management and internal control systems.

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.

# CORPORATE GOVERNANCE REPORT Continued

In an effort to secure the long-term future of the Group, the Board has created a high performance culture within the Group by devising stretching Share Schemes as well as a share scheme for senior members of management

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 do confirm 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 36 to 40

## 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 officiates effective communication with shareholders and ensures 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 in conjunction with the Chief Executive.

The Company has entered into a Relationship Agreement with Mike Ashley, the Executive Deputy Chairman, whose wholly-owned companies, MASH Holdings Limited and MASH Beta Limited, currently hold approximately 4.43% and 50.71% respectively of the issued share capital of the Company (excluding treasury shares). This agreement is described in the Directors' Report on page 44.

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 rest of the Board consists of three 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 page 42 and 43.

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 Directors' 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 2014 UK Corporate Governance Code.

Each year the Board evaluations consider the independence of each Board member. The most recent evaluations did not highlight any Directors who lacked independence. The Board continues to support our longest serving Non-Executive Director, Simon Bentley, who has been a Board member since 2007. The Board greatly values Simon's independent experience and his continuing input to the Group. In supporting Simon the Board has taken full account of the Code's requirement's to consider carefully a Non-Executive Director's independence where that director has served on the Board for more than nine years from the date of their first election.

#### 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 2014 UK Corporate Governance Code and all Directors offer themselves for re-election every year.

The Board has determined that all Directors must put themselves forward for re-election at the 2016 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 AGM.

Details of Executive Directors' service contracts, and of the Chairman's and the Non-Executive Directors' appointment letters, are given on pages 58 to 60. 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 AGM.

#### EXECUTIVE AND NON-EXECUTIVE - TRAINING AND DEVELOPMENT

All newly appointed Directors are provided with an induction programme which is tailored to their existing skills and experience. The Board is 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. Appropriate Directors and Officers Insurance is maintained by the Company.

#### EXECUTIVE AND NON-EXECUTIVE DIRECTORS - PERFORMANCE EVALUATION

The practices and processes of the Board are evaluated on a yearly basis with the most recent evaluation being led internally. Following evaluations the feedback obtained is considered and the Board act on the learnings which have come to light.

During 2015, the evaluation was undertaken internally.

#### 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- Scheduled	Board Meetings- Unscheduled	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Keith Hellawell	6/6	4/4	4/4	4/4	3/3
Mike Ashley	6/6	4/4	-	-	-
Simon Bentley	6/6	3/4	4/4	4/4	3/3
Dave Forsey	6/6	4/4	-	-	-
Dave Singleton	6/6	4/4	4/4	4/4	3/3
Claire Jenkins	6/6	3/4	4/4	4/4	3/3
Matt Pearson	6/6	4/4	-	-	-

Note: 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

The meetings which took place throughout the year were a mixture of both scheduled meetings, for general matters, and unscheduled meetings, for more urgent matters. All scheduled meetings were attended by all existing Committee members. Following unscheduled meetings all absent members were subsequently given the opportunity to review the information and endorse or question the decisions made. This ensured that all members could have their thoughts recorded even though they weren't available during the meeting itself.

There were a number of meetings throughout the year which were solely for Non-Executive Directors and the Chairman. Meetings also took place which were attended by Non-Executive Directors without the Chairman. These meetings enabled the Non-Executive Directors to discuss matters which they perhaps could not discuss with the Executive Directors and/or the Non-Executive Chairman present.

## AUDIT COMMITTEE

### AUDIT COMMITTEE REPORT 2016

Dear Shareholder,

I am pleased to present the Audit Committee Report for the 52 weeks ended 24 April 2016.

The Audit Committee regularly reviews the effectiveness of risk management and has reviewed the key risks together with the associated controls and mitigating factors.

The Audit Committee has reviewed the level of internal audit work within the Group and believes that it is adequate for the size, structure and business risks of the Group and is supplemented with appropriate external resources where needed.

The Audit Committee has an important role to play in effective reporting to our stakeholders and ensuring high standards of quality and effectiveness in the external audit process.

This report provides an overview of

- What the Committee has done during the year, and what is planned for 2017,
- The effectiveness of its activities
- How it has assessed the effectiveness of the external auditors, including ensuring their independence, and
- The Committee's opinion on the Annual Report when viewed as a whole

### MEMBERSHIP

The Audit Committee comprises me as Chairman, and all of the Non-Executive Directors. Biographical details of each member are shown in the Board of Directors' profiles on pages 42 and 43.

### MEETINGS

The Committee met four times during the year and attendance at those meetings is shown on page 49. At the invitation of the Committee members the Group Chairman, Chief Executive and the Acting Chief Financial Officer are invited to attend Committee meetings, as are the external and internal auditors. After the meetings attended by the external auditors, we met with them without the presence of Executive Directors or management. In addition I meet with the auditors regularly as and when needed. The Committee frequently requests that Executive Directors and senior managers attend meetings in order to reinforce a strong culture of risk management and to keep the Committee up to date with events in the business.

### 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 external audit and the annual internal audit plan and monitoring the same
- Reviewing and monitoring the independence of the external auditors and relationships with them
- Agreeing and monitoring the extent of the non-audit work that may be undertaken
- Reviewing and agreement of the external audit fees
- Monitoring, making judgements and recommendations on the financial reporting process and the integrity and clarity of the Group's Financial Statements
- Reviewing and monitoring, throughout the year, the effectiveness of the internal control and risk management policies and systems in place, including a review of the activities of the internal audit function
- Monitoring the audit of the annual and consolidated accounts including a review of the Letter of Representation, Audit Findings report and engagement letters
- Reporting to the Board on how it has discharged its responsibilities and the effectiveness of the Audit Committee

### 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 external auditors for 2017, following an audit tender process
- Reviewed accounting policies presentations and the Financial Statements
- Reviewed its own effectiveness

## INTERNAL CONTROLS

As one of the fastest-growing retailers with rapidly expanding overseas and internet operations, we have many complex operational risks to manage

The audit reviews led by the long established Retail Support Unit have led the way, through their audits across the retail operations each year, in providing comfort over the efficiency of controls over the operational procedures and systems which help to generate and report the numbers within the Financial Statements, and will continue to do so

Conscious of the rate of growth increasing complexity and the increase in responsibility that we as an Audit Committee have in reviewing the internal controls throughout the year, we work alongside BDO who are our internal audit advisers. BDO have specialists experienced in auditing the strategies and plans put in place to mitigate risks to further strengthen the control environment

BDO performed an audit needs assessment in 2015 based on its understanding of the retail sector and potential risks facing Sports Direct. In consultation with us BDO developed a programme of targeted internal audits to provide assurance to the Audit Committee regarding the management of specific priority areas. This programme of audits was approved by the Audit Committee in 2015 and is revisited annually. Reviews are being carried out in accordance with the agreed programme and reports are presented at each meeting of the Audit Committee.

In addition to the work carried out by BDO, as Chair of the Audit Committee, I am presented with reports and presentations from management on the mitigations of key risks.

The Committee has delegated responsibility from the Board for considering operational, financial and compliance risks on a regular basis. Information on the Group's approach to internal control and risk management is set out in the Corporate Governance Report on pages 47 to 55.

## EXTERNAL AUDITORS

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

Under the 2014 UK Corporate Governance Code, audit services must be put to tender at least every 10 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.

In light of the above we put the external audit services to tender for the audit of the period ending April 2017. Following a competitive tender process, overseen by the Audit Committee, a recommendation was approved by the Board of Sports Direct International plc to re-appoint Grant Thornton UK LLP as its auditor. This appointment of Grant Thornton UK LLP will be recommended to Sports Direct's shareholders for approval at the 2016 AGM.

I am pleased that we have conducted what I believe has been a very thorough, open and transparent audit tender process. We thank Grant Thornton UK LLP for their significant contribution as Sports Direct's auditors and look forward to working with them in the future.

The Committee took a number of factors into account in its assessment including but not limited to:

- The quality and scope of the planning of the audit in assessing risks and how the external auditors planned to evolve the audit to respond to changes in the business,
- The quality and timeliness of reports provided to the Committee and the Board,
- The level of understanding demonstrated of the Group's businesses and the retail sector,
- The objectivity of the external auditors' views on the controls around the Group and the robustness of challenge and findings on areas which required management judgement, and
- A review of external reports published, for example by the FRC, in respect of Grant Thornton.

The Committee's view following this assessment was positive in relation to their evaluation of the work of the external auditors and they felt that high standards had been maintained.

After taking into account all of the above factors, the Committee concluded that the external auditors were effective.

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 three years.

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 external auditors may carry out certain categories of non-audit work that have either been pre-approved by the Committee or the Board, depending on the nature and monetary value of the services to be provided. The policy also prohibits the auditors auditing their own work and making management decisions.

# CORPORATE GOVERNANCE REPORT Continued

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

The Committee reviewed the nature and extent of non-audit fees expended on transactions, pensions and tax advisory services, tax compliance, the review of the half year report and other assurance related services, and the Committee concluded that the safeguards set out above were sufficient so as not to compromise auditor independence or objectivity The Committee has considered the new Public Interest Entity regulations that were enacted on 17 June 2016 and are relevant for accounting periods commencing on or after this date We will be reviewing the impact of these changes further with our auditors in the near future

## REVIEWED ACCOUNTING POLICIES, PRESENTATIONS AND THE FINANCIAL STATEMENTS

The Board asked the Committee to advise on whether the Annual Report and Financial Statements, taken as a whole were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's business model, strategy and performance The Committee reviewed the process for preparing the Annual Report and Accounts

This process included the following key elements

- Review of new regulations and reporting requirements with external advisers to identify additional information and disclosures that may be appropriate
- Preparation of a detailed timetable and allocation of drafting responsibility to relevant internal teams with review by an appropriate senior manager
- Provision of an explanation of the requirements of "fair, balanced and understandable" to those with drafting responsibility
- Monitoring of the integrity of the Financial Statements and other information provided to shareholders to ensure they represented a clear and accurate assessment of the Group's financial performance and position
- Review of significant financial reporting issues and judgements contained in the Financial Statements
- Review of all sections of the report by relevant external advisers
- Review by the senior manager working group responsible for the Annual Report process
- Interim progress review of process and report content with the Audit Committee
- Review of a paper presented to the Committee which set out to review the contents of the Annual Report and substantiate why it provided a fair, balanced and understandable view of the year under review

The Committee reviewed the Annual Report and has confirmed it is fair, balanced and understandable

## FINANCIAL REPORTING

The Committee's review of the interim and full year Financial Statements focused on the following areas of significance

- Risk of fraud in revenue recognition - The Committee have reviewed the revenue recognition policies for all material revenue streams They have also reviewed and considered the audit findings and the overall control environment in place surrounding the recognition of revenue and is satisfied that revenue has been correctly recognised in the Financial Statements
- Accounting for the acquisition of the remainder of Heaton's - The Committee has reviewed the accounting for the acquisition of the remainder of Heaton's They have considered management's paper that sets out the judgements and estimates made in the assessment of the fair value on derecognising the existing investment and the fair values of assets and liabilities acquired on 13 November 2015 They are satisfied that the accounting treatment reflected in the financial statements is correct
- Foreign currency forward contracts and options - The Committee has reviewed the accounting treatment of these contracts and are satisfied that these have been correctly reflected in the financial statements, that appropriate documentation is in place and that the requirements of the accounting standards (IAS 39) have been complied with They have also reviewed the disclosures in the financial statements and the audit findings in respect of both forward contracts and written option arrangements They have considered the impact on the future financial performance of the Group given the results of the recent EU referendum
- Carrying value of inventory - the Committee has reviewed the basis on which the inventory provision is calculated and is satisfied with the reasonableness and consistency of model applied and that stock is held at the lower of cost and net realisable value
- Related parties - the Committee has reviewed the disclosures of related party transactions and balances in the financial statements and is satisfied that the disclosures are complete in respect of all material items

The Audit Committee is satisfied with the level of rigor applied by the external auditors in addressing these areas as part of the audit procedures

## REVIEW OF OWN EFFECTIVENESS

After undertaking a review of its own performance the Committee concluded that it had been effective in discharging the obligations entrusted to it by the Board

### Simon Bentley

Chairman of the Audit Committee and Senior Independent Non-Executive Director

7 July 2016

## REMUNERATION COMMITTEE

Biographical details of each member are shown in the Board of Directors' profiles on page 42 and 43

The Remuneration Committee consists solely of Non-Executive Directors who are considered independent. The purpose of the Committee is to assist the Board to ensure that Executive and Non-Executive Directors receive appropriate levels of pay and benefits. 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 Corporate Governance Code while meeting stakeholder, shareholder and staff expectations.

### 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 four occasions during FY16

A report on the remuneration of Directors appears on pages 56 to 62

### WHAT HAS THE COMMITTEE DONE DURING THE YEAR?

- Worked on the Share Scheme, including announcements and assessing the likelihood of achieving targets etc
- Reviewed and approved the Directors' Remuneration Report contained on pages 56 to 62

Full details of Directors' remuneration can be found in the Remuneration Report on pages 58 to 62

### Dave Singleton

Chairman of the Remuneration Committee

7 July 2016

## NOMINATION COMMITTEE

In my role as Chairman of the Nomination Committee I ensure that the Board remains competent, balanced and effective. These goals are achieved in a number of ways, including monitoring the succession of the Board, reviewing its performance and identifying and nominating suitable candidates to fill Board vacancies.

Biographical details of each member are shown in the Board of Directors' profiles on pages 42 and 43

The aim of the Committee is to ensure that the Board remains balanced, knowledgeable and diverse in order that it is able to fully meet the needs of the Group. Going forward we aim to continue to manage the transition of the Board, in particular the addition of new Non-Executive Directors through meetings with candidates (both at interviews and at networking events), consulting with other Committee members regarding their views on the suitability of candidates, and discussing the key requirements of the Group with Board members.

The Nomination Committee will usually meet twice a year and will also meet when appropriate. The Committee met formally on three occasions during FY16. All of the Nomination Committee members are Non-Executive Directors and are considered to be independent. See page 49 regarding Simon Bentley's independence.

### THE RESPONSIBILITIES OF THE NOMINATION COMMITTEE INCLUDE:

- Reviewing the leadership needs of the Group, looking at both Executives and Non-Executives
- Reviewing the composition, structure and size of the Board, and making recommendations to the Board of adjustments that are deemed necessary
- Giving consideration to succession planning for Directors, taking into account the challenges and opportunities facing the Group and the skills and expertise therefore needed on the Board
- Ensuring that Directors are aware of what is expected of them
- Formally documenting the appointment of Directors
- Identifying potential candidates for senior posts and making recommendations to the Board as and when necessary

# CORPORATE GOVERNANCE REPORT Continued

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 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

## WHAT HAS THE COMMITTEE DONE DURING THE YEAR?

- Assisted with the search for a Finance Director and recommended the interim appointment of Matt Pearson from 4 June 2015. The committee reviewed this appointment in 2015 and agreed that Matt should continue in this role for the foreseeable future
- Facilitated the search for Non-Executive Directors and reviewed the steps taken towards making an appointment. Candidates met with members of the Committee in order that the Committee were able to form a conclusion regarding recommendations
- Reviewed the top management structure in place. Made recommendations as to changes which may be required in order to strengthen the position of the Group in future
- Met with corporate governance bodies and reviewed the feedback given

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

### Dr Keith Hellawell QPM

Chairman of the Nomination Committee and Chairman of the Board

7 July 2016

## UK BRIBERY ACT

The Group has an approved policy in place which was created following the introduction of the UK Bribery Act. As a result of the Act, all policies and procedures were reviewed to ensure that they complied with the Act and measures are in place to prevent staff being offered and/or 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 pages 17 and 18

## WHISTLE-BLOWING

There is a formal whistle-blowing policy in place for staff who wish to raise issues or concerns relating to the Group's activities on a confidential basis

## RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of communicating with shareholders. This is done through the Annual Report and general meetings, and announcements. All Directors are available at, and following, the AGM when shareholders have the opportunity to ask questions

The Chairman and the Chief Executive 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. All other Board members are also available to meet with shareholders, as and when required

The Company's corporate website is an important tool of communication, which should be used as the first port of call for shareholders. The site holds all London Stock Exchange announcements, together with downloadable investor presentations, share price charts and brand information

During the year members of the Board and senior management have met with shareholders in order to discuss their queries. The meetings have been considered an opportunity not only to recognise the matters which are of importance to shareholders, but also for shareholders to recognise how the Group operates. The shareholder meetings that have taken place during the year include face to face meetings, individual and group conference calls, letters and emails

## REMUNERATION

The Remuneration Committee is responsible for determining and reviewing remuneration policy and setting remuneration levels. See Remuneration Report on pages 56 to 62

## SHARE DEALING CODES

Following the implementation of the Market Abuse Regulation on 3 July 2016, the Group adopted a new share dealing code for its persons discharging managerial responsibilities (PDMRs). This code includes notification obligations for PDMRs, and prohibits them from dealing in any shares in the Company during closed periods

Details concerning the share capital structure of the Company can be found in the Director's Report on pages 44 to 46



## **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 failure 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 and its Committees. 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 36 to 40.

By Order of the Board

**Cameron Olsen**  
Company Secretary

7 July 2016

# DIRECTORS' REMUNERATION REPORT

## STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder,

In spite of a difficult year in which the Company failed to reach its published stretch targets it remains committed to a transparent Executive remuneration policy under which Executive Directors' remuneration is aligned with the interests of shareholders. In that regard, the Committee and the Executive Directors have taken the action summarised below in relation to remuneration.

### Basic salaries

Reflecting the Company philosophy that Executive remuneration should be simple, transparent and directly support the delivery of the business strategy, high performance and shareholder return, we have maintained our approach of setting the Executive Directors' basic salaries at a level well below the lower quartile of a business of the size and complexity of the Group.

The salary of Dave Forsey has remained at the level of £150,000 since 2002 and again will not increase in FY17.

Matt Pearson's basic salary was increased from £60,000 to £80,000 with effect from 4 June 2015 reflecting his role as an acting Board member. While there is no current intention to increase his salary from this level in FY17, the Committee reserves the discretion to continue to review the situation. Any increase would not be to more than £150,000 per annum.

### Incentive Remuneration

In accordance with our shareholder approved directors' remuneration policy, the Executive Directors are not eligible to receive an annual bonus. Rather, to drive sustained long-term 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. Annual published performance targets which must be hit ensure a focus is maintained on a consistent and long term profitable growth strategy.

Because the Executive Directors' remuneration opportunity is very highly weighted towards performance-related remuneration which will not vest if stretching performance targets aligned with the business strategy are not met, they very much share risk with the shareholders.

In the FY15 directors' remuneration report, we reported that all the performance conditions for Dave Forsey's award over 1m shares granted in August 2011 under the Executive Share Scheme had been met, and the value of those shares was included in the single figure table for FY15. Vesting of those shares was deferred until 2017. On 6 June 2016 the Company and the Committee were informed of the decision of Dave Forsey to forego the vesting of these shares. At the time of the announcement this represented a value of approximately £3.6m. The Committee believe that this is very much reflective of the Executive Directors sharing risk with shareholders and taking responsibility for results that fell short of their expectation.

The 2015 Share Scheme which was approved by shareholders on 2 July 2014 has lapsed given the failure to reach the FY16 Adjusted Underlying EBITDA target of £420m. The Remuneration Committee has taken the decision not to amend the targets and there is no immediate intention to present to shareholders a new scheme for Executive Directors at this time. The Committee would point out that this is with the positive acceptance of the Executive Directors. The Committee also does not propose to apply its discretion as per the Company's Remuneration Policy to grant further awards under the 2010 Executive Share Scheme in FY17 if the 2015 Share Scheme is not in place. Neither will it exercise its discretion to introduce an annual bonus or provide any additional benefits to Executive Directors for FY17.

The Executive Directors focus in FY17 will be on improving shareholder value and the earnings potential of our people for their commitment and performance.

To date Mike Ashley, Executive Deputy Chairman, has not received any remuneration from the Company since before the public offering in February 2007 nor has he participated in the Executive Share Scheme. Despite being eligible to participate in the 2015 Share Scheme following discussions with the Committee Mike Ashley informed the Company and the Committee that he did not wish to participate in the scheme nor did he expect any share based incentive scheme to be proposed to shareholders in relation to his role as an Executive Director while the 2015 Share Scheme was in place. There is no current intention to offer remuneration to Mike Ashley.

During 2013/14 the Remuneration Committee re-assessed the shareholding guidelines for Executive Directors and determined that the Executive Directors must now hold a minimum shareholding of 50,000 while they remain employed by the Company. As noted on page 60 Dave Forsey's shareholding on 24 April 2016 meant that he satisfied the guideline. As an acting Board member Matt Pearson is not currently required to satisfy the shareholding guideline. If his appointment is made permanent Matt Pearson would be expected to acquire the minimum number of shares over a reasonable time period determined by the Committee.

The Remuneration Committee is committed to further building an open and transparent engagement with our investors and employees. We believe that a key objective of the Directors' Remuneration Report is to communicate clearly and very simply how much our Executive Directors are earning, how this is very clearly linked to the performance of the Company and is of benefit to our shareholders.

**Dave Singleton**

Chairman of the Remuneration Committee

7 July 2016

## DIRECTORS' REMUNERATION POLICY

The Company's Directors' Remuneration Policy was approved by shareholders at the 2015 AGM on 9 September 2015. The full Remuneration Policy as approved by shareholders can be found on pages 45 – 49 of the 2015 Annual Report, a copy of which can be found on the Group's corporate website at [www.sportsdirectplc.com](http://www.sportsdirectplc.com). The Policy is determined by the Committee.

For ease of reference, we have set out below the Future Policy Table for Executive Directors as included in the approved Remuneration Policy, except that (1) to reflect that the 2015 Share Scheme has lapsed, we have removed references to it, and (2) we have made consequential amendments to the text of other parts of the table to reflect the lapse of the 2015 Share Scheme and to update specific date references.

### FUTURE POLICY TABLE

The table below describes each of the elements of the remuneration package for the Executive Directors.

#### ELEMENT OF REMUNERATION: BASE SALARY

**PURPOSE / LINK TO STRATEGY** Fixed element of the remuneration package, where the balance of fixed and variable remuneration is aligned to the commercial strategy of long-term profitable growth and reflects the Company remuneration philosophy of gearing reward to performance with a sharing of risk between Executive Directors and shareholders.

**OPERATION** Base salaries are normally reviewed annually.

Mike Ashley does not currently receive a salary for his role.

**MAXIMUM** Although salaries for Executive Directors (other than Mike Ashley, who does not currently receive a salary and Matt Pearson who has been appointed as an acting Board member) have been set at £150,000 since 2002, the Company retains discretion to set salaries at a level commensurate with other companies of a similar size and complexity as the Company. Matt Pearson's salary will be reviewed during FY17 to take account of his role as an acting Board member or if his appointment becomes permanent (but would not exceed £150,000).

Salaries for new Executive Directors will be set in accordance with the Committee's approach to recruitment remuneration as described on pages 47 – 48 of the 2015 Annual Report.

**PERFORMANCE MEASURES** Not applicable.

#### ELEMENT OF REMUNERATION: BENEFITS

**PURPOSE / LINK TO STRATEGY** Not applicable for current Executive Directors.

**OPERATION** The current Executive Directors do not receive any additional benefits. There is currently no intention to change this while the Executive Share Scheme remains in place.

Benefits may be provided in line with market practice to recruit a new Executive Director taking into account individual circumstances. Such benefits may include relocation expenses.

**MAXIMUM** Whilst the Remuneration Committee has not set an absolute maximum level of benefits Executive Directors may receive, the Company retains discretion to set benefits at a level which the Remuneration Committee considers appropriate against the market and to support the ongoing strategy of the Company.

**PERFORMANCE MEASURES** Not applicable.

#### ELEMENT OF REMUNERATION: RETIREMENT BENEFITS

**PURPOSE / LINK TO STRATEGY** Provide post-employment benefits to recruit and retain individuals of the calibre required for the business.

**OPERATION** The Executive Directors are entitled to participate in a stakeholder pension scheme on the same basis as other employees.

**MAXIMUM** The current maximum employer contribution to the stakeholder pension scheme is 1%.

The Company retains the discretion to set retirement benefits (including pension contributions and/or a salary supplement in lieu of a pension contribution) for any Executive Directors in accordance with the Committee's approach to recruitment remuneration, as described on pages 47 – 48 of the 2015 Annual Report.

**PERFORMANCE MEASURES** Not applicable.

#### ELEMENT OF REMUNERATION: ANNUAL BONUS

**PURPOSE / LINK TO STRATEGY** Not applicable as Executive Directors do not participate in an annual bonus scheme.

**OPERATION** The Committee has determined that no annual bonus scheme will be operated for Executive Directors while the 2015 Share Scheme is in place.

Although the 2015 Share Scheme has lapsed, the Committee does not propose to introduce an annual bonus for FY17.

# DIRECTORS' REMUNERATION REPORT Continued

**MAXIMUM** Although the 2015 Share Scheme has lapsed the Committee does not propose to introduce an annual bonus for FY17. The Committee may award an annual bonus opportunity of up to 200% of base salary in respect of any future year but will not award such a bonus opportunity and also grant an award under the Executive Share Scheme as referred to below.

The annual bonus opportunity for any newly recruited Executive Director will be set in accordance with the Committee's approach to recruitment remuneration as described on pages 47 – 48 of the 2015 Annual Report.

**PERFORMANCE MEASURES** Not applicable for so long as Executive Directors do not participate in an annual bonus scheme. If an Executive Director does participate in an annual bonus scheme, performance will be assessed against one or more metrics determined by the Committee and linked to the Company's strategy, with the weighting between the metrics determined by the Committee. Bonuses will be determined between 0% and 100% of the maximum opportunity based on the Committee's assessment of the applicable metrics.

## ELEMENT OF REMUNERATION: LONG-TERM INCENTIVE PAY (EXECUTIVE SHARE SCHEME)

**PURPOSE / LINK TO STRATEGY** To recognise and reward outstanding performance of the Executives and to drive underlying Group EBITDA in line with Group strategy and align Executive Directors' interests with the interests of shareholders in bringing consistent long-term profitable growth to the Company.

**OPERATION** The Executive Share Scheme was approved by shareholders at the AGM in September 2010. The Committee may grant further awards under this Scheme taking into account that the 2015 Share Scheme has lapsed, but does not propose to do so in FY17. Mike Ashley is not eligible to be granted awards under the Executive Share Scheme. Any award granted under the Executive Share Scheme would be subject to malus and clawback provisions on a comparable basis to those applying under the 2015 Share Scheme.

**MAXIMUM** Any award granted to an Executive Director under the Executive Share Scheme during the period for which it is proposed this Directors' Remuneration Policy shall apply would be over a maximum of 1m shares (subject to such adjustment as the Committee determines to reflect any change in the Company's share capital).

**PERFORMANCE MEASURES** Stretching performance targets are set reflecting the business priorities that underpin Group strategy. Any award granted under the Executive Share Scheme would be subject to stretching performance targets determined by the Committee based on Adjusted Underlying EBITDA which would be disclosed in the Directors' Remuneration Report following the grant of any such award.

## SERVICE CONTRACTS

The Company's policy is for Executive Directors to be employed on the terms of service contracts which may be terminated by the Company or the Executive Director on the giving of not less than 12 months' notice.

### EXECUTIVE DIRECTORS

Details of each current service contract are set out below.

	Contract Date	Unexpired term / notice period	Proper law
Mike Ashley	11/02/2007	12 months	England & Wales
Dave Forsey	11/02/2007	12 months	England & Wales
Matt Pearson	14/06/2007	8 weeks	England & Wales

### NON-EXECUTIVE DIRECTORS

The Non-Executive Directors enter into an agreement with the Company for a period of three years, other than the Chairman whose agreement continues until terminated in accordance with its terms. 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.

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.

Details of the letters of appointment are set out below.

	Position	Date of letter of appointment
Keith Hellawell	Non-Executive Chairman	February 2010
Simon Bentley	Non-Executive Director	15 July 2014
Dave Singleton	Non-Executive Director	15 July 2014
Claire Jenkins	Non-Executive Director	15 July 2014

## ANNUAL REPORT ON REMUNERATION

This part of the Directors' Remuneration Report sets out the actual payments made by the Company to its Directors with respect to the period ended 24 April 2016 and how our Directors' Remuneration Policy will be applied in the year commencing 25 April 2016.

### SINGLE FIGURE TABLE (AUDITED)

The aggregate remuneration provided to individuals who have served as Directors in the period ended 24 April 2016 is set out below, along with the aggregate remuneration provided to individuals who have served as Directors during the prior financial year

Director	Salaries and fees		Other benefits		Bonus		Long-term incentives		Pension		Total	
	FY16	FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16	FY15
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>EXECUTIVE</b>												
Mike Ashley	-	-	-	-	-	-	-	-	-	-	-	-
Dave Forsey	150	150	-	-	-	-	-	(1)	-	-	150	150
Matt Pearson <sup>(2)</sup>	73	-	-	-	-	-	-	-	-	-	73	-
<b>NON-EXECUTIVE</b>												
Keith Hellawell	155	155	-	-	-	-	-	-	-	-	155	155
Simon Bentley	50	50	-	-	-	-	-	-	-	-	50	50
Dave Singleton	50	50	-	-	-	-	-	-	-	-	50	50
Claire Jenkins	50	50	-	-	-	-	-	-	-	-	50	50

(1) In the single figure table for FY15 a value of £6 610 000 was included in respect of Dave Forsey reflecting the value of an award over 1 million shares which was due to vest in 2017. On 6 June 2016 Dave Forsey informed the Company and the Committee of his decision to forego this award. Accordingly we have restated this figure above to reflect the decision to forego this award.  
(2) Matt Pearson did not serve as a director in FY15 accordingly no values are included in respect of Matt Pearson for FY15 as he did not receive any remuneration in that year for services as a director. Matt Pearson was appointed as a director with effect from 4 June 2015. His remuneration for FY16 as set out in the above table is his remuneration for the period from the date of his appointment.

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### NOTES TO THE SINGLE FIGURE TABLE AND IMPLEMENTATION OF POLICY IN THE YEAR ENDING 30 APRIL 2017

#### BASE SALARY AND FEES

Base salaries are normally reviewed annually. In the review in FY16 the Committee decided not to alter Dave Forsey's salary and has also decided not to increase Dave Forsey's salary in FY17, which has been at the same level since 2002 and which is set at a level well below the lower quartile for a business of the size and complexity of the Group.

Mike Ashley does not receive a salary for his role.

Matt Pearson's salary was increased to £80,000 with effect from 4 June 2015 to reflect his role as an acting board member. In FY17, the Committee will review Matt Pearson's salary and consider whether any increase should be implemented to reflect his development in the role of acting Board member or if his appointment is made permanent, any increase would not be to more than £150,000.

Fees for Non-Executive Directors are normally reviewed annually. In the review in FY16 fees were not increased. Fees for Non-Executive Directors will not be increased for FY17.

#### ANNUAL BONUS SCHEME

Notwithstanding that the 2015 Share Scheme has lapsed and the Committee does not propose to grant further awards under the 2010 Executive Share Scheme in FY17, the Committee does not propose to introduce an annual bonus for FY17.

#### EXECUTIVE SHARE SCHEME

The 2015 Share Scheme has lapsed given the failure to reach the FY16 Adjusted Underlying EBITDA target. No awards were granted under the Executive Share Scheme in FY16 and no awards will be granted under it in FY17.

#### PAYMENTS TO PAST DIRECTORS DURING THE FINANCIAL YEAR

No payments have been made to past Directors during the period ended 24 April 2016.

#### PAYMENTS FOR LOSS OF OFFICE DURING THE FINANCIAL YEAR

No payments were made for loss of office during the period ended 24 April 2016.

#### SHAREHOLDING GUIDELINES AND TOTAL SHAREHOLDINGS OF DIRECTORS

The Board believes it is important that Executive Directors have a significant holding in the capital of the Company. In FY14 the Committee

# DIRECTORS' REMUNERATION REPORT Continued

reassessed the shareholding guidelines for Executive Directors and determined that the Executive Directors must hold a minimum shareholding of 50,000 shares while employed by the Company

Dave Forsey's beneficial shareholding on 24 April 2016 was 50,000 shares and, based on a share price of £4.05 (being the price at the close of business on 22 April 2016, the last dealing day before Sunday 24 April 2016) the value of that holding was £202,500

As an acting Board member Matt Pearson is not currently required to satisfy the shareholding guideline. In the event his appointment becomes permanent, Matt Pearson would be expected to acquire the minimum number of shares over a reasonable time period determined by the Committee

The beneficial interests of the Directors in office on 24 April 2016 and of their Persons Closely Associated in both cases at the beginning of the financial year, or at the date of appointment if later, and at the end of the financial year in the share capital of the Company are shown below

	Ordinary Shares 26 April 2015	Ordinary Shares 24 April 2016
Mike Ashley	330,000,000	330,000,000
Simon Bentley	10,000	10,000
Dave Forsey	50,000	50,000
Keith Hellawell <sup>(1)</sup>	50,000	50,000
Claire Jenkins	21,725	21,725
Dave Singleton <sup>(2)</sup>	52,000	42,000
Matt Pearson <sup>(3)</sup>	-	-

(1) These shares are held in the name of Keith Hellawell as well as his wife

(2) These shares are held in the name of Dave Singleton as well as his wife

(3) The shareholding of acting Board members will be assessed in accordance with the Group minimum level upon their status on the Board being made permanent

There have been no changes in the Directors' holdings in the share capital of the Company as set out in the table above, between 24 April 2015 and 7 July 2016

Director	Scheme	Grant date	As at 27 April 2015	Exercised in the year	As at 24 April 2016	Status
Dave Forsey	Executive Share Scheme	22 August 2011			1,000,000*	Unvested
Matt Pearson	Employee Share Scheme 2011	30 August 2012	6,875**	6,875**	-	Exercised
			20,625**	-	20,625**	Unvested

As noted on page 59 on 6 June 2016 Dave Forsey elected to forgo the vesting of these shares

Matt Pearson's awards were granted prior to his appointment as an Executive Director. The awards vested as to 25% of the aggregate number of shares in September 2015 and Mr Pearson exercised the awards to the extent vested on 16 September 2015 – the awards exercised consisted of a tax advantaged option over 6,875 shares at an exercise price of £2,995 per share and a "Linked Award" which was to fund the exercise price of the tax advantaged option. The remaining 75% of Matt Pearson's award is due to vest in 2017 and consists of a tax advantaged option over 3,141 shares at an exercise price of £2,995 per share, a non-tax advantaged nil cost option over 17,484 shares and a "Linked Award" to fund the exercise price of the tax advantaged option.

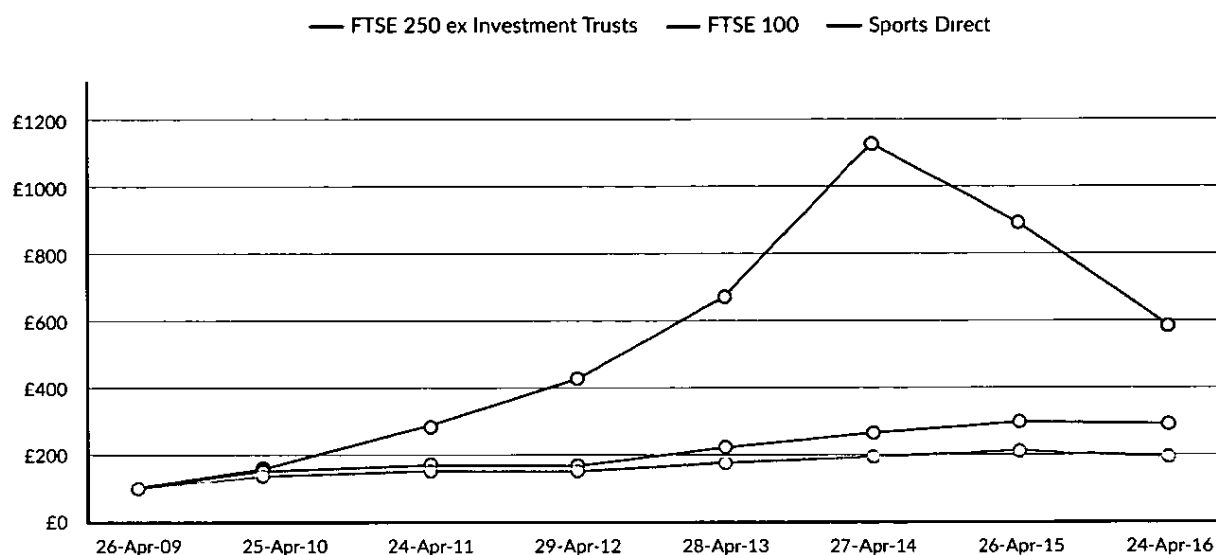
Each award was granted subject to the satisfaction of the following Underlying EBITDA targets (all of which have been met)

- Underlying EBITDA of £215m in FY12 - ACHIEVED
- Underlying EBITDA of £250m in FY13 - ACHIEVED
- Underlying EBITDA of £260m in FY14 - ACHIEVED
- Underlying EBITDA of £300m in FY15 - ACHIEVED

The aggregate gains made by directors on the exercise of options in FY16 were £53,000, reflecting the exercise by Matt Pearson of his awards in September 2015

## PERFORMANCE GRAPH AND TABLE

The following graph shows the Company's performance measured by the Total Shareholder Return compared with the performance of the FTSE 100 and FTSE 250 Index (excluding investment trusts)



The Committee considered these as appropriate indices against which to compare the Company's performance. They are widely accepted as national measures and include the companies that investors are likely to consider alternative investments.

The table below shows details of the total remuneration and performance-related pay for Dave Forsey over the last seven financial years.

	Total remuneration	Executive Share Scheme as a % of maximum opportunity
FY16	£150,000	N/A
FY15	£150,000 <sup>(1)</sup>	0% <sup>(1)</sup>
FY14	£150,000	N/A
FY13	£150,000	N/A
FY12	£150,000	N/A
FY11	£6,620,000 <sup>(2)</sup>	100%
FY10	£150,000	N/A

(1) In the FY15 Annual Report, this chart included a total remuneration figure for FY15 of £6,760,000 and 100% vesting of the Executive Share Scheme reflecting the satisfaction of the performance conditions for an award over 1,000,000 shares due to vest in 2017. On 6 June 2016 Dave Forsey informed the Company and the Committee of his decision to forego this award. Accordingly, we have updated the chart above to reflect the decision to forego the award.

(2) For these purposes, the total remuneration in FY11 includes the value of an award over 1,000,000 shares that vested on 15 August 2013 subject to the satisfaction of a performance condition based on EBITDA in FY11. For these purposes, the value of a share is £6.47 being the closing price of a share on that date.

## CEO PAY INCREASE IN RELATION TO ALL EMPLOYEES

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in pay for Dave Forsey compared to the average increase between the same periods for the Group's UK Head Office employees, which the Committee believes is the most appropriate comparator group. The percentages shown relate to the amounts for FY16 as compared to the amounts for the FY15.

Element of remuneration	Dave Forsey / % change	Uk head office employee average / % change
Salary	0%	3.4%
Taxable benefits	0% (no taxable benefits were provided to Dave Forsey in either year)	4.7%
Annual bonus	0% (no annual bonus arrangement was operated for Dave Forsey in either year)	-9.9%

# DIRECTORS' REMUNERATION REPORT Continued

## RELATIVE IMPORTANCE OF SPEND ON PAY

The table below sets out the Group's distributions to shareholders by way of dividends and share buybacks, total Group-wide expenditure on pay for all staff as reported in the audited Financial Statements for FY16 and FY15 and the Company's share price, calculated as at the close of business on the last day of FY16 and FY15

	FY16	FY15	PERCENTAGE CHANGE
Distributions to shareholders by way of dividend and share buyback	£0	£0	0%
Investment*	£439,667,000	£126,661,000	247.1%
Group-wide expenditure on pay for all employees	£344,010,000	£323,545,000**	6.3%
Share price (pence)	404.5	613.0***	(34)%

\*Comprises of increases in working capital, acquisitions and capital expenditure in the year as the Board believes these to be the most relevant measures of the Group's investment in future growth. This increase is reflective of the Group's acquisitions and retail expansion in Europe.

\*\*For these purposes, the share price for FY16 and the share price for FY15 are calculated as the close of business on 22 April 2016 and 24 April 2015 respectively, being the last working days prior to the year ends.

## CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

### MEMBERSHIP

The Committee consists of Simon Bentley, Dave Singleton and Claire Jenkins, who are independent Non-Executive Directors and Kerth Hellawell, who is the Non-Executive Chairman.

The role and main responsibilities of the Committee are detailed in the Corporate Governance Report on page 53.

Attendance at the meetings held during the year is detailed on page 49.

The members of the Committee have no personal financial interest, other than as shareholders, in the matters to be decided, no actual or potential conflicts of interest arising from other directorships and no day-to-day operational responsibility within the Company.

### ADVISERS TO THE COMMITTEE

Dave Forsey, the Chief Executive, Matt Pearson, the Acting Chief Financial Officer and Mike Ashley, the Executive Deputy Chairman, have advised or materially assisted the Committee when requested. Executive Directors are not present nor do they take part in discussions in respect of matters relating directly to their own remuneration.

### SHAREHOLDER VOTING

The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Report for the year ended 26 April 2015 and in respect of the resolution to approve the Directors' Remuneration Policy.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Directors' Remuneration Report for the year ended 26 April 2015	518,504,036	98.9%	5,918,178	1.1%	524,422,214	721,345
Directors' Remuneration Policy	426,150,848	81.4%	97,167,282	18.6%	523,318,130	1,825,428

### Dave Singleton

Chairman of the Remuneration Committee

7 July 2016



# 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) including FRS 102.

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 the applicable IFRSs have been followed, subject to any material departures disclosed and explained in the Financial Statements
- for the Company Financial Statements, state whether the 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 Annual Report, including the strategic report, prepared in accordance with the applicable set of accounting standards, gives 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.

The Board has reviewed the Annual Report and has confirmed it is fair, balanced and understandable.

On behalf of the Board

**Dave Forsey**  
Chief Executive

7 July 2016

# INDEPENDENT AUDITORS REPORT

To members of Sports Direct International plc

## OUR OPINION ON THE GROUP FINANCIAL STATEMENTS IS UNMODIFIED

In our opinion the Group Financial Statements

- Give a true and fair view of the state of the Group's affairs as at 24 April 2016 and of its profit for the 52 week period then ended,
- Have been properly prepared in accordance with International Financial Reporting Standards (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

## OTHER MATTER

We have reported separately on the Financial Statements of Sports Direct International plc for the period and on the information in the Directors' Remuneration Report that is described as having been audited

## WHO WE ARE REPORTING TO

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.

## WHAT WE HAVE AUDITED

Sports Direct International plc's group financial statements for the period ended 24 April 2016 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 IFRSs as adopted by the European Union.

## OVERVIEW OF OUR AUDIT APPROACH

- Overall Group materiality: £13.3 million which represents 3.5% of the Group's underlying earnings before interest, taxation, depreciation and amortisation (underlying EBITDA).
- We performed full scope procedures at the four main UK trading companies in the Sports Retail division, the largest UK trading company in the Brands division, the parent company of the Group and the overseas component in Austria. We performed targeted procedures over the Premium Lifestyle division, other entities within the Brands division, two overseas components in the United States of America, one in Belgium and one in Ireland, and
- Key audit risks were identified as revenue recognition, related party disclosures, accounting for the acquisition of Heaton's carrying value of inventory and accounting for foreign currency forward contracts.

## OUR ASSESSMENT OF RISK

In arriving at our opinions set out in this report, we highlight the following risks that, in our judgement, had the greatest effect on our audit.

### REVENUE RECOGNITION

Revenue is recognised in accordance with the Group's accounting policy and International Accounting Standard (IAS) 18 Revenue. The majority of group revenue is recorded through Electronic Point of Sale (EPOS) transactions. Key to the appropriate recognition of this revenue is the capture of the EPOS data and the Group operates a control to ensure the completeness and accuracy of this data as it is transferred into the accounting system. Other material sources of revenue are from internet sales, wholesale sales and from licencing agreements for brands owned by the Group.

The revenue recorded by the Group is one of the key determinants of Group underlying EBITDA, which is the primary financial KPI for the Group. Therefore we identified revenue recognition as a significant risk. This risk is unchanged from the prior period.

Our audit work included, but was not restricted to:

- Determining whether revenue is recorded in the accounting system consistent with the accounting policy and considering the appropriateness of that policy,
- Checking the accounting entries for retail transactions and identifying entries not derived from EPOS transactions for further investigation,
- Testing that licencing and wholesale sales are externally generated by confirming to underlying arrangements (licencing), proof of delivery (wholesale) and subsequent cash receipts,
- Testing the controls over the completeness and accuracy of the EPOS data from tills through to head office,
- Testing a sample of sales transactions in stores to till reports and cash banked,
- Testing the reconciliation of internet sales receipts in total to cash received, and
- Analytically reviewing sales trends at an individual store level and by product type to identify trends and variances that would require further substantive testing.

The Group's accounting policy on revenue recognition is shown in note 1 and segmental analysis of sales are included in note 4. The Audit Committee identified revenue recognition as a significant issue in its report on page 50, where the Committee also described the action that it has taken to address this issue.

## RELATED PARTY DISCLOSURES

The objective of IAS 24 Related Party Disclosures is to ensure the financial statements draw attention to the possibility that the financial position and financial performance of the Group may have been affected by the existence of related party transactions

We have identified related party disclosures as a significant risk for the current period audit given that this has the potential to impact assessments of the Group's operations by users of the financial statements

Our audit work included, but was not restricted to

- Updating our knowledge of related party relationships through enquires of management, review of board meeting minutes and searches of company information databases
- Performing searches for related party transactions on the group's accounting records using data interrogation software and comparing to those identified by the group,
- Obtaining supporting documentation for related party transactions, and
- Reviewing disclosures of related party transactions in the financial statements to assess their completeness and accuracy

The group's related party disclosures are included in note 34 The Audit Committee identified related party disclosures as an issue in its report on page 52, where the Committee also described the action that it has taken to address this issue

## ACCOUNTING FOR THE ACQUISITION OF HEATONS

On 13 November 2015 the group acquired, Warrnambool, owner of the Heaton's Irish department store chain which had previously been an associated entity of the group This acquisition accounted for under IFRS 3 Business Combinations, was effected through the purchase of shares to achieve a controlling interest and an option to acquire the remaining shares in the business which was exercised during the period

We have identified accounting for the acquisition of Heaton's as a significant risk for the current period due to the level of judgement applied in determining the acquisition date fair values of the assets and liabilities assumed, and of the existing investment, which is derecognised

Our audit work included but was not restricted to

- Obtaining the agreements relating to the transaction and reviewing the acquisition accounting treatment adopted by management,
- Obtaining supporting evidence for the fair values applied by management to the existing investment at the point of derecognition, the assets and liabilities acquired, (specifically property valuations inventory carrying values completeness of property related provisions and fair values of financial instruments) and the resulting recognition of any intangibles and goodwill and
- Challenging the assumptions applied by management in forming their assessments of fair values for example through review of external property market data and review of forecast store performance

The Group's accounting policy on acquisitions is shown in note 1 and related disclosures are included in note 29 The Audit Committee identified acquisitions as a significant issue in its report on page 52 where the Committee also described the action that it has taken to address this issue

## CARRYING VALUE OF INVENTORIES

The carrying value of inventories is stated net of provisions for obsolete or slow moving inventory Provisions are made against specifically identified inventory lines and for the expected shrinkage and spoilage of inventory

We have identified the carrying value of inventories as a risk because judgement is applied by management in assessing the amount of provision required to record inventory at the lower of cost and net realisable value and because of the complexity of the provision calculation This risk is unchanged from the prior period

Our audit work included, but was not restricted to

- Testing the models used for mathematical accuracy by re-performing the calculations using the inventory records,
- Considering the appropriateness and consistency of the underlying assumptions within the model
- Challenging management's assessment of the assumptions applied, and reviewing the reports management use to verify the ongoing appropriateness of provision levels, and
- Testing the selling price of inventory sold post period end against its carrying value

The Group's accounting policy on inventories is shown in note 1 and related disclosures are included in note 18 The Audit Committee identified the carrying value of inventories as an issue in its report on page 52 where the Committee also described the action that it has taken to address this issue

# INDEPENDENT AUDITORS REPORT

To members of Sports Direct International plc

## ACCOUNTING FOR FOREIGN CURRENCY FORWARD CONTRACTS

The group has a number of forward currency contracts that are classified as derivative financial instruments and are accounted for under IAS 39 Financial Instruments: Recognition and Measurement

We have identified accounting for forward currency contracts as a risk for the current period audit due to the quantum of forward contracts and associated option arrangements entered into in the period, the potential impact of the fair value movements of these instruments on the income statement and statement of other comprehensive income, and the material asset and liabilities at the balance sheet date. In addition the long term nature of these instruments could have a material impact on the future results of the Group, especially given the results of the recent EU referendum.

Our audit work included, but was not restricted to

- obtaining the documentation of hedging strategy and risk management objectives,
- obtaining details of foreign exchange contracts from banking institutions and agreeing those instruments held to management's hedge effectiveness assessment,
- our own valuation specialists review of the banks' valuations for a sample of contracts,
- testing the calculations prepared by management to confirm the hedging arrangements remained effective in accordance with the requirement of IAS 39, and
- verifying the prospective and retrospective tests to ensure that the hedge effectiveness requirements were met at inception and continued to be met throughout the period and at the reporting date

The Group's accounting policy on forward currency contracts is shown in note 1 and related disclosures are included in note 27 and in the strategic report. The Audit Committee identified the accounting for forward currency contracts as an issue in its report on page 52, where the Committee also described the action that it has taken to address this issue.

## OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

### MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the Group financial statements as a whole to be £13.3m, which is 3.5% of underlying earnings before interest, tax, depreciation and amortisation (underlying EBITDA). This benchmark is considered the most appropriate because this is the measure against which the financial performance of the Group is measured both internally and externally.

Materiality for the current period is equivalent to the level that we determined for the period ended 26 April 2015, which reflects the relatively small change in underlying EBITDA.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the Group financial statements. We also determine a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the audit committee to be £665,000. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### OVERVIEW OF THE SCOPE OF OUR AUDIT

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

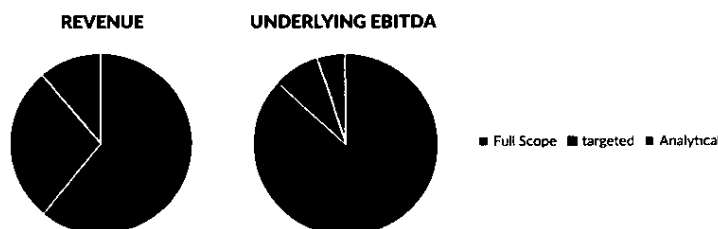
We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have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

We are independent of the Group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included

- An interim visit to the Group's head office was conducted close to the period end to complete advance substantive audit procedures and to evaluate the group's internal controls environment including its IT systems,
- Evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality considering each as a percentage of total Group assets, liabilities, revenues and underlying EBITDA, to assess the significance of the component and the planned audit response
- For those components that were evaluated as significant, either a full-scope or targeted approach was taken based on their relative materiality to the Group and our assessment of the audit risk. For significant components requiring a full-scope approach we evaluated and in certain areas tested controls over the financial reporting systems identified as part of our risk assessment and addressed critical accounting matters. We sought, in certain areas with high transactional volumes, being testing over UK store inventory existence and testing of the completeness of EPOS sales in stores, to rely on the effectiveness of the Group's internal controls in order to reduce substantive testing. We then undertook substantive testing on significant transactions and material account balances,

- In order to address the audit risks described above and identified during our planning procedures, we performed a full-scope audit of the financial statements of the parent company, Sports Direct International plc, the four main UK retail trading subsidiaries, the main Brands trading company and the main trading entities in Austria. The operations that were subject to full-scope audit procedures made up 61% of consolidated revenues and 87% of underlying EBITDA.
- Targeted procedures were performed to address the significant risks described above on the Premium Lifestyle division, and Brands division subsidiaries in the UK, two trading subsidiaries in the United States of America, two subsidiaries in Belgium and the acquired Heaton's business in Ireland.
- The operations that were subject to targeted audit procedures made up 28% of consolidated revenues and 8% of underlying EBITDA.
- Where the work was performed by component auditors we determined the level of involvement we needed to have in their audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Detailed audit instructions were issued to the component auditors where a full-scope or targeted audit approach had been identified. The instructions detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported back to the Group audit team. We were involved in the planning for overseas components and performed site-visits to client locations in Austria, Ireland and Belgium, which included a review of the work performed by the component auditors. Where targeted components were not physically visited a review of working papers was conducted remotely.
- The remaining operations of the Group were subjected to analytical procedures over the balance sheets and income statements of the related entities with a focus on the applicable risks identified above and the significance to the Group's balances, and
- The table below demonstrates the coverage of our audit procedures.



## OTHER REPORTING REQUIRED BY REGULATIONS

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified in our opinion.

- The information given in the Strategic Report and Directors' Report for the financial period for which the group financial statements are prepared is consistent with the group financial statements and
- The information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the group financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

### UNDER THE COMPANIES ACT 2006 WE ARE REQUIRED TO REPORT TO YOU IF, IN OUR OPINION

- 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 in relation to going concern and longer-term viability, set out on pages 46 and 41 respectively, and
- The part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

### UNDER THE ISAS (UK AND IRELAND), WE ARE REQUIRED TO REPORT TO YOU IF, IN OUR OPINION, INFORMATION IN THE ANNUAL REPORT IS

- Materially inconsistent with the information in the audited financial statements, or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit, or
- Otherwise misleading.

# INDEPENDENT AUDITORS REPORT

To members of Sports Direct International plc

## IN PARTICULAR, WE ARE REQUIRED TO REPORT TO YOU IF

- We have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable, or
- The Annual Report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed

We have nothing to report in respect of any of the above matters

We also confirm that we do not have anything material to add or to draw attention to in relation to

- The directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the group including those that would threaten its business model, future performance, solvency or liquidity,
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated,
- The directors' statement in the financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements, and
- The directors' explanation in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### WHAT THE DIRECTORS ARE RESPONSIBLE FOR

As explained more fully in the Directors' Responsibilities Statement set out on page 63, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

### WHAT WE ARE RESPONSIBLE FOR

Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

### Philip Westerman

Senior Statutory Auditor

For and on behalf of Grant Thornton UK LLP

Statutory Auditor Chartered Accountants

London

7 July 2016

# CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 24 April 2016

	Note	52 weeks ended	
		24 April 2016 (£'000)	26 April 2015 (£'000)
<b>Revenue</b>	14	2 904 325	2,832,560
Cost of sales		(1 619,681)	(1,591,748)
<b>Gross profit</b>		1,284,644	1,240,812
Selling distribution and administrative expenses		(1,021 844)	(950 526)
Other operating income	5	11,137	8,345
Exceptional items	6	(50,759)	(3,050)
<b>Operating profit</b>	4,7	223 178	295 581
Other investment income	9	148,148	14,104
Finance income	10	3,362	8,289
Finance costs	11	(15,330)	(7,487)
Share of profit of associated undertakings	16	2 449	2,959
<b>Profit before taxation</b>		361,807	313,446
Taxation	12	(82,826)	(72,093)
<b>Profit for the period</b>	4	278,981	241,353
<b>ATTRIBUTABLE TO</b>			
Equity holders of the Group		277,415	240 397
Non-controlling interests		1,566	956
Profit for the period	4	278,981	241,353
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS</b>			
		Pence per share	Pence per share
Basic earnings per share	13	46.8	40.6
Diluted earnings per share	13	45.5	39.0
Underlying basic earnings per share	13	35.5	38.9

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 24 April 2016

	Note	52 weeks ended	
		24 April 2016 (£'000)	26 April 2015 (£'000)
Profit for the period	4	278 981	241 353
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>			
Actuarial losses on defined benefit pension schemes	24	(5)	(2,493)
Taxation on items recognised in other comprehensive income		34	524
<b>ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>			
Exchange differences on translation of foreign operations		12,404	9,156
Exchange differences on hedged contracts - recognised in the period	27	(5,685)	77 181
Exchange differences on hedged contracts - reclassified and reported in net profit	27	(63,679)	7,240
Exchange differences on hedged contracts - taxation taken to reserves		16 376	(17 728)
Fair value adjustment in respect of available-for-sale financial assets - recognised in the period	17	115,281	21,893
Fair value adjustment in respect of available-for-sale financial assets - reclassified in the period	17	(106,168)	-
Fair value adjustment in respect of available-for-sale financial assets - taxation		(1 837)	-
<b>Other comprehensive income for the period, net of tax</b>		<b>(33,279)</b>	<b>95,773</b>
<b>Total comprehensive income for the period</b>		<b>245,702</b>	<b>337,126</b>
<b>ATTRIBUTABLE TO</b>			
Equity holders of the Group		244,136	336,170
Non-controlling interest		1 566	956
		245,702	337,126

The accompanying accounting policies and notes form part of these Financial Statements



# CONSOLIDATED BALANCE SHEET

At 24 April 2016

	Note	24 April 2016 (£'000)	26 April 2015 (£'000)
<b>ASSETS - NON-CURRENT</b>			
Property, plant and equipment	14	585,876	422,742
Intangible assets	15	208,569	255,364
Investments in associated undertakings	16	16,635	38,133
Available-for-sale financial assets	17	193,355	140,795
Deferred tax assets	25	43,984	38,352
		1,048,419	895,386
<b>ASSETS - CURRENT</b>			
Inventories	18	702,158	517,054
Trade and other receivables	19	292,589	190,726
Derivative financial assets	27	82,527	92,199
Cash and cash equivalents	20	234,163	78,318
		1,311,437	878,297
<b>TOTAL ASSETS</b>		<b>2,359,856</b>	<b>1,773,683</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	21	64,060	64,060
Share premium	22	874,300	874,300
Treasury shares reserve	22	(56,234)	(56,234)
Permanent contribution to capital	22	50	50
Capital redemption reserve	22	8,005	8,005
Foreign currency translation reserve	22	26,840	14,436
Reverse combination reserve	22	(987,312)	(987,312)
Own share reserve	22	(33,726)	(13,251)
Hedging reserve	22	8,080	78,796
Retained earnings		1,482,331	1,181,511
		1,386,394	1,164,361
Non-controlling interests		(1,666)	(2,810)
<b>Total equity</b>		<b>1,384,728</b>	<b>1,161,551</b>
<b>LIABILITIES - NON-CURRENT</b>			
Borrowings	23	333,063	136,849
Retirement benefit obligations	24	13,065	14,869
Deferred tax liabilities	25	21,590	40,088
Provisions	26	66,802	37,705
		434,520	229,511
<b>LIABILITIES - CURRENT</b>			
Derivative financial liabilities	27	61,704	5,629
Trade and other payables	28	426,741	340,936
Borrowings	23	769	1,204
Current tax liabilities		51,394	34,852
		540,608	382,621
<b>Total liabilities</b>		<b>975,128</b>	<b>612,132</b>
<b>Total equity and liabilities</b>		<b>2,359,856</b>	<b>1,773,683</b>

The accompanying accounting policies and notes form part of these Financial Statements. The Financial Statements were approved by the Board on 7 July 2016 and were signed on its behalf by

**Matt Pearson**  
Acting Chief Financial Officer

Company number: 06035106

# CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 24 April 2016

	Note	52 weeks ended	
		24 April 2016 (£'000)	26 April 2015 (£'000)
<b>Cash inflow from operating activities</b>	30	135,589	314,662
Income taxes paid		(69,881)	(77,710)
<b>Net cash inflow from operating activities</b>		65,708	236,952
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds on disposal of property, plant and equipment		44,000	21,150
Proceeds on disposal of listed investments		181,342	51,695
Purchase of associate, net of cash acquired		(9,078)	(50)
Purchase of subsidiaries, net of cash acquired		(24,013)	(3,847)
Purchase of intangible assets	15	(124)	(2,937)
Purchase of property, plant and equipment	14	(206,977)	(97,342)
Purchase of listed investments	17	(89,213)	(50,415)
Investment income received		2,778	2,883
Finance income received		3,362	987
<b>Net cash outflow from investing activities</b>		(97,923)	(77,876)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Finance costs paid		(7,720)	(6,845)
Borrowings drawn down		267,390	126,989
Borrowings repaid		(71,258)	(346,997)
<b>Net cash outflow from financing activities</b>		188,412	(226,853)
<b>Net increase / (decrease) in cash and cash equivalents including overdrafts</b>		156,197	(67,777)
<b>Cash and cash equivalents including overdrafts at beginning of period</b>		77,505	145,282
<b>Cash and cash equivalents including overdrafts at the period end</b>	20	233,702	77,505

The accompanying accounting policies and notes form part of these Financial Statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 24 April 2016

	Treasury shares (£'000)	Foreign currency translation (£'000)	Own share reserve (£'000)	Retained earnings (£'000)	Other reserves (£'000)	Total attributable to owners of parent (£'000)	Non-controlling interests (£'000)	Total (£'000)
<b>At 27 April 2014</b>	(56,234)	5 280	(13,251)	931,819	(46 522)	821,092	(3 538)	817,554
Credit to equity for share-based payment	-	-	-	5,833	-	5,833	-	5,833
Deferred tax on share schemes	-	-	-	1 266	-	1,266	-	1 266
Non-controlling interests - acquisitions	-	-	-	-	-	-	384	384
<b>Transactions with owners</b>	-	-	-	7,099	-	7,099	384	7,483
Profit for the financial period	-	-	-	240 397	-	240 397	956	241,353
Dividends received	-	-	-	-	-	-	(612)	(612)
<b>OTHER COMPREHENSIVE INCOME</b>								
Cash flow hedges								
- recognised in the period	-	-	-	-	77 181	77,181	-	77 181
- reclassified and reported in net profit	-	-	-	-	7,240	7,240	-	7,240
Actuarial gain on defined benefit pension schemes	-	-	-	(2,493)	-	(2,493)	-	(2 493)
Fair value adjustment in respect of available-for-sale financial assets	-	-	-	21 893	-	21,893	-	21,893
Taxation	-	-	-	(17,204)	-	(17 204)	-	(17,204)
Translation differences - Group	-	13,783	-	-	-	13,783	-	13,783
Translation differences - associates	-	(4 627)	-	-	-	(4,627)	-	(4,627)
<b>Total comprehensive income for the period</b>	-	9,156	-	242 593	84,421	336,170	344	336,514
<b>At 26 April 2015</b>	(56,234)	14 436	(13,251)	1,181,511	37 899	1,164,361	(2 810)	1,161,551
Credit to equity for share-based payment	-	-	-	4,246	-	4,246	-	4,246
Vesting of share based payments	-	-	8 963	(8,963)	-	-	-	-
Deferred tax on share schemes	-	-	-	-	-	-	-	-
Current tax on share scheme	-	-	-	3,089	-	3,089	-	3,089
Purchase of own shares	-	-	(29,438)	-	-	(29,438)	-	(29,438)
Non-controlling interests - acquisitions	-	-	-	-	-	-	(422)	(422)
<b>Transactions with owners</b>	-	-	(20 475)	(1,628)	-	(22 103)	(422)	(22,525)
Profit for the financial period	-	-	-	277,415	-	277,415	1 566	278 981
<b>OTHER COMPREHENSIVE INCOME</b>								
Cash flow hedges								
- recognised in the period	-	-	-	-	(5 685)	(5,685)	-	(5,685)
- reclassified and reported in net profit	-	-	-	-	(63,679)	(63 679)	-	(63,679)
- taxation	-	-	-	-	16,376	16 376	-	16,376
- prior year taxation reclassified	-	-	-	17 728	(17 728)	-	-	-
Actuarial losses on defined benefit pension schemes	-	-	-	(5)	-	(5)	-	(5)
Fair value adjustment in respect of available-for-sale financial assets	-	-	-	9,113	-	9,113	-	9,113
Taxation	-	-	-	(1,803)	-	(1 803)	-	(1,803)
Translation differences - Group	-	12 404	-	-	-	12,404	-	12 404
<b>Total comprehensive income for the period</b>	-	12,404	-	302,448	(70,716)	244 136	1,566	245,702
<b>At 24 April 2016</b>	(56,234)	26,840	(33,726)	1,482,331	(32,817)	1,386,394	(1,666)	1,384,728

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 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 Interpretations Committee ("IFRSIC") 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 that the Group is deemed to have control over. It will be deemed to have control when it has power over the entity, is exposed to or has rights to variable returns from the entity and has the ability to use its power over the entity to affect the amount of the entity's returns.

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.

### ASSOCIATES

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.

The Group's share of the results of associates is included in the Group's consolidated income statement using the equity method of accounting. Investments in associates 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 include acquired goodwill.

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

Unrealised gains arising from transactions with associates 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 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 5 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 - between 4% and 10% per annum - straight line

Leasehold improvements - over the term of the lease - straight line

Plant and equipment - between 5% and 33% per annum - straight line

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 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 CGU's 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 goods 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 goods sold to other businesses via wholesale channels, revenue is recognised when the substantial risks and rewards of ownership are transferred to the customer.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 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 and assess trends in financial performance more readily.

## INTEREST INCOME

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

## 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 78).

## 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 the weighted average cost method. Net realisable value is based on the estimated selling price less all estimated selling costs.

The Company receives trade discounts and rebates from suppliers based upon the volume of orders placed in a given time window. 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.

## TAXATION

Tax expense comprises of current and deferred tax. Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity.

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 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 recorded in other comprehensive income or 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

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 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

Other provisions relate to restructuring and employment related costs

#### **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

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The most significant exposure to foreign exchange fluctuations relates to purchases and sales made in foreign currencies, principally the US Dollar and Euro. The Group's policy is to reduce substantially the risk associated with purchases and sales 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.

Written option contracts do not qualify for hedge accounting, and fair value movements are recognised directly in the income statement.

## 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 classification 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

An Employee Benefit Trust has been established for the purposes of satisfying certain share-based awards. The Group has 'de-facto' control over the special purpose entity. This Trust is fully consolidated within the accounts. 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 have 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 £7.1m was recognised in selling, distribution and administrative expenses for the 52 weeks ended 24 April 2016. 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.

## 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.



The Board has applied a typical materiality threshold of 5% of the underlying EBITDA, the Group's primary profit measure, in order to calculate materiality levels. For the Financial Year ended 24 April 2016, the current year EBITDA of £381.4m gives a materiality level for FY16 of £19.1m.

## **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 (IASB effective date 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (effective date 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2017)
- IFRS 16 Leases (effective 1 January 2019)
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (effective 1 January 2016)
- Disclosure Initiative Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Financial Statements of the Group, except for IFRS 16 which will result in operating leases being recognised within assets on the Balance Sheet and a corresponding liability. For current operating lease information see note 31.

## **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 CGU's 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 CGU's 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 5 and 15 years.

### **IDENTIFICATION AND VALUATION OF ACQUIRED ASSETS**

On acquisition, each material, separable asset is identified and valued by the Directors. 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. Property valuations are typically valued based on realisable value.

The nature and carrying amounts of these assets are set out in note 29.

### **IMPAIRMENT**

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.

### **PROVISION FOR OBSOLETE, SLOW MOVING OR DEFECTIVE INVENTORIES**

The Directors have applied their knowledge and experience of the retail industry in determining the level and rates of provisioning required in calculating the appropriate inventory carrying values. The provision includes estimates for shrinkage, spoilage and slow-moving items depending on the age and current selling prices of the individual stock items.

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 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 provisions 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 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.

## VALUATION OF INVESTMENTS

Where market data is not available to assist in valuing investments, management estimate the fair value of the enterprise based on the current performance and financial position of the relevant company.

## 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 Transactional exposure from sale of goods, where those sales are denominated in a currency other than the functional currency of the selling 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.
- c 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.
- d 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.
- e Exposures in respect of written options to sell Euros as explained in the Financial Review. These are not hedged and movements in fair value could significantly impact the profit and loss account in future periods. See note 27.

### 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 currently 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 on-going 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 credit 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 Directors have reviewed the markets for UK sports retail and international sports retail and are satisfied that these display similar economic characteristics and that these are therefore correctly reported as one 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

- Sports Retail – includes the results of the UK and International retail network of sports stores along with related websites
- Premium Lifestyle – includes the results of the premium retail businesses such as Cruise, Flannels and USC, 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 24 April 2016, as well as a reconciliation of reported profit for the period to underlying EBITDA, is presented on pages 18 to 23

Segmental information for the 52 weeks ended 24 April 2016

			Retail (£'000)	Brands (£'000)	Eliminations (£'000)	Total (£'000)
	Sports Retail	Premium Lifestyle	Total	Total		
Sales to external customers	2 491,598	181,249	2 672 847	231,478	-	2,904,325
Sales to other segments	-	-	-	40 537	(40,537)	-
Revenue	2,491,598	181,249	2 672 847	272,015	(40 537)	2,904,325
Gross profit	1,110,960	76,161	1 187 121	97,523	-	1,284,644
Operating profit before foreign exchange and exceptional items	253,733	(9,749)	243 984	32,305	-	276,289
Operating profit	222,493	(23,233)	199,260	23,918	-	223,178
Other investment income						148 148
Finance income						3 362
Finance costs						(15,330)
Share of profits of associated undertakings						2,449
Profit before taxation						361 807
Taxation						(82,826)
Profit for the period						278 981

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 24 April 2016

			Retail (£'000)	Brands (£'000)	Total (£'000)
	Sports Retail	Premium Lifestyle	Total		
Depreciation	82,794	3 965	86,759	2 447	89,206
Amortisation	2,976	702	3 678	2,716	6 394

Accelerated depreciation and amortisation included within exceptional items are excluded from the above

Information regarding segment assets and liabilities as at 24 April 2016 and capital expenditure for the 52 weeks then ended

	Sports Retail (£'000)	Premium Lifestyle (£'000)	Brands (£'000)	Eliminations (£'000)	Total (£'000)
Investments in associated undertakings	16,635	-	-	-	16,635
Other assets	2,371,050	24 330	222,844	(275 003)	2,343 221
Total assets	2 387 685	24,330	222 844	(275,003)	2,359 856
Total liabilities	(1,110,274)	(64 453)	(75,404)	275 003	(975,128)
Tangible asset additions	274,678	1,216	440	-	276,334
Intangible asset additions	4,002	-	-	-	4,002
Total capital expenditure	278,680	1 216	440	-	280,336

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

Segmental information for the 52 weeks ended 26 April 2015

			Retail (£'000)	Brands (£'000)	Eliminations (£'000)	Total (£'000)
	Sports Retail	Premium Lifestyle	Total	Total		
Sales to external customers	2 398,547	207 623	2,606,170	226 390	-	2,832,560
Sales to other segments		-	-	25,480	(25 480)	-
Revenue	2 398,547	207,623	2 606 170	251 870	(25,480)	2,832 560
Gross profit	1,069,088	80,523	1,149 611	91,201	-	1,240,812
Operating profit before foreign exchange and exceptional items	285 534	(11,170)	274,364	27 984	-	302,348
Operating profit	283,347	(11,278)	272 069	23,512	-	295 581
Other investment income						14,104
Finance income						8,289
Finance costs						(7 487)
Share of profits of associated undertakings						2 959
Profit before taxation						313,446
Taxation						(72,093)
Profit for the period						241 353

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 26 April 2015

			Retail (£'000)	Brands (£'000)	Total (£'000)
	Sports Retail	Premium Lifestyle	Total		
Depreciation	57 855	2,543	60 398	2,026	62 424
Amortisation	548	687	1,235	4 122	5,357

Information regarding segment assets and liabilities as at 26 April 2015 and capital expenditure for the 52 weeks then ended

	Sports Retail (£'000)	Premium Lifestyle (£'000)	Brands (£'000)	Eliminations (£'000)	Total (£'000)
Investments in associated undertakings and joint ventures	38 133	-	-	-	38,133
Other assets	1 688,779	24 446	190,772	(168,447)	1,735,550
Total assets	1,726,912	24 446	190,772	(168,447)	1,773 683
Total liabilities	(646,836)	(60,255)	(73 488)	168 447	(612 132)
Tangible asset additions	93,429	2 321	1,592	-	97 342
Intangible asset additions	108	-	2 829	-	2 937
Total capital expenditure	93,537	2 321	4,421	-	100,279

## GEOGRAPHIC INFORMATION

Segmental information for the 52 weeks ended 24 April 2016

	UK (£'000)	Non-UK (£'000)	Eliminations (£'000)	Total (£'000)
Segmental revenue from external customers	2,281 158	623,167	-	2,904,325
Total capital expenditure	189 661	90,675	-	280,336
Non-current segmental assets	464,665	346 415	-	811 080
Total segmental assets	2,151,309	439,077	(230 530)	2 359,856

Segmental information for the 52 weeks ended 26 April 2015

	UK (£'000)	Non-UK (£'000)	Eliminations (£'000)	Total (£'000)
Segmental revenue from external customers	2,252,360	580,200	-	2,832,560
Total capital expenditure	81,793	18,486	-	100,279
Non-current segmental assets	408,651	307 588	-	716 239
Total segmental assets	1 564 864	377,266	(168 447)	1 773,683

Material non-current segmental assets – by non-UK country

	USA (£'000)	Belgium (£'000)	Austria (£'000)	Estonia (£'000)	Ireland (£'000)
FY16	149,384	9,346	62,551	18,297	74,036
FY15	142,805	35,546	55,550	16,238	31,156

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 ended 24 April 2016

	Sports Retail (£'000)	Premium Lifestyle (£'000)	Brands (£'000)	Total (£'000)
<b>Operating profit / (loss)</b>	222,493	(23,233)	23,918	223,178
Depreciation	82,794	3,965	2,447	89,206
Amortisation	2,976	702	2,716	6,394
Share of profit / (loss) of associated undertakings	2,449	-	-	2,449
<b>Reported EBITDA</b>	<b>310,712</b>	<b>(18,566)</b>	<b>29,081</b>	<b>321,227</b>
Charges for the share scheme	7,077	-	-	7,077
Exceptional items	27,112	13,647	10,000	50,759
Realised FX gain / (loss)	4,128	(163)	(1,613)	2,352
<b>Underlying EBITDA</b>	<b>349,029</b>	<b>(5,082)</b>	<b>37,468</b>	<b>381,415</b>

Reconciliation of operating profit to underlying EBITDA for the 52 week period ended 26 April 2015

	Sports Retail (£'000)	Premium Lifestyle (£'000)	Brands (£'000)	Total (£'000)
<b>Operating profit / (loss)</b>	283,347	(11,278)	23,512	295,581
Depreciation	57,855	2,543	2,026	62,424
Impairment	548	687	4,122	5,357
Share of profit / (loss) of associated undertakings	3,009	-	(50)	2,959
<b>Reported EBITDA</b>	<b>344,759</b>	<b>(8,048)</b>	<b>29,610</b>	<b>366,321</b>
Charges for the share scheme	10,110	-	-	10,110
Exceptional items	(3,395)	-	6,445	3,050
Realised FX (loss) / gain	5,332	358	(1,973)	3,717
<b>Underlying EBITDA</b>	<b>356,806</b>	<b>(7,690)</b>	<b>34,082</b>	<b>383,198</b>

## 5 OTHER OPERATING INCOME

	52 weeks ended	
	24 April 2016 (£'000)	26 April 2015 (£'000)
Rent receivable	3,782	4,851
Other	7,355	3,494
	<b>11,137</b>	<b>8,345</b>

Other operating income relates to commissions and sundry charges made to third party businesses

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 6. EXCEPTIONAL ITEMS

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
Profit on sale of freehold property	13,541	10,288
Impairment and accelerated depreciation and amortisation	(58,544)	(13,338)
Provision against receivables and other	(5,756)	-
	(50,759)	(3,050)

The profit on disposal of freehold property relates to the sale of a freehold property for £44m realising a profit of £13.5m. In the prior year, the profit on disposal related to the sale of a warehouse.

The impairment mainly relates to goodwill in our Austrian business, reported within our Sports Retail segment, due to recent trading being below expectations. Converting the former Eybl megastores is taking longer than expected and the lost revenue in certain categories is also proving harder to replace than expected. Other impairments relate to certain brands that had been acquired a number of years ago.

The provision against receivables mainly relates to a funding loan made to an associate on acquisition of the initial stake.

## 7. OPERATING PROFIT

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

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
Foreign exchange losses	2,352	3,717
Depreciation of property, plant and equipment		
- owned assets	89,206	62,424
Amortisation of intangible assets	6,394	5,203
Operating lease rentals		
- Land and buildings	134,472	142,571
- Other	710	751

Accelerated depreciation and amortisation included within exceptional items are excluded from the above.

## SERVICES PROVIDED BY THE GROUP'S AUDITOR

For the 52 weeks ended 24 April 2016 the remuneration of the auditors Grant Thornton UK LLP and associated firms was as detailed below.

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
<b>AUDIT SERVICES</b>		
Audit of the Group and UK subsidiaries	729	568
Overseas audits	237	233
<b>NON-AUDIT SERVICES</b>		
Services relating to taxation compliance	351	329
Services relating to taxation advice	589	416
Services relating to corporate finance	274	-
All other assurance services	247	286

An explanation of how auditor objectivity and independence is safeguarded when non audit services are provided by the auditors is set out in the Audit Committee Report on page 50.

## 8. PAYROLL COSTS

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

	52 weeks ended	
	24 April 2016	26 April 2015
Retail stores	14,579	13,414
Distribution, administration and other	3,701	3,793
	18,280	17,207

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

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
Wages and salaries	313,087	290,769
Social security costs	29,112	31,256
Pension costs	1,811	1,520
	344,010	323,545

A share-based payment charge of £7,077,000 (2015: £10,110,000) was recognised in respect of share awards during the year. This is inclusive of the related charges for expected national insurance contributions.

Aggregate emoluments of the Directors of the Company are summarised below

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
Aggregate emoluments	575	477

Further details of Directors' remuneration are given in the Directors' Remuneration Report on pages 56 to 62.

Details of key management remuneration are given in note 34.

## 9. OTHER INVESTMENT INCOME

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
Profit on disposal of available-for-sale financial assets	135,576	3,678
Fair value gain on derivative instruments	10,953	8,895
Dividend income from investments	1,619	1,531
	148,148	14,104

The profit on disposal of available-for-sale financial assets mainly relates to the profit on disposal of JD Sports Fashion plc shares in the period.

## 10. FINANCE INCOME

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
Bank interest receivable	3,343	929
Other interest receivable	19	58
Fair value adjustment to forward foreign exchange contracts <sup>(1)</sup>	-	7,302
	3,362	8,289

(1) 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.

## 11. FINANCE COSTS

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
Interest on bank loans and overdrafts	7,512	6,692
Interest on other loans and finance leases	592	153
Interest on retirement benefit obligations (note 24)	426	642
Fair value adjustment to forward foreign exchange contracts <sup>(1)</sup>	6,800	-
	15,330	7,487

(1) The fair value adjustment to written currency option contracts relates to differences between the fair value of the written options that do not qualify for hedge accounting.

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 12. TAXATION

	52 weeks ended	
	24 April 2016 (£'000)	26 April 2015 (£'000)
Current tax	99,139	74,072
Adjustment in respect of prior periods	295	5,140
	99,434	79,212
Deferred tax (note 25)	(16,608)	(7,119)
	82,826	72,093
<b>TAX RECONCILIATION</b>		
Profit before taxation	361,807	313,446
Taxation at the standard rate of tax in the UK of 20% (2015 21%)	72,361	65,824
Tax effects of		
Expenses not deductible for tax purposes	2,590	2,778
Overseas tax losses	6,113	2,552
Other tax adjustments	-	(4,205)
Adjustments in respect of prior periods - Current tax	295	5,141
Deferred tax asset write down	800	-
Change in deferred tax rate	344	-
Adjustments in respect of prior periods - Deferred tax	323	3
	82,826	72,093

## 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 592,573,254 (2015 592,294,371), is adjusted to assume conversion of all dilutive potential ordinary shares under the Group's Share Schemes, being 17,667,000 (2015 24,200,000), to give the diluted weighted average number of shares of 610,240,254 (2015 616,494,371)

### BASIC AND DILUTED EARNINGS PER SHARE

	52 weeks ended			
	24 April 2016 Basic (£'000)	24 April 2016 Diluted (£'000)	26 April 2015 Basic (£'000)	26 April 2015 Diluted (£'000)
Profit for the period	277,415	277,415	240,397	240,397
	Number in thousands		Number in thousands	
Weighted average number of shares	592,573	610,240	592,294	616,494
	Pence per share		Pence per share	
Earnings per share	46.8	45.5	40.6	39.0

### 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. Tax has been calculated with reference to the effective rate of tax for the Group.

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			
	24 April 2016 Basic (£'000)	24 April 2016 Diluted (£'000)	26 April 2015 Basic (£'000)	26 April 2015 Diluted (£'000)
Profit for the period	277,415	277,415	240,397	240,397
Post tax adjustments to profit for the period for the following non-trading items				
Realised loss on forward exchange contracts	1,813	1,813	2,862	2,862
Fair value adjustment to forward foreign exchange contracts	5,243	5,243	(12,472)	(12,472)
Fair value adjustment to derivative financial instruments	(8,445)	(8,445)	-	-
Profit on disposal of listed investments	(104,529)	(104,529)	(2,832)	(2,832)
Impairment of fixed assets	4,438	4,438	-	-
Profit on disposal of property	(10,440)	(10,440)	(7,921)	(7,921)
Impairment and acceleration amortisation and depreciation	45,137	45,137	10,270	10,270
Underlying profit for the period	210,632	210,632	230,304	230,304
	Number in thousands		Number in thousands	
Weighted average number of shares	592,573	610,240	592,294	616,494
	Pence per share		Pence per share	
Underlying earnings per share	35.5	34.5	38.9	37.4

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings (£'000)	Long-term leasehold improvements (£'000)	Short-term leasehold improvements (£'000)	Plant and equipment (£'000)	Total (£'000)
<b>COST</b>					
At 27 April 2014	322,356	12,832	112,441	425,892	873,521
Exchange differences	(785)	927	2	(9,458)	(9,314)
Acquisitions	-	-	-	779	779
Additions	23,571	12	7,890	65,869	97,342
Eliminated on disposals	(21,740)	(892)	(2,861)	(12,502)	(37,995)
At 26 April 2015	323,402	12,879	117,472	470,580	924,333
Exchange differences	2,865	(846)	(175)	16,011	17,855
Acquisitions	25,481	10,276	10,844	22,756	69,357
Additions	116,345	11,223	15,921	63,488	206,977
Eliminated on disposals	(34,529)	(19)	(2,589)	(15,662)	(52,799)
At 24 April 2016	433,564	33,513	141,473	557,173	1,165,723
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>					
At 27 April 2014	(40,189)	(5,101)	(80,002)	(335,868)	(461,160)
Exchange differences	488	(203)	46	9,872	10,203
Charge for the period	(11,478)	(140)	(9,129)	(42,177)	(62,924)
Eliminated on disposals	1,035	127	162	10,966	12,290
At 26 April 2015	(50,144)	(5,317)	(88,923)	(357,207)	(501,591)
Exchange differences	(491)	169	146	(4,744)	(4,920)
Charge for the period	(21,794)	(1,248)	(12,064)	(54,100)	(89,206)
Impairment	(6,470)	-	-	-	(6,470)
Eliminated on disposals	4,070	-	3,375	14,895	22,340
At 24 April 2016	(74,829)	(6,396)	(97,466)	(401,156)	(579,847)
<b>NET BOOK AMOUNT</b>					
At 24 April 2016	358,735	27,117	44,007	156,017	585,876
At 26 April 2015	273,258	7,562	28,549	113,373	422,742

Additions in the year include £65.2m of assets constructed in relation to our new Shirebrook warehouse

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 15. INTANGIBLE ASSETS

	Goodwill (£'000)	Trademarks and licences (£'000)	Brands (£'000)	Total (£'000)
<b>COST</b>				
At 27 April 2014	165,220	62,096	73,286	300,602
Arising on business combinations	3,682	-	-	3,682
Other additions	-	2,937	-	2,937
Disposals	(2)	(1,714)	-	(1,716)
Exchange adjustment	6,908	599	6,599	14,106
At 26 April 2015	175,808	63,918	79,885	319,611
Acquisitions	-	3,878	-	3,878
Other additions	-	124	-	124
Written off	(6,135)	-	-	(6,135)
Disposals	-	(587)	-	(587)
Exchange adjustment	3,899	2,577	1,351	7,827
At 24 April 2016	173,572	69,910	81,236	324,718
<b>AMORTISATION AND IMPAIRMENT</b>				
At 27 April 2014	(11,671)	(33,822)	-	(45,493)
Amortisation charge	-	(12,725)	-	(12,725)
Impairment	(5,314)	-	-	(5,314)
Disposals	-	1,607	-	1,607
Exchange adjustment	(2,289)	(33)	-	(2,322)
At 26 April 2015	(19,274)	(44,973)	-	(64,247)
Amortisation charge	-	(6,394)	-	(6,394)
Impairment	(45,561)	(6,498)	-	(52,059)
Written off	5,959	-	-	5,959
Disposals	-	560	-	560
Exchange adjustment	667	(635)	-	32
At 24 April 2016	(58,209)	(57,940)	-	(116,149)
<b>NET BOOK AMOUNT</b>				
At 24 April 2016	115,363	11,970	81,236	208,569
At 26 April 2015	156,534	18,945	79,885	255,364

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)
Sports Retail	3,072	-
Premium Lifestyle	8,927	-
Brands (excl. Everlast)	48,926	6,418
Everlast	54,438	74,818
	115,363	81,236

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 and these have been grouped together into similar classes for the purpose of formulating operating segments as reported in note 4. The recoverable amount of CGUs was £410m.

Value in use calculations are based on five 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 24 April 2016 were as follows

	Sports Retail	Brands (excl Everlast)	Everlast
Sales growth	0%-5%	0%-2%	0%-5%
Terminal sales growth	2 %	0%	2%
Gross margin	35% 50%	30%-40%	20%-30%
Capital expenditure	Nil - £1m	Nil - £1m	Nil - £1m
Discount rates	11.3%	9.6%	12.0%

The Group Weighted Average Cost of Capital is used in Sports Retail, Premium Lifestyle and Brands (excl Everlast) as these CGU's are considered to have similar risk profiles

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

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)
At 27 April 2014	41,763
Exchange differences	(4,593)
Additions	93
Disposals	(751)
Dividends paid	(1,338)
Share of profit	2,959
At 26 April 2015	38,133
Exchange differences	(22)
Additions	9,545
Disposals	(32,533)
Dividends paid	(937)
Share of profit	2,449
At 24 April 2016	16,635

None of the Group's associates are considered to be individually material to the Group

The disposal during the year relates to the investment in Heatons, where the Group acquired the controlling interest during the year and is therefore now accounted for as a subsidiary

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

	24 April 2016 (£'000)	26 April 2015 (£'000)
Share of non-current assets	16,172	44,767
Share of current assets	9,155	27,270
Share of non-current liabilities	(624)	(13,796)
Share of current liabilities	(8,068)	(20,108)
	16,635	38,133

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

	52 weeks ended	
	24 April 2016 (£'000)	26 April 2015 (£'000)
Income	54,538	104,279
Expenses	(51,724)	(101,509)
Profit before taxation	2,814	2,770
Taxation	(573)	189
Profit for the period	2,038	2,959

## 17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	24 April 2016 (£'000)	26 April 2015 (£'000)
Available-for-sale financial assets	193,355	140,795

The fair value of the available-for-sale investments is based on bid quoted market prices at the balance sheet date or where market prices are not available, at management's estimate of fair value

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

	24 April 2016 (£'000)	26 April 2015 (£'000)
At beginning of period	140,795	116,504
Additions	89,213	50,415
Disposals	(45,640)	(48,017)
Revaluation - exchange differences	(126)	-
Revaluation through other comprehensive income - recognised in the period	115,281	21,893
Revaluation through other comprehensive income - reclassified in the period	(106,168)	-
At end of period	193,355	140,795

During the year the Group disposed of c 11.6m shares in JD Sports Fashion plc but at the year-end continued to hold a 5.10% stake in JD Sports Fashion plc ordinary shares

During the year the Group disposed of all 5.3m shares in Debenhams plc as at 24 April 2016 the Group had a direct interest of nil% in Debenhams' ordinary shares

In September 2015 the Group acquired 16.4m shares in Findel plc for representing 18.96% of the issued share capital of Findel plc with disposals during the year of 1.5m shares, at the year-end the Group held a direct stake of 17.22%

In February 2016 the Group acquired 2.0m shares in Dicks Sporting Goods Inc representing 2.22% of the issued share capital of Dicks Sporting Goods Inc and disposed of 1m shares during the year. At the year end the Group held a direct interest of 1.11%

The fair value of the Group's holdings at 24 April 2016 was £193.4m (26 April 2015: £140.8m). The movement in the fair value of the shares held has been recognised directly in Other Comprehensive Income.

These stakes allow us to develop relationships and commercial partnerships with the relevant retailers and assist in building relationships with key suppliers and brands.

The fair value of equity derivative agreements is included within the derivative financial assets balance of £82.5m.

The financial assets at 24 April 2016 relate to strategic investments held of between 0.99% and 17.22% of share capital.

At 26 April 2015 and 24 April 2016 the Group had no available for sale financial assets in excess of 17.22% of share capital but also held economic interests.

## 18. INVENTORIES

	24 April 2016 (£'000)	26 April 2015 (£'000)
Raw materials	3	4
Goods for resale	702,155	517,050
	702,158	517,054

The following inventory costs have been recognised in cost of sales

	24 April 2016 (£'000)	26 April 2015 (£'000)
Cost of inventories recognised as an expense	1 619,681	1,591,748

The directors have reviewed the opening and closing provisions against inventory and have concluded that these remain fairly stated. The movements on the provisions for additional write downs, new provisions and releases have been reviewed by reference to a range of management reports, there are no material elements to the provisions movement that require disclosure.

## 19. TRADE AND OTHER RECEIVABLES

	24 April 2016 (£'000)	26 April 2015 (£'000)
Trade receivables	54,355	65,335
Amounts owed by related parties	1,214	13,094
Deposits in respect of derivative instruments	106,200	28,516
Other debtors	105,668	52,000
Prepayments	25,152	31,781
	292,589	190,726

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.

Other debtors includes unremitted sales receipts and collateral in respect of derivative instruments.

Deposit funds are held on collateral to cover margin requirements for derivative transactions held with counterparties. The collateral requirement changes with the market (which is dependent on share price, interest rates and volatility) and further purchases / sales of underlying investments held.

### Ageing of trade receivables

	24 April 2016 (£'000)	26 April 2015 (£'000)
Current	44,805	58,364
0-30 days past due	4,252	744
30-60 days past due	1,444	1,516
60-90 days past due	908	2,520
Over 90 days past due	2,946	2,191
	54,355	65,335

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

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

	52 weeks ended	
	24 April 2016 (£'000)	26 April 2015 (£'000)
Opening position	7 232	8 336
Amounts charged to the income statement	6,785	1,238
Amounts written off as uncollectable	(2 036)	(2,331)
Amounts recovered during the year	-	(11)
Closing position	11,981	7 232

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 20. CASH AND CASH EQUIVALENTS

	24 April 2016 (£'000)	26 April 2015 (£'000)
Cash in bank and in hand - Sterling	23,893	1,026
Cash in bank and in hand - US Dollars	27,252	49,194
Cash in bank and in hand - Euros	182,305	23,311
Cash in bank and in hand - Other	713	4,787
	234,163	78,318
Bank overdraft (note 23)	(461)	(813)
Cash and cash equivalents including overdrafts at period end	233,702	77,505

## 21. SHARE CAPITAL

	24 April 2016 (£'000)	26 April 2015 (£'000)
<b>AUTHORISED</b>		
999,500,010 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 (2015 640,602,369) ordinary shares of 10p each	64,060	64,060
<b>SHARE CAPITAL</b>		
At 26 April 2015 and 24 April 2016	64,060	64,060

The Group holds 42,137,508 shares in Treasury

### CONTINGENT SHARE AWARDS

#### The Executive Share Scheme

Under the terms of the Executive 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 Directors' Remuneration Report on pages 56 to 62.

An award of 8,073,036 shares was granted on 10 September 2010 at a share price of 125.5 pence. 4,000,000 of these shares have since vested and 1,000,000 have since lapsed. These shares will only vest if all conditions are met. No consideration is payable in respect of these awards.

#### Share Schemes

The 2011 Share Scheme was a four year scheme based upon achieving underlying EBITDA (before the costs of the scheme) of £215m in FY12, £250m in FY13, £260m in FY14 and £300m in FY15 coupled with the individual participating employee's satisfactory personal performance. All of the above targets have now been met and 4m shares vested in September 2015.

On 7 September 2015 3,772,383 Shares sold by participants following exercise of awards under the Company's 2011 Share Scheme were acquired by Appleby Trust (Jersey) Limited as Trustee of the Sports Direct Employee Benefit Trust (Trustee), with the acquisition being funded by a loan advanced by the Company. The Shares were acquired at a price of 781 pence per Share in an off-market transaction. The Trustee has purchased these Shares in order to help meet future obligations arising under the Company's Share Schemes. Another 18m shares (including the Executive Share Scheme) are due to vest in the summer of 2017 subject to the individual participating employee's continued satisfactory personal performance.

A share-based payment charge of £7.1m was recognised in respect of these share awards for the 52 weeks ended 24 April 2016 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.

On 2 July 2014, a resolution was passed to implement the 2015 Share Scheme. No grants have been made under this scheme to date. The 2015 Share Scheme is a four year scheme based upon achieving an underlying EBITDA target (before the costs of the scheme) of £420m in FY16 and further targets in FY17, FY18 and FY19 coupled with the individual participating employee's satisfactory personal performance. The 2015 Share Scheme requires that all targets are met before the shares vest. Up to 25m shares are available to vest over two vestings in 2019 and 2021. Since the first target in this scheme has not been met, the 2015 Share scheme has now lapsed.

## 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)	Total other reserves (£'000)
At 27 April 2014	64,060	874,300	50	8,005	(987,312)	(5,625)	(46,522)
Cash flow hedges							
- recognised in the period	-	-	-	-	-	77,181	77,181
- reclassified and reported in net profit	-	-	-	-	-	7,240	7,240
At 26 April 2015	64,060	874,300	50	8,005	(987,312)	78,796	37,899
Cash flow hedges							
- recognised in the period	-	-	-	-	-	(5,685)	(5,685)
- reclassified and reported in net profit	-	-	-	-	-	(63,679)	(63,679)
taxation	-	-	-	-	-	16,376	16,376
- taxation prior year reclassification	-	-	-	-	-	(17,728)	(17,728)
At 24 April 2016	64,060	874,300	50	8,005	(987,312)	8,080	(32,817)

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 World 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. In FY16 an amount of £17.7m of deferred taxation on cash flow hedges was reclassified from Retained Earnings to the Hedging Reserve.

### 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

## 23. BORROWINGS

	24 April 2016 (£'000)	26 April 2015 (£'000)
<b>NON-CURRENT</b>		
Bank and other loans	333,063	136,849
	333,063	136,849
<b>CURRENT</b>		
Bank overdrafts	461	813
Bank and other loans	308	391
	769	1,204
<b>TOTAL BORROWINGS</b>		
Bank overdrafts	461	813
Bank and other loans	333,371	137,240
	333,832	138,053

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

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

	24 April 2016 (£'000)	26 April 2015 (£'000)
Borrowings – Sterling	320,000	95,808
Borrowings – Other	13,371	41,432
	333,371	137,240

Loans are all at rates of interest ranging between 1.15% and 2.0% over the interbank rate of the country within which the borrowing entity resides

During the year the Group utilised the accordion option under its working capital facility. As a result, the working capital facility has been increased to £788m (FY15 £738m). The facility is available until September 2018 and is not secured against any of the Group's fixed assets.

The Group also has a £250m working capital facility with Mike Ashley and MASH Holdings Limited. The Group will not draw down from this facility in the foreseeable future. This facility was agreed at market terms at its inception and is not secured against any fixed assets. At the period end no balance was due and no draw-downs were made during the year.

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 24 April 2016 was £99.6m (26 April 2015: £59.7m).

## 24 RETIREMENT BENEFIT OBLIGATIONS

The Group's defined benefit pension obligations mainly 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 and closed to benefits accrual since September 2015. The Group also operates a defined benefit scheme in Sport Eybl Holding GmbH (EAG).

Dunlop Slazenger International Limited operates a defined benefit pension arrangement called the Dunlop Slazenger Pension Scheme (Scheme). The Scheme provides benefits based on salary and length of service on retirement or death. These disclosures make no allowance for other pension schemes operated by the Company.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts.

The Scheme is managed by a Trustee Company, with the board of Directors appointed in part by the Group and part from elections by members of the Scheme. The Directors have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Directors delegate some of these functions to their professional advisers where appropriate.

The Scheme exposes the Company to a number of risks:

- **Investment risk** – The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term the short-term volatility can cause additional funding to be required if deficit emerges.
- **Interest rate risk** – The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities the value of the assets and liabilities may not move in the same way.
- **Inflation risk** – A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to deficits emerging.
- **Mortality risk** – In the event that members live longer than assumed a deficit will emerge in the Scheme.

The Scheme closed to the future accrual of benefits on 31 August 2015 and the four members who were active at the closure date were granted deferred benefits in the Scheme. Since 1 April 2003, the Scheme has provided benefits on a Career Average Revalued Earnings (CARE) basis with Pensionable Earnings revalued each year in line with the increase in Retail Prices Index (RPI) inflation. This method of revaluation is broadly consistent with the way that deferred pensions increase before retirement and therefore the closure to future accrual does not have a material impact on the value of members' accrued benefits.

There were no other Scheme amendments, curtailments or settlements during which occurred during the period under review.

The amounts for the current and previous periods

	24 April 2016 (£'000)	26 April 2015 (£'000)
Total fair value of plan assets	59,839	59,939
Present value of plan liabilities	(72,904)	(74,808)
Net plan obligations	(13,065)	(14,869)
Experience adjustments on plan liabilities	(2,476)	7,226
Experience adjustments on plan assets	3,564	(9,719)



The cumulative amount of actuarial gains and losses recognised in other comprehensive income as at 24 April 2016 was an actuarial loss of £12,528,000 (2015 actuarial loss of £12,688,000)

There were no unrecognised actuarial gains or losses or past service costs as at 26 April 2015 or 24 April 2016

Amounts recognised in the income statement are as follows

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
Current service cost	13	21
Net interest expense	259	332
	272	353

The current service cost is included within cost of sales. The net interest expense is included within finance costs.

Amounts recognised in other comprehensive income is as follows

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
Actual return on scheme assets excluding amounts included in net interest income	(2,476)	7,226
Losses from changes to demographic assumptions	(1,248)	-
Actuarial (losses)/gains relating to plan liabilities	3,564	(9,719)
<b>Amounts recognised in Other Comprehensive Income relating to DSGHL</b>	<b>(160)</b>	<b>(2,493)</b>
<b>Amounts recognised in Other Comprehensive Income relating to EAG</b>	<b>155</b>	<b>-</b>
<b>Total amounts recognised in Other Comprehensive</b>	<b>(5)</b>	<b>(2,493)</b>

The actual return on plan assets for the 52 weeks ended 24 April 2016 was a loss of £492,000 (2015 gain of £9,377,000)

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

	52 weeks ended	
	24 April 2016	26 April 2015
	(£'000)	(£'000)
At the start of the period	59,939	49,498
Interest income based on discount rate	1,984	2,151
Actuarial gain/(loss)	(2,476)	7,226
Employer contributions	2,708	2,718
Employee contributions	5	12
Benefits paid out	(2,321)	(1,666)
At the end of the period	59,839	59,939

The Group expects to contribute £2.7m to its defined benefit pension plans for the 53 weeks ended 30 April 2017

The plan asset mix was as follows

	24 April 2016	26 April 2015
	(£'000)	(£'000)
Equities	27,460	27,867
Bonds	31,905	31,503
Cash and other	474	569
	59,839	59,939

The fair values of the above investments are determined based on publicly available market prices wherever available. Unquoted investments are stated at fair value estimates provided by the manager of the investment or fund.

The principal assumptions underlying the actuarial assessments are

	24 April 2016	26 April 2015
	(%)	(%)
Inflation rate	3.1	3.2
Future pension increases	3.0	3.1
Discount rate	3.5	3.3

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## Mortality assumptions

	24 April 2016	26 April 2015
Life expectancy at 65 at period end		
Future pensioners – male	87.8	87.8
Future pensioners – female	90.3	90.3
Current pensioners – male	86.1	86.1
Current pensioners – female	88.4	88.4

## Sensitivity Analysis

	£m	% change
Liability at 24 April 2016	6.9	
Sensitivity of 0.5% increase to		
Discount rate	(5.4)	(78.3)
Retail price inflation and salary increases	3.8	55.1
Increase in long-term mortality rate of improvement to 1.5% pa (from 1.25%)	1.1	15.9

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

	24 April 2016 (£'000)	26 April 2015 (£'000)
At the start of the period	(74,808)	(64,848)
Current service cost	(13)	(21)
Interest cost	(2,243)	(2,483)
Actuarial (loss) / gain	3,564	(9,719)
Employee contributions	5	(12)
Benefits paid out	2,321	1,666
Exchange gain	(1,730)	609
At the end of the period	(72,904)	(74,808)

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

	52 weeks ended	
	24 April 2016 (£'000)	26 April 2015 (£'000)
Net liability at the start of the period	(14,869)	(15,350)
Movement in fair value of plan assets	(100)	10,441
Movements in the present value of the plan liabilities	1,904	(9,960)
Net liability at the end of the period	(13,065)	(14,869)

In addition to the amounts recognised in relation to the defined benefit retirement plans, amounts of £1,363,000 and £1,811,000 have been recognised in the income statement for the periods ended 26 April 2015 and 24 April 2016 in relation to defined contribution retirement benefit plans

The weighted average years duration of the defined benefit obligation at 24 April 2016 is 18.0 years (2015: 28.3 years)

## 25. DEFERRED TAX ASSET AND LIABILITIES

	Accounts depreciation exceeding tax depreciation (£'000)	Tax losses recoverable (£'000)	Pension plan liabilities (£'000)	Bonus share scheme (£'000)	Forward currency contracts (£'000)	FV of Brands	Other temporary differences (£'000)	Total (£'000)
At 27 April 2014	4 542	2,257	5,628	14 137	3 219	(24 046)	1,347	7 084
Credited / (charged) to the income statement	5,230	4 749	(3 178)	1,853	(1,533)	-	(3)	7,119
Credited / (charged) to the statement of other comprehensive income	-	-	524	-	(17,728)	-	-	(17,204)
Credited to reserves in respect of Share Scheme	-	-	-	1 266	-	-	-	1,266
At 26 April 2015	9,772	7,006	2 974	17 256	(16,042)	(24,046)	1,344	(1,736)
Credited / (charged) to the income statement	4 940	7,029	(361)	125	1 360	2 599	916	16,608
Credited / (charged) to the statement of other comprehensive income	-	-	-	-	(1 837)	-	977	(860)
Credited to hedging reserve	-	-	-	-	16 376	-	-	16,376
Credited to reserves in respect of Share Scheme	-	-	-	(7 994)	-	-	-	(7 994)
At 24 April 2016	14 712	14 035	2 613	9 387	(143)	(21,447)	3,237	22 394
	<b>24 April 2016</b>							<b>26 April 2015</b>
	<b>(£'000)</b>							<b>(£'000)</b>
Deferred tax assets	43 984							38,352
Deferred tax liabilities	(21,590)							(40,088)
Net deferred tax balance	22 394							(1,736)

The tax rate used to measure the deferred tax assets and liabilities was 18% 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 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 it was determined that there was no material impact on the Group or the fair value of net assets acquired

## 26. PROVISIONS

	Property related (£'000)	Other (£'000)	Total (£'000)
At 26 April 2015	37,180	525	37,705
Amounts provided	9,505	4 059	13 564
Amounts utilised / reclassified	11,309	5,959	17,268
Amounts reversed	(1,434)	(301)	(1 735)
At 24 April 2016	56 560	10,242	66,802

The property related provision contains the best estimate of the present value of expenditure expected to be incurred by the Group in order to satisfy its obligations to restore its leasehold premises to the condition required under the lease agreements at the end of the lease discounted at 5% per annum. The provision also contains provision in respect of onerous lease contracts representing 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. The unwinding of the discount on provision over time passes through the income statement.

Other provisions relate to restructuring and employment (non-retirement related) provisions. An amount of £17.3m has been reclassified in the year from Other creditors to Other provisions.

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 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 - 2016</b>					
Property, plant and equipment	-	-	-	585,876	585 876
Intangible assets	-	-	-	208,569	208,569
Investments in associated undertakings	-	-	-	16,635	16,635
Available-for-sale financial assets	-	-	193,355	-	193 355
Deferred tax assets	-	-	-	43,984	43,984
Inventories	-	-	-	702 158	702,158
Derivative financial assets	-	82,527	-	-	82 527
Trade and other receivables	308,529	-	-	-	308,529
Cash and cash equivalents	234,163	-	-	-	234 163
	542 692	82,527	193 355	1 557,222	2 375 796
<b>ASSETS - 2015</b>					
Property, plant and equipment	-	-	-	422,742	422 742
Intangible assets	-	-	-	255 364	255,364
Investments in associated undertakings	-	-	-	38,133	38 133
Available-for-sale financial assets	-	-	140 795	-	140,795
Deferred tax assets	-	-	-	38,352	38,352
Inventories	-	-	-	517,054	517,054
Derivative financial assets	-	92 199	-	-	92,199
Trade and other receivables	65 335	-	-	125,391	190,726
Cash and cash equivalents	78,318	-	-	-	78,318
	143 653	92,199	140 795	1,397,036	1 773,683
		Loans and payables (£'000)	Liabilities at fair value through profit and loss (£'000)	Non-financial liabilities (£'000)	Total (£'000)
<b>LIABILITIES - 2016</b>					
Non-current borrowings		333 063	-	-	333,063
Retirement benefit obligations		-	-	13,065	13 065
Deferred tax liabilities		-	-	21 590	21,590
Provisions		-	-	66 802	66,802
Derivative financial liabilities		-	61 704	-	61 704
Trade and other payables		219 001	-	207,740	426,741
Current borrowings		769	-	-	769
Current tax liabilities		-	-	51,394	51 394
		552 833	61,704	360 591	975,128
<b>LIABILITIES - 2015</b>					
Non-current borrowings		136,849	-	-	136,849
Retirement benefit obligations		-	-	14,869	14 869
Deferred tax liabilities		-	-	40,088	40,088
Provisions		-	-	37 705	37,705
Derivative financial liabilities		-	5 629	-	5 629
Trade and other payables		170,090	-	170,846	340 936
Current borrowings		1,204	-	-	1,204
Current tax liabilities		-	-	34,852	34,852
		308,143	5,629	298 360	612 132

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 24 April 2016, the only financial instruments held at fair value were Derivative financial assets and liabilities, which are classified as Level 2 except for Contracts for differences which are classified as Level 1, and Available-for-sale financial assets, which are classified as Level 1 except for House of Fraser (UK & Ireland) Ltd (previously Highland Group Holdings), which is classified as Level 3. House of Fraser Ltd is held at management's estimate of the fair value of the enterprise based on publicly available data. A 1% increase in profitability for the Company would result in a £0.3m increase in value. Inputs for this calculation include EBITDA and an EBITDA multiple.

Available for sale financial assets and contracts for difference are valued with reference to the publicly available share price.

The valuation of Derivative financial assets and liabilities is performed using an option valuation model based on the market data available at the balance sheet date depending on whether the instrument is a foreign exchange or an equity derivative. The equity valuation model output is the result of a number of inputs including the terms of the option, the share price, interest rates, the volatility of the underlying stock and dividends paid by the underlying Company.

The Group has a put option referencing listed company shares. To the extent that the market price of these shares is less than an agreed price on expiry of the put option, the Group has the right to settle the put option by acquiring ordinary shares. If the market price of the shares is greater than an agreed price on expiry of the put option, the counterparty will not exercise the option and the Group will receive the premium.

Sports Direct is required to transfer cash collateral to cover its obligations under the Put Option. The amount of collateral required during the life of the Put Option can increase or decrease by reference to the underlying market price of the shares.

## (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 and online sales, principally in Euros. 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, including both forwards and written options, 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 the derivative financial instruments includes foreign currency purchase and sales contracts, written currency options and equity derivative contracts.

	24 April 2016 (£'000)	26 April 2015 (£'000)
Foreign purchase and sales contracts - assets	62,165	81,729
Contracts for difference	12,785	-
Equity derivatives - assets	7,577	10,470
Fair value of derivative financial instruments - assets	82,527	92,199
Foreign purchase and sales contracts and written options - liabilities	(61,481)	(4,107)
Contracts for difference	-	(1,062)
Other	(223)	(460)
Fair value of derivative financial instruments - (liabilities)	(61,704)	(5,629)

The sterling principal amounts of forward foreign currency purchase contracts and contracted forward rates were as follows:

	24 April 2016 (£'000)	26 April 2015 (£'000)
US Dollar purchases	77,663	418,561
Contracted rates	1.46-1.71	1.54-1.71
US Dollar sales	(38,486)	-
Contracted rates	1.5367-1.5808	-
Euro sales	(703,095)	-
Contracted rates	1.14-1.289	-

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

	24 April 2016 (£'000)	26 April 2015 (£'000)
AUD sales	(5,217)	-
Contracted rates	1 84	-

The sterling principal amounts of written currency option contracts and contracted rates were as follows

	24 April 2016 (£'000)	26 April 2015 (£'000)
US Dollar purchases	41,669	421 053
Contracted rates	1 46	1 54 - 1 71

	24 April 2016 (£'000)	26 April 2015 (£'000)
Euro sales	(703,095)	-
Contracted rates	1 14-1 289	-

	24 April 2016 (£'000)	26 April 2015 (£'000)
AUD sales	(5,217)	-
Contracted rates	1 84	-

At 24 April 2016 £824m of forward contracts qualified for hedge accounting and the loss on fair valuation of these contracts of £6 6m has therefore been recognised in other comprehensive income

The loss on fair value of the written options of £6 8m has been included within finance costs

Forward foreign currency purchase and sale contracts generally have a maturity at inception of approximately 12 months. At 24 April 2016 £78m of purchase contracts had a maturity at inception of greater than 12 months (2015 £421m of purchase contracts) and £677m of sales had a maturity at inception of greater than 12 months (2015 £nil sales contracts)

Written currency option contracts generally have a maturity at inception of approximately 12 months. At 24 April 2016 £42m of purchase contracts had a maturity at inception of greater than 12 months (2015 £419m of purchase contracts) and £677m of sales had a maturity at inception of greater than 12 months (2015 £nil sales 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 10% 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 and Euro related hedging instruments is included in equity.

Positive figures represent an increase / (decrease) in profit or equity

	Income statement		Equity	
	24 April 2016 (£'000)	26 April 2015 (£'000)	24 April 2016 (£'000)	26 April 2015 (£'000)
<b>Sterling strengthens by 10%</b>				
US Dollar	(5 429)	(1,478)	(30 157)	(1 892)
Euro	(17,576)	(3,150)	(20,122)	(3 150)
<b>Sterling weakens by 10%</b>				
US Dollar	5,972	1,626	33,172	2,082
Euro	19 334	3,456	22,134	3 456

### INTEREST RATE SENSITIVITY ANALYSIS

The following table 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 an increase in profit or equity

	Income statement		Equity	
	24 April 2016 (£'000)	26 April 2015 (£'000)	24 April 2016 (£'000)	26 April 2015 (£'000)
Interest rate increase of 0.5%	(1,669)	(690)	(1,669)	(690)
Interest rate decrease of 0.5%	1,669	690	1,669	690

#### (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>2016</b>					
Bank loans and overdrafts	766	325,742	5,704	-	332,212
Obligations under finance leases	786	6,322	-	-	7,108
Trade and other payables	226,764	-	-	-	226,764
Derivative financial liabilities	-	-	-	-	-
Cash inflows	(250,915)	(145,161)	(464,839)	-	(860,915)
Cash outflows	220,561	149,751	469,779	-	840,091
	197,962	336,654	10,644	-	545,260
<b>2015</b>					
Bank loans and overdrafts	1,204	135,277	5,677	-	142,158
Trade and other payables	170,090	-	-	-	170,090
Derivative financial liabilities	-	-	-	-	-
Cash inflows	(513,393)	(118,040)	-	-	(631,433)
Cash outflows	439,416	105,447	-	-	544,863
	97,317	122,684	5,677	-	225,678

#### CAPITAL MANAGEMENT

The capital structure of the Group consists of equity attributable to the equity holders of the parent company, 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 has 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 review and to looking to evaluate alternative methods of returning cash to shareholders when appropriate

The objective of the 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 Share Schemes, is 0.26 (2015: 0.16). The objective is to keep this figure below 2.5

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 the prior year

## 28. TRADE AND OTHER PAYABLES

	24 April 2016 (£'000)	26 April 2015 (£'000)
Trade payables	219,001	170,090
Amounts owed to related undertakings	173	191
Other taxes including social security costs	47,939	31,365
Other payables	50,158	17,479
Accruals	109,470	121,811
	426,741	340,936

The Directors consider that the carrying amount of trade and other payables approximates to their fair value

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 29. ACQUISITIONS

The principal acquisition for the 52 weeks ended 24 April 2016 was the acquisition of the remaining 50% of the Heatons group

On 5 October 2015 agreements were entered into with the shareholders of Warrnambool Ltd, the holding company of the Heatons group

- i A minority shareholding was sold pro rata to all other share holders meaning that the company owned more than 50% of the shares
- ii A Put and Call agreement was entered into between the Group and the remaining shareholders of Warrnambool Ltd to buy the remaining shares. These were exercised at the start of 2016

The transaction was submitted to the Irish Competition and Consumer Protection Commission and clearance was obtained on 13 November 2015. This is the date at which control of Heatons was considered to have been achieved. The combination of shareholding and put and call agreements was assessed to give 100% control as the Group obtained entitlement to 100% of the profit or losses and assets and liabilities from that date. Total consideration was €47,950,000 (£35,251,000).

On derecognising the existing 50% investment in Heatons, the directors undertook a review of the fair value of the investment. This review concluded that there was no material difference between fair value and book value, and that no profit or loss should be recognised.

The Irish market is a key area for the Group offering strong growth in the clothing and footwear sectors. The Group believes there are significant opportunities to improve the sports offering via Heatons' 42 stores in the Republic of Ireland and 15 stores in Northern Ireland.

	Heatons (£'000)
Cash consideration	35,251
Fair value of assets acquired	35,251
<b>Goodwill</b>	-

The asset and liability values at acquisition are detailed below. We have reviewed the fair value of the assets and liabilities acquired. The only adjustment made to book values was to recognise the fair value of a brands intangible asset of £3.1m. There were a number of other potential fair value adjustments identified as part of this review that have not been adjusted for as we do not consider them to be material.

	Carrying values at acquisition	Fair value adjustment	Fair value of net assets acquired (£'000)
Property, plant & equipment	67,426	-	67,426
Investment property	1,931	-	1,931
Intangible assets	735	3,123	3,858
Stock	29,720	-	29,720
Cash and cash equivalents	11,238	-	11,238
Trade and other receivables	4,823	-	4,823
Trade and other payables	(24,071)	-	(24,071)
Bank loans	(27,161)	-	(27,161)
Non-controlling interests	(32,533)	-	(32,533)
	<b>32,108</b>	<b>3,123</b>	<b>35,251</b>

	Heatons (£'000)
Cash consideration	35,251
Cash acquired	(11,238)
<b>Net cash outflow in the cash flow statement</b>	<b>24,013</b>

Since the date of control, the following balances have been included within the Group's financial statements for the period

	Heatons (£'000)
Revenue	78,334
Operating profit	4,130
<b>Profit before tax</b>	<b>3,905</b>

Had the acquisition been included from the start of the period, £2,998,381,000 of revenue, £283,193,000 of operating profit and £367,609,000 of profit before tax would have been shown in the Group's financial statements.

£935,000 of legal costs relating to the acquisition were expensed in FY16.

There were no contingent liabilities acquired as a result of the above transaction.



### 30. CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks ended	
	24 April 2016 (£'000)	26 April 2015 (£'000)
Profit before taxation	361,807	313,446
Net finance income / (costs)	11,968	(802)
Other investment income	(148,148)	(14,104)
Share of profits of associated undertakings	(2,449)	(2,959)
Operating profit	223,178	295,581
Depreciation*	89,206	62,924
Amortisation*	6,379	12,725
Impairment	58,544	5,314
Profit on disposal of property plant & equipment	(13,541)	-
Profit on disposal of intangibles	27	107
Defined benefit pension plan current service cost	13	21
Defined benefit pension plan employer contributions	(2,708)	(2,718)
Share-based payments	7,077	10,105
Operating cash inflow before changes in working capital	368,175	384,059
Increase in receivables	(97,039)	(66,368)
(Increase)/decrease in inventories	(155,385)	49,320
Increase/(decrease) in payables	19,837	(52,349)
Cash inflows from operating activities	135,589	314,662

\*£58,544,000 of impairments are included within Exceptional items

### 31 OPERATING LEASE ARRANGEMENTS

As at 24 April 2016 the Group had outstanding commitments for future minimum lease payments under non cancellable operating leases, which fall due as follows

	24 April 2016 (£'000)	26 April 2015 (£'000)
<b>LAND AND BUILDINGS</b>		
Within one year	107,829	121,749
In the second to fifth years inclusive	328,835	397,054
After five years	268,921	330,118
	705,585	848,921

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 £1,360,000 (2015: £1,598,000) 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 24 April 2016 was £3,782,000 (2015: £4,832,000).

As at 24 April 2016 the Group had contracts with sub-tenants for the following future minimum lease rentals

	24 April 2016 (£'000)	26 April 2015 (£'000)
<b>LAND AND BUILDINGS</b>		
Within one year	6,088	3,249
In the second to fifth years inclusive	19,397	10,847
After five years	13,013	10,136
	38,498	24,232

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 32. CAPITAL COMMITMENTS

The Group had capital commitments of £440,000 as at 24 April 2016 (2015 £26,899 000) in relation to the remaining construction of our Shirebrook campus

## 33. CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets or liabilities at the balance sheet date

## 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 24 April 2016

	Relationship	Sales (£'000)	Purchases (£'000)	Trade and other receivables (£'000)	Trade and other payables (£'000)
<b>RELATED PARTY</b>					
Heatons*	Subsidiary	41 711	28,727	38,464	34,477
The Flannels Group Limited	Subsidiary	15,465	15 395	4,160	7 641
Brasher Leisure Limited	Associate	12 080	1,474	4 150	81
Comercio de Artigos de Desportos S A	Subsidiary	8 409	-	2,643	-
Mash Holdings Limited	Parent company	-	545	-	-
MST Sports	Subsidiary	27	-	10,511	-
NDS EHF	Associate	2,276	-	428	-
Rangers Retail Limited	Subsidiary	2 076	-	268	-
Robinsons Country Leisure Limited	Subsidiary	129	-	3,425	-
Sondico Professional Limited	Subsidiary	271	-	2 744	-
Sportsland International Group A S	Subsidiary	6,161	-	17,101	-
St James Holdings	Connected persons	125	-	-	-
Newcastle United Football Club	Connected persons	1,562	-	136	-
Yeomans Outdoors Limited	Subsidiary	2 969	-	4 291	-
Heaven or Hell Limited	Subsidiary	1,697	277	3,008	395
Queensdown Associates Limited	Associate	933	-	1 357	-

\*The figures for Heatons relate to the full year

52 weeks ended 26 April 2015

	Relationship	Sales (£'000)	Purchases (£'000)	Trade and other Receivables (£'000)	Trade and other payables (£'000)
<b>RELATED PARTY</b>					
Heatons	Associate	29,472	-	4 926	-
The Flannels Group Limited	Subsidiary	18 814	19,825	4,865	1 246
Brasher Leisure Limited	Associate	12,482	-	5,057	-
MST Sports	Subsidiary	329	-	7 699	-
Rangers Retail Limited	Subsidiary	3 834	-	441	-
Robinsons Country Leisure Limited	Subsidiary	231	482	3,251	-
Sondico Professional Limited	Subsidiary	70	1,061	2,691	-
Sportsland International Group A S	Subsidiary	291	-	13,605	-
Newcastle United Football Club	Connected persons	2,412	-	205	-
Yeomans Outdoors Limited	Subsidiary	38	-	3 027	-
Heaven or Hell Limited	Subsidiary	2,152	-	2,581	-
Queensdown Associates Limited	Associate	981	-	1,149	-

The Group has agreements with Rangers Retail Limited and Newcastle United Football Club, amongst other football clubs, whereby the Group provides procurement and warehousing services on behalf of the club. All sales are received directly by the clubs and sales disclosed above relate solely to goods bought from the Group

All related party transactions were undertaken on an arms-length basis

	24 April 2016 (£'000)	26 April 2015 (£'000)
<b>KEY MANAGEMENT, EXECUTIVE AND NON-EXECUTIVE DIRECTOR COMPENSATION</b>		
Salaries and short-term benefits	1,405	1 382
Share-based payments	990	988
Total	2,395	2,370

### 35 ULTIMATE CONTROLLING PARTY

The Group is controlled by Mike Ashley through his 100% shareholding in MASH Beta Limited and MASH Holdings Limited, which own 303 507,460 (50.71% of the issued ordinary share capital of the Company) and 26 492,540 (4.43% of the issued ordinary share capital of the Company) ordinary shares respectively

### 36. POST BALANCE SHEET EVENTS

On 25 April 2016, the Group purchased a property on Oxford Street for a total £108,000 000 a deposit £10,800,000 was included in Other Debtors at the year-end date

Following the outcome of the UK referendum on EU membership, the Group notes the associated market volatility and in particular material changes to sterling / dollar exchange rates, and the lack of transparency as to those rates in the short to medium term. These factors are likely to impact purchases for which the Group is currently not hedged for the FY17 period and beyond. The Group does not consider this an adjusting event for the accounting period ended 24 April 2016

### 37 SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 24 April 2016 were as follows

NAME	COUNTRY OF INCORPORATION	COMPANY NUMBER	PERCENTAGE OF ISSUED SHARE CAPITAL HELD
3237303 Canada Inc	Canada	3237303	100
Acre 653 Limited	England & Wales	4579745	100
Activator Brands Limited	England & Wales	5344658	100
Activator Products Limited	England & Wales	4204611	100
Active Apparel New Corp	United States	3270168	100
American Fitness Products Inc	United States	366835	100
Antigua Enterprises Inc	United States	26660	100
AP Brands Holdings Ltd	Malaysia	4921-A	100
Beauty Brand Management Limited	England & Wales	5258421	100
Bellatrix Associates Limited	Isle of Man	111671C	100
Bellatrix Holdings Unlimited	Isle of Man	111670C	100
Bellatrix Overseas Limited	Isle of man	1288827C	100
Brands & Fashion NV	Belgium	0477-995-412	100
Brands 001 Limited	England & Wales	5347540	100
Brands Africa Limited	England & Wales	6836765	100
Brands Holdings Limited	England & Wales	4087435	100
Brands Inc Limited	England & Wales	3585719	100
Cafico Comercio de Artigos de Desportos S.A	Portugal	503751804	50
Campri Limited	England & Wales	5398677	100
Carlton Shuttlecocks Limited	England & Wales	480582	100
Carlton Sports Company Limited	England & Wales	467686	100
CDS IP SA	Belgium	406461077	100
Climber & Rambler Limited	England & Wales	3938618	100
Cruise Clothing Limited	Scotland	SC382991	100
David Geoffrey & Associates (UK) Limited	England & Wales	670530	100
Direct Fishing Limited	England & Wales	8203469	100
Direct Golf IP Limited	England & Wales	9911086	100
Direct Golf Retail Limited	England & Wales	9825889	100
Donnay International NV	Belgium	435392220	100
DSSL Sponsorship Limited	England & Wales	9395468	100
Dunlop Australia Limited	England & Wales	9217409	100
Dunlop Brands Limited	England & Wales	5794296	100
Dunlop Footwear Limited	England & Wales	571672	100

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For the 52 weeks ended 24 April 2016

Dunlop International Limited	England & Wales	4825179	100
Dunlop Licensing Limited	England & Wales	6836773	100
Dunlop Slazenger (ESOP) Limited	England & Wales	3408468	100
Dunlop Slazenger (Far East) Sdn Bhd	Malaysia	207037-T	100
Dunlop Slazenger (HK) Limited	Hong Kong	65306	100
Dunlop Slazenger (Philippines) Inc	Philippines	SEC160084	100
Dunlop Slazenger 1902 Limited	England & Wales	4983558	100
Dunlop Slazenger Group Holdings Limited	England & Wales	4061715	100
Dunlop Slazenger Group Limited	England & Wales	3097977	100
Dunlop Slazenger Holdings Limited	England & Wales	3139917	100
Dunlop Slazenger International Limited	England & Wales	776384	100
Dunlop Slazenger International SA	France	3 92812E+13	100
Dunlop Slazenger Limited	England & Wales	2030941	100
Dunlop Slazenger Sports (Singapore) PTE Limited	Singapore	198203096N	100
Dunlop Slazenger Trust Company Limited	England & Wales	3151573	100
Dunlop Sports Company	England & Wales	429750	100
Dunlop Sports Group Americas Inc	United States	2047393	100
Eastchance Limited	Hong Kong	174348	100
Etail Services Limited	England & Wales	5146997	100
European Branded Clearance Company Limited	England & Wales	4359910	100
Everlast Australia Limited	England & Wales	8103912	100
Everlast Fitness Mfg Corp	United States	121961 (43-	100
Everlast Sports International Inc Corp	United States	13-2811380	100
Everlast Sports Mfg Corp	United States	13-1804772	100
Everlast World Boxing Headquarters Corporation	United States	13-1804773	100
Everlast Worldwide Acquisitions Inc United States	United States	4379232	100
Everlast Worldwide Inc United States	United States	13 3672716	100
Exsports Limited	England & Wales	2779040	100
Feniger And Blackburn Limited	England & Wales	639594	100
Field & Trek (UK) Ltd	England & Wales	5622577	100
Field & Trek Com Limited	England & Wales	3943377	100
Firetrap Limited	England & Wales	6836684	100
Forever Media Limited	England & Wales	8249185	100
Forever Models Limited	England & Wales	9666349	100
Forever Sports Limited	England & Wales	9489811	100
Freeshield Limited	England & Wales	6330786	100
Gaelic Boots Limited	ROI	520868	100
Gelert IP Limited	England & Wales	8576185	100
Gelert Limited	England & Wales	8576204	100
Golddigga Brands Limited	England & Wales	6636173	100
Goudie Squash International Limited	England & Wales	980461	100
Gradidges Limited	England & Wales	278122	100
Graduate Clothing Limited	England & Wales	2511038	91
Gul IP Limited	England & Wales	8612478	100
Gul Watersports Limited	England & Wales	7589716	100
Heatons	Ireland	11229	100
Heatons (ni) Limited	Northern Ireland	NI035599	100
Heatons Logistics Limited	Northern Ireland	NI603177	100
Heatons Stores Limited	ROI	509525	100
Heatons Sports Limited	ROI	555623	100
Heaven or Hell Limited	England & Wales	5899282	51
HK Sports & Golf Akhebolag	Sweden	556510-8189	100
Hot Tuna IP Limited	England & Wales	6836792	100
Hsports Limited	NI	NI628585	100
IBML Brand Services SA (Pty) Limited	South Africa	2006/016700/07	100

International Brand Management Limited	England & Wales	5142123	100
James Lillywhites Limited	England & Wales	118840	100
Kangol Holdings Limited	England & Wales	3317738	100
Kangol Limited	England & Wales	3343793	100
Kangol Trustees Limited	England & Wales	3505512	100
Karrimor Limited	England & Wales	5215974	100
Kensington Health Clubs Limited	England & Wales	6021489	100
La Jolla (UK) Limited	England & Wales	5737550	100
Laneshift Limited	England & Wales	6146743	100
Lillywhites Limited	England & Wales	290939	100
Litesome Sportswear Limited	England & Wales	207867	100
Lonsdale Australia Limited	England & Wales	7665885	100
Lonsdale Boxing Limited	England & Wales	3912303	100
Lonsdale Sports Limited	England & Wales	4430781	100
Masters Holders Limited	England & Wales	8787718	100
Megavalue.com Limited	England & Wales	9544685	100
Megavalue.direct Limited	England & Wales	9545879	100
Megavalue Retail Limited	ROI	559110	100
Midtown Limited	England & Wales	9467997	100
Mississippi Manufacturing LLC	United States	3470413	100
MST Sports Retail Sdn Bhd	Malaysia	925116-M	51
Muddyfox Limited	England & Wales	4187350	100
NDS ehf	Iceland	6301121760	100
Neveca IP Limited	England & Wales	6836778	100
No Fear Brand Limited	England & Wales	5568043	100
No Fear International Limited	England & Wales	5532482	100
No Fear USA Limited	England & Wales	7712470	100
Oldco 10 Limited	England & Wales	5541144	100
Olympus Ventures Limited	England & Wales	3945752	100
Outdoor Sports Direct Limited	England & Wales	2780756	100
P W P Sportbase Limited	England & Wales	1933891	100
Paddle Sport Limited	England & Wales	6836690	100
POD Collection Services Limited	England & Wales	9918495	100
Propeller (U K ) Limited	England & Wales	2770207	100
Queensberry Boxing IP Limited	England & Wales	7929363	100
Queensberry Rules Limited	England & Wales	6723660	100
Quickreply Limited	England & Wales	5904737	100
Rangers Retail Limited	England & Wales	8142409	49
Rangers Retail Rights Limited	England & Wales	9210817	100
Republic IP Limited	England & Wales	5635015	100
Republic.com Retail Limited	England & Wales	8248997	100
Robinsons Country Leisure Limited	England & Wales	1204722	100
S&B Brands Limited	England & Wales	5635585	100
SD Equestrian Limited	England & Wales	8692780	100
SD Outdoor IP Limited	England & Wales	8560252	100
SD Outdoor Limited	England & Wales	8560260	51
SDB 2 S A	Belgium	0848 964 388	100
SDI (Aberwystwyth) Limited	England & Wales	2789996	100
SDI (Aintree) Limited	England & Wales	3352462	100
SDI (Ashford) Limited	England & Wales	7848460	100
SDI (Ashington) Limited	England & Wales	7849231	100
SDI (Ayr) Limited	England & Wales	5528267	100
SDI (Bangor) Limited	England & Wales	5529705	100
SDI (Barrow in Furness) Limited	England & Wales	7851574	100
SDI (Basildon) Limited	England & Wales	8512592	100

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

SDI (Beddgelert) Limited	England & Wales	8577551	100
SDI (Belfast) Limited	England & Wales	9872471	100
SDI (Berwick) Limited	England & Wales	2739957	100
SDI (Betws-y-Coed) Limited	England & Wales	6836673	100
SDI (Bexleyheath) Limited	England & Wales	9788372	100
SDI (Birkenhead) Limited	England & Wales	7849198	100
SDI (Bishop Auckland) Limited	England & Wales	3004246	100
SDI (Bridgwater) Limited	England & Wales	7852061	100
SDI (Brook EU) Limited	England & Wales	9336830	100
SDI (Brook ROW) Limited	England & Wales	9336806	100
SDI (Brook UK) Limited	England & Wales	9340379	100
SDI (Burton) Limited	England & Wales	8495632	100
SDI (Carlisle) Limited	England & Wales	7851959	100
SDI (Carmarthen) Limited	England & Wales	10086209	100
SDI (Chatham) Limited	England & Wales	6836679	100
SDI (Clacton) Limited	England & Wales	7852078	100
SDI (Coatbridge) Limited	England & Wales	9702004	100
SDI (Colchester) Limited	England & Wales	5632790	100
SDI (Croydon) Limited	England & Wales	9680128	100
SDI (Darlington) Limited	England & Wales	10071547	100
SDI (Derry) Limited	England & Wales	9901702	100
SDI (Doncaster) Limited	England & Wales	9888670	100
SDI (Dunfermline) Limited	England & Wales	8483679	100
SDI (East Ham) Limited	England & Wales	9810378	100
SDI (East Kilbride) Limited	England & Wales	6656368	100
SDI (Epsom) Limited	England & Wales	6372181	100
SDI (Exmouth) Limited	England & Wales	6328505	100
SDI (Fulham) Limited	England & Wales	7852037	100
SDI (Gainsborough) Limited	England & Wales	6338907	100
SDI (Galashiels) Limited	England & Wales	7852091	100
SDI (Glasgow Fort) Limited	England & Wales	9861504	100
SDI (Glasgow Ingram Street) Limited	England & Wales	9925519	100
SDI (Gloucester) Limited	England & Wales	7852067	100
SDI (Hartlepool) Limited	England & Wales	8972499	100
SDI (Hastings) Limited	England & Wales	8625893	100
SDI (Hereford) Limited	England & Wales	9888642	100
SDI (Hofco) Limited	England & Wales	8319960	100
SDI (Hull) Limited	England & Wales	9638564	100
SDI (Ipswich) Limited	England & Wales	9788411	100
SDI (Isle of Man) Limited	England & Wales	9901745	100
SDI (Ivy) 1 Limited	England & Wales	9127160	100
SDI (Ivy) 2 Limited	England & Wales	9127316	100
SDI (Ivy) 3 Limited	England & Wales	9127170	100
SDI (Ivy) 4 Limited	England & Wales	9127387	100
SDI (Ivy) 5 Limited	England & Wales	9127295	100
SDI (Ivy) 6 Limited	England & Wales	9127266	100
SDI (Ivy) 7 Limited	England & Wales	9127286	100
SDI (Ivy) 8 Limited	England & Wales	9127300	100
SDI (Keighley) Limited	England & Wales	6260239	100
SDI (Kendal) Limited	England & Wales	6338918	100
SDI (Kidderminster) Limited	England & Wales	9203731	100
SDI (Kilmarnock) Limited	England & Wales	7853433	100
SDI (Kirkcaldy) Limited	England & Wales	7852097	100
SDI (Leeds) Limited	England & Wales	9293515	100
SDI (Lincoln) Limited	England & Wales	9625631	100

SDI (Liverpool) Limited	England & Wales	9888734	100
SDI (Lowestoft) Limited	England & Wales	7852265	100
SDI (Luton) Limited	England & Wales	9680625	100
SDI (Manchester) Limited	England & Wales	9888635	100
SDI (Neath) Limited	England & Wales	7853548	100
SDI (New Cavendish Street) Limited	England & Wales	6306917	100
SDI (Newark) Limited	England & Wales	7853470	100
SDI (Newport) Limited	England & Wales	8679118	100
SDI (Newton Abbot) Limited	England & Wales	6836666	100
SDI (Northampton) Limited	England & Wales	7852272	100
SDI (Nuneaton) Limited	England & Wales	7852249	100
SDI (Oswestry) Limited	England & Wales	7852363	100
SDI (Paisley) Limited	England & Wales	2933408	100
SDI (Penzance) Limited	England & Wales	7852297	100
SDI (Peterlee) Limited	England & Wales	7852401	100
SDI (Plymouth) Limited	England & Wales	9470468	100
SDI (Poole) Limited	England & Wales	5656295	100
SDI (Prop Co 12) Limited	England & Wales	10073076	100
SDI (Propco 11) Limited	England & Wales	10046080	100
SDI (Propco 16) Limited	England & Wales	10100609	100
SDI (Propco 19) Limited	England & Wales	10100990	100
SDI (Propco 20) Limited	England & Wales	10089800	100
SDI (Propco 22) Limited	England & Wales	10107775	100
SDI (Propco 23) Limited	England & Wales	10107572	100
SDI (Ramsgate) Limited	England & Wales	7852250	100
SDI (Redcar) Limited	England & Wales	2731452	100
SDI (Rolle St) Limited	England & Wales	7852669	100
SDI (Scarborough) Limited	England & Wales	6328463	100
SDI (Scunthorpe The Parishes) Limited	England & Wales	10086218	100
SDI (Scunthorpe) Limited	England & Wales	7852055	100
SDI (Slough) Limited	England & Wales	7852417	100
SDI (Solihull 2) Limited	England & Wales	8576472	100
SDI (Solihull) Limited	England & Wales	8612647	100
SDI (Southampton 2) Limited	England & Wales	9665889	100
SDI (Southampton) Limited	England & Wales	8512480	100
SDI (Southport) Limited	England & Wales	9888806	100
SDI (St Austell) Limited	England & Wales	7852284	100
SDI (St Helens) Limited	England & Wales	7852281	100
SDI (Stafford) Limited	England & Wales	8568681	100
SDI (Stoke Longton) Limited	England & Wales	7853877	100
SDI (Stoke Newington) Limited	England & Wales	7852207	100
SDI (Strabane) Limited	England & Wales	9890243	100
SDI (Streatham) Limited	England & Wales	10066335	100
SDI (Strood) Limited	England & Wales	7852251	100
SDI (Sunderland) Limited	England & Wales	8755347	100
SDI (Swindon) Limited	England & Wales	9888662	100
SDI (Taunton North Street) Limited	England & Wales	10081909	100
SDI (Taunton) Limited	England & Wales	7852191	100
SDI (The Lion Hotel) Limited	England & Wales	6836880	100
SDI (Thurrock) Limited	England & Wales	10089743	100
SDI (Wakefield) Limited	England & Wales	8483711	100
SDI (Walsall) Limited	England & Wales	7852289	100
SDI (West Ealing) Limited	England & Wales	9798784	100
SDI (Weymouth) Limited	England & Wales	6716652	100
SDI (Wigan) IP Limited	England & Wales	6835407	100

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

SDI (Wigan) Retail Limited	England & Wales	8208933	100
SDI (Wishaw) Limited	England & Wales	6656365	100
SDI (Wolverhampton) Limited	England & Wales	9788373	100
SDI (Worksop) Limited	England & Wales	9310031	100
SDI (Wythenshawe) Limited	England & Wales	9659156	100
SDI Aviation Limited	England & Wales	9633152	100
SDI Fitness (Armagh) Limited	England & Wales	9038768	100
SDI Fitness (Atlas) Limited	England & Wales	9749030	100
SDI Fitness (Bedford) Limited	England & Wales	9038839	100
SDI Fitness (Belfast) Limited	England & Wales	9038724	100
SDI Fitness (Birmingham) Limited	England & Wales	9038982	100
SDI Fitness (Bury St Edmunds) Limited	England & Wales	9038949	100
SDI Fitness (Cambridge) Limited	England & Wales	9038881	100
SDI Fitness (Cheltenham) Limited	England & Wales	9039840	100
SDI Fitness (Chester) Limited	England & Wales	9038943	100
SDI Fitness (Colchester) Limited	England & Wales	9039011	100
SDI Fitness (Croydon) Limited	England & Wales	9039243	100
SDI Fitness (Dartry) Limited	England & Wales	9039023	100
SDI Fitness (Epsom) Limited	England & Wales	9039043	100
SDI Fitness (Fareham) Limited	England & Wales	9039057	100
SDI Fitness (Formby) Limited	England & Wales	9039895	100
SDI Fitness (Glasgow) Limited	England & Wales	9038811	100
SDI Fitness (Guildford) Limited	England & Wales	9039269	100
SDI Fitness (Hove) Limited	England & Wales	9039030	100
SDI Fitness (Huntingdon) Limited	England & Wales	9039881	100
SDI Fitness (Ivy) Limited	England & Wales	9753389	100
SDI Fitness (K Heath) Limited	England & Wales	9039717	100
SDI Fitness (K Lynn) Limited	England & Wales	9039847	100
SDI Fitness (Kettering) Limited	England & Wales	9039852	100
SDI Fitness (Lincoln City) Limited	England & Wales	9039331	100
SDI Fitness (Lincoln South West) Limited	England & Wales	9039319	100
SDI Fitness (Liverpool) Limited	England & Wales	9039347	100
SDI Fitness (Maidstone) Limited	England & Wales	9039343	100
SDI Fitness (Manchester) Limited	England & Wales	9039339	100
SDI Fitness (Milngavie) Limited	England & Wales	9039510	100
SDI Fitness (Newark) Limited	England & Wales	9039640	100
SDI Fitness (Northfield) Limited	England & Wales	9039412	100
SDI Fitness (Poole) Limited	England & Wales	9039481	100
SDI Fitness (Rugby) Limited	England & Wales	9039408	100
SDI Fitness (Sale) Limited	England & Wales	9039405	100
SDI Fitness (Salisbury) Limited	England & Wales	9039429	100
SDI Four Limited	England & Wales	9719779	100
SDI Golf Limited	England & Wales	9083512	100
SDI Lifestyle Limited	England & Wales	8293614	80
SDI Newco No 10 Limited	England & Wales	8578776	100
SDI Newco No 2 Limited	England & Wales	8158699	100
SDI Newco No 5 Limited	England & Wales	9062747	100
SDI Newco Shire Limited	England & Wales	8177495	100
SDI Properties (USA) Inc	United States	535872	100
SDI Properties (Wigan) Limited	England & Wales	6836522	100
SDI Property Limited	England & Wales	2767493	100
SDI Retail Services Limited	England & Wales	8143303	100
SDI Retailing Limited	England & Wales	9283231	100
SDI Shirebrook DC Limited	England & Wales	2963189	100
SDI Shirebrook Limited	England & Wales	3016549	100



SDI Shirebrook Shop Limited	England & Wales	3018210	100
SDI Sport London Limited	England & Wales	9848767	100
SDI com Fitness Parent Limited	England & Wales	9082454	100
SDIL S.A.	Belgium	810 198 636	100
Serverange Limited	England & Wales	2997208	100
SIA Sportland	Latvia	40003530961	60
Ski and Outdoor Warehouse Limited	England & Wales	2917223	100
Slazengers Australia Limited	England & Wales	9217319	100
Slazengers Limited	England & Wales	116000	100
Smith & Brooks (Germany) Limited	England & Wales	5427463	100
Smith & Brooks (India) Limited	England & Wales	2964528	100
Smith & Brooks Limited	England & Wales	2073720	100
Smith And Brooks Group Limited	England & Wales	4079331	100
Smith And Brooks Holdings Limited	England & Wales	4983573	100
SNÖ Sport Vertriebs GmbH	Austria	272671 m	100
Sondico IP Limited	England & Wales	6546121	100
Sondico Professional Limited	England & Wales	7258332	51
Spinsort Limited	England & Wales	6029888	100
Sport Eybl & Sports Experts Logistikbetriebs GmbH	Austria	96024 m	100
Sport Eybl Holding GmbH	Austria	180095 x	100
Sportland Eesne A S	Estonia	10677712	60
Sportland International Group A S	Estonia	10993195	60
Sports Commission Limited	England & Wales	4824491	100
Sports Direct Brands Limited	England & Wales	6026039	100
Sports Direct Estonia A.S	Estonia	12495656	60
Sports Direct Holdings Limited	England & Wales	6464317	100
Sports Direct Hong Kong Holdings Ltd	Hong Kong	1216339	100
Sports Direct International Holdings Limited	England & Wales	6027131	100
Sports Direct Retail Limited	England & Wales	6026013	100
Sports Essentials Limited	England & Wales	4409470	100
Sports World International Limited	England & Wales	6531266	100
Sports World The Netherlands B V	Netherlands	34056291	100
Sportsdirect com Austria GmbH	Austria	309738 y	100
Sportsdirect com Belgium S A	Belgium	416 268 471	100
Sportsdirect com Cyprus Limited	Cyprus	HE 230340	100
Sportsdirect com Czech Republic s r o	Czech Republic	24268933	100
Sportsdirect com Fitness Limited	England & Wales	9028577	100
Sportsdirect com France	France	FR27379062813	100
Sportsdirect.com Hungary Kft	Hungary	01-09-986824	100
Sportsdirect com Immobilien GmbH	Austria	104151 p	100
Sportsdirect com Luxembourg	Luxembourg	2700 3200 297	100
Sportsdirect com Media Limited	England & Wales	9127526	100
Sportsdirect com Pty Ltd Australia	Australia	603 187 319	100
Sportsdirect.com Retail (Europe) S.A.	Belgium	458883046	100
Sportsdirect.com Retail Limited	England & Wales	3406347	100
Sportsdirect.com S L U Spain	Spain	B-86567880	100
Sportsdirect.com Slovakia s r o	Slovakia	47 240 458	100
Sportsdirect.com SLVN d o o	Slovenia	1198157000	100
Sportsdirect.com Switzerland A.G Switzerland CHE-	Switzerland	331 683 991	100
SSG Sport GmbH (SSD)	Germany	HRB 7134	100
Sterling Resources (Holdings) Limited	England & Wales	4651701	100
Sterling Resources Limited	England & Wales	1413254	100
Strlings (Argyle Street) Limited	Scotland	SC088108	100
Straub Corporation Limited	England & Wales	3003584	100
Summercombe 167 Ltd	England & Wales	6217909	100

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

SWImmo Eupen SA	Belgium	878673906	100
Table Tennis Pro Europe Limited	England & Wales	5003853	100
Talisway Limited	Hong Kong	323181	100
The Antigua Group Inc	United States	0734679-4	100
The Flannels Group Limited	England & Wales	2318510	51
The Trademark Licensing Company Limited	England & Wales	4477829	100
Total Estates Limited	England & Wales	4958214	100
UAB Sportland LT Lithuania		135039836	51
Universal Cycles Limited	England & Wales	1339667	100
UP Brands Limited	England & Wales	6521633	100
USA Pro IP Limited	England & Wales	6497914	100
USC IP Limited	England & Wales	6836808	100
USC.co.uk Retail Limited	England & Wales	8617068	100
Used Tackle Limited	England & Wales	7989154	100
Van Mildert (Lifestyle) Limited	England & Wales	8319959	100
Visionfigure Limited	England & Wales	2951233	100
Wareshop1 Limited	England & Wales	9870849	100
Wareshop2 Limited	England & Wales	9870840	100
Wareshop3 Limited	England & Wales	9870808	100
Warrnambool	ROI	387014	100
Waterline Angling Products Limited	England & Wales	2696374	100
West Coast Capital (HOFCO) Limited	Scotland	SC437614	100
Westminster Manufacturing LLC	United States	44358	100
Wildlaw Limited	England & Wales	4571678	100
William Sykes Limited	England & Wales	123229	100
World of Service International Limited	England & Wales	1202465	51
World of Service Limited	England & Wales	6020729	51
Worthyfund Limited	England & Wales	2955978	100
YUV Limited	England & Wales	9350127	100
Yeomans Outdoors Limited	England & Wales	8058714	51

Sports Direct International plc will provide a parent guarantee for the following United Kingdom incorporated subsidiaries thus entitling them to exemption from statutory audit under section 479A of the Companies Act 2006

COMPANY NAME	COMPANY NUMBER	COMPANY NAME	COMPANY NUMBER
Direct Fishing Limited	08203469	SDI (Lowestoft) Limited	07852265
Dunlop Australia Limited	09217409	SDI (Luton) Limited	09680625
Everlast Australia Limited	08103912	SDI (Neath) Limited	07853548
Gelert IP Limited	08576185	SDI (New Cavendish Street) Limited	06306917
Gul IP Limited	08612478	SDI (Newark) Limited	07853470
Hot Tuna IP Limited	06836792	SDI (Newport) Limited	08679118
SD Equestrian Limited	08692780	SDI (Newton Abbot) Limited	06836666
SD Outdoor IP Limited	08560252	SDI (Northampton) Limited	07852272
SD Outdoor Limited	08560260	SDI (Nuneaton) Limited	07852249
SDI (Aberystwyth) Limited	02789996	SDI (Oswestry) Limited	07852363
SDI (Aintree) Limited	03352462	SDI (Paisley) Limited	02933408
SDI (Ashford) Limited	07848460	SDI (Penzance) Limited	07852297
SDI (Ashington) Limited	07849231	SDI (Peterlee) Limited	07852401
SDI (Ayr) Limited	05528267	SDI (Plymouth) Limited	09470468
SDI (Bangor) Limited	05529705	SDI (Ramsgate) Limited	07852250
SDI (Barrow in Furness) Limited	07851574	SDI (Redcar) Limited	02731452
SDI (Basildon) Limited	08512592	SDI (Rolle St) Limited	07852669
SDI (Beddgelert) Limited	08577551	SDI (Scarborough) Limited	06328463
SDI (Berwick) Limited	02739957	SDI (Scunthorpe) Limited	07852055
SDI (Betws-y-Coed) Limited	06836673	SDI (Slough) Limited	07852417

SDI (Bexleyheath) Limited	09788372	SDI (Solihull) Limited	08612647
SDI (Birkenhead) Limited	07849198	SDI (Southampton 2) Limited	09665889
SDI (Bishop Auckland) Limited	03004246	SDI (Southampton) Limited	08512480
SDI (Bridgwater) Limited	07852061	SDI (St Austell) Limited	07852284
SDI (Burton) Limited	08495632	SDI (St Helens) Limited	07852281
SDI (Carlisle) Limited	07851959	SDI (Stafford) Limited	08568681
SDI (Chatham) Limited	06836679	SDI (Stoke Longton) Limited	07853877
SDI (Clacton) Limited	07852078	SDI (Stoke Newington) Limited	07852207
SDI (Coatbridge) Limited	09702004	SDI (Strood) Limited	07852251
SDI (Colchester) Limited	05632790	SDI (Sunderland) Limited	08755347
SDI (Dunfermline) Limited	08483679	SDI (Taunton) Limited	07852191
SDI (East Ham) Limited	09810378	SDI (Wakefield) Limited	08483711
SDI (East Kilbride) Limited	06656368	SDI (Walsall) Limited	07852289
SDI (Fulham) Limited	07852037	SDI (West Ealing) Limited	09798784
SDI (Gainsborough) Limited	06338907	SDI (Weymouth) Limited	06716652
SDI (Glasgows) Limited	07852091	SDI (Wishaw) Limited	06656365
SDI (Gloucester) Limited	07852067	SDI (Wolverhampton) Limited	09788373
SDI (Hartlepool) Limited	08972499	SDI (Worksop) LIMITED	09310031
SDI (Hastings) Limited	08625893	SDI (Wythenshawe) Limited	09659156
SDI (HOFCO) Limited	08319960	SDI GOLF LIMITED	09083512
SDI (Hull) Limited	09638564	SDI Properties (Wigan) Limited	06836522
SDI (Keighley) Limited	06260239	SDI Property Limited	02767493
SDI (Kendal) Limited	06338918	SDI Retail Services Limited	08143303
SDI (Kidderminster) Limited	09203731	sdi.com Fitness Parent Limited	09082454
SDI (Kilmarnock) Limited	07853433	Slazengers Australia Limited	09217319
SDI (Kirkcaldy) Limited	07852097	Stirlings (Argyle Street) Limited	SC088108
SDI (Leeds) Limited	09293515		

# INDEPENDENT AUDITORS REPORT

We have audited the parent company Financial Statements of Sports Direct International PLC for the 52 week period ended 24 April 2016 which comprise the parent company balance sheet, company statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the parent company Financial Statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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 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

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## 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 24 April 2016
- 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

## OTHER MATTER

We have reported separately on the Group Financial Statements of Sports Direct International PLC for the 52 week period ended 24 April 2016.

## 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 Strategic Report and Directors' Report for the financial period 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

## Philip Westerman

Senior Statutory Auditor  
For and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
7 July 2016

# COMPANY BALANCE SHEET

At 24 APRIL 2016

	Notes	2016 (£'000)	2015 (£'000)
<b>FIXED ASSETS</b>			
Investments	2	1,180,697	1 083 119
<b>CURRENT ASSETS</b>			
Debtors	3	130,708	35,983
Cash at bank and in hand		222	1,418
		130 930	37,401
<b>Creditors amounts falling due within one year</b>	4	(255,034)	(113,549)
<b>Net current liabilities</b>		(124,104)	(76 148)
<b>Provisions</b>		(3,666)	(1,882)
<b>Net assets</b>		<b>1,052,927</b>	<b>1,005,089</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)	(56,234)
Permanent contribution to capital	6	50	50
Capital redemption reserve	6	8 005	8 005
Own share reserve	6	(33,726)	(13,251)
Profit and loss account	6	196 472	128 159
<b>Shareholders' funds</b>	7	<b>1,052,927</b>	<b>1,005,089</b>

The accompanying accounting policies and notes form part of these Financial Statements

The Financial Statements were approved by the Board on 7 July 2016 and were signed on its behalf by

**Dave Forsey**  
Chief Executive

Company number 06035106

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 24 APRIL 2016

	Called up share capital (£'000)	Share premium account (£'000)	Treasury share reserve (£'000)	Perm contrn to capital (£'000)	Capital redemption reserve (£'000)	Own share reserve (£'000)	Profit & Loss account (£'000)	Total (£'000)
As at 28 April 2014	64,060	874,300	(56,234)	50	8,005	(13 251)	102,040	978,970
Profit for the financial period	-	-	-	-	-	-	8,941	8,941
Share based payments	-	-	-	-	-	-	17,178	17,178
As at 26 April 2015	64,060	874,300	(56,234)	50	8,005	(13 251)	128,159	1 005,089
Profit for the financial period	-	-	-	-	-	-	42 008	42 008
Fair value adjustment in respect of available-for-sale financial assets	-	-	-	-	-	-	1 583	1,583
Share based payments	-	-	-	-	-	-	4,247	4,247
Share purchase	-	-	-	-	-	(20,475)	20 475	-
As at 24 April 2016	64,060	874,300	(56,234)	50	8,005	(33,726)	196,472	1,052,927

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

### 1. ACCOUNTING POLICIES

#### ACCOUNTING POLICIES

These financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006

The financial statements are prepared in sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000

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 basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below

These financial statements for the period ended 24 April 2016 are the first financial statements of Sports Direct International plc prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 is 28 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 10

As permitted by Section 408 of the Companies Act 2006, a profit and loss account of the Company is not presented. The Company's profit after taxation for the 52 week period 24 April 2016 was £42,008 000 (2015: £8,941,000)

As permitted by FRS 102 the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash flow statement, share-based payments, the aggregate remuneration of key management personnel and related party transactions with other wholly-owned members of the group. Where required, equivalent disclosures are given in the group accounts of Sports Direct International plc

#### INVESTMENTS

Fixed asset investments in subsidiaries, associates and joint ventures are shown at cost less provision for impairment

The company has elected to designate listed investments as 'available-for-sale' financial assets as at the date of transition. Under previous UK GAAP listed investments were held at cost less impairment. The company has elected to follow the requirements of IAS 39 as permitted by FRS 102 Section 12, and the fair value from one period to another being shown within the statement of other comprehensive income

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 profit and loss account as a reclassification adjustment within other income

#### LOANS AND RECEIVABLES

Loans and receivables are recognised initially at fair value plus transaction costs less provision for impairment. Provision for impairment is established when there is objective evidence that the company will not be able to collect amounts due according to the original terms of the receivable

#### **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

#### **EMPLOYEE BENEFIT TRUST**

An Employee Benefit Trust has been established for the purposes of satisfying certain share-based awards. The Group has 'de facto' control over the special purpose entity. The Trust is fully consolidated within the accounts.

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

#### **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 Section 612 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 102 and has therefore not disclosed transactions or balances with wholly-owned subsidiaries which form part of the Group.

#### **SHARE-BASED PAYMENTS**

The Company issues equity-settled share-based payments to certain Directors and employees of the Company and its subsidiaries.

The fair value of the share options on the date of the grant is charged to the profit and loss account over the vesting period of the share option, based on the number of options which are expected to become exercisable. A corresponding adjustment is made to equity. At each balance sheet date the company revises its estimates of the number of options that are expected to become exercisable and recognises the impact of any revision of original estimates in the profit and loss account.

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 £7,077,000 was recognised for the 52 weeks ended 24 April 2016 based on the Directors' best estimate of the number of shares that will vest. £6,934,000 of this share-based payment was recharged to subsidiary undertakings of the Company.

#### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

#### **CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

##### **CALCULATION OF SHARE SCHEME CHARGE**

A share based payment charge is recognised in respect of share awards based on the directors' best estimate of the numbers of shares that will vest. The charge is calculated based on the fair value of the grant date, which is deemed to be the date on which the entity and counterparty reached a shared understanding of the scheme.

##### **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.

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 2. INVESTMENTS

	2016 (£'000)	2015 (£'000)
Investments in subsidiaries	1 122 813	1 079 116
Investments in associates	-	4,003
Available-for-sale financial assets	57 884	-
	1,180,697	1,083,119

The fair value of the available-for-sale investments is based on bid quoted market prices at the balance sheet date or where market prices are not available, at management's best estimate

Available-for-sale investments represent a 1% stake in Goals Soccer Centres plc, a 17.2% stake in Findel plc and a 1.1% stake in Dicks Sporting Goods Inc

The Company is the principal holding company of the Group. The principal subsidiary undertakings of the Company are set out in note 37 to the Group Financial Statements

## 3. DEBTORS

	2016 (£'000)	2015 (£'000)
Amounts owed by Group undertakings	318	318
Derivative financial assets	20,364	10,470
Other debtors	107 070	20 891
Other taxes and social security costs	71	126
Prepayments	2 885	4 178
	130,708	35,983

## 4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 (£'000)	2015 (£'000)
Trade creditors	213	424
Amounts owed to Group undertakings	254,506	111,567
Derivative financial liabilities	-	1 061
Accruals	315	476
Other taxes and social security costs	-	21
	255,034	113,549

## 5. DEFERRED TAX LIABILITIES

	Other temporary differences (£'000)
At 28 April 2014	103
Charged to the profit & loss account	1 779
At 26 April 2015	1,882
Charged to the profit & loss account	1,784
At 24 April 2016	3 666

The tax rate used to measure the deferred tax assets and liabilities was 18% (2015: 20%) on the basis this was the tax rate that was substantively enacted at the balance sheet date



## 6 CALLED UP SHARE CAPITAL

	2016 (£'000)	2015 (£'000)
<b>AUTHORISED</b>		
999,500,010 ordinary shares of 10p each	99,950	99,950
499 990 redeemable preference shares of 10p each	50	50
	100,000	100 000
<b>CALLED UP AND FULLY PAID</b>		
640 602 369 (2015 640 602 369) ORDINARY SHARES OF 10P EACH	64,060	64,060
<b>SHARE CAPITAL</b>		
At 26 April 2015 and 24 April 2016	64,060	64,060

The company holds 42,137,508 ordinary shares in treasury

## 7 RESERVES

	Share premium account (£'000)	Treasury share reserve (£'000)	Permanent contribution to capital (£'000)	Capital redemption reserve (£'000)	Own share reserve (£'000)	Profit and loss account (£'000)
At 26 April 2015	874,300	(56,234)	50	8,005	(13 251)	128,159
Profit for the financial period	-	-	-	-	-	42,008
Share based payments	-	-	-	-	-	4 247
Fair value of available for-sale financial assets	-	-	-	-	-	1 583
Share scheme vesting	-	-	-	-	(20,475)	20 475
At 24 April 2016	874,300	(56,234)	50	8 005	(33 726)	196 472

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 own shares and treasury reserves 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

## 8 RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' FUNDS

	2016 (£'000)
Opening shareholders' funds	1,005 089
Profit for the financial period	42,008
Share based payments	4 247
<b>Fair value adjustment in respect of available-for-sale financial assets</b>	<b>1 583</b>
Closing shareholders' funds	1,052 927

## 9. POST BALANCE SHEET EVENTS

No material post balance sheet events occurred after 24 April 2016 to the date of this Annual Report

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 24 April 2016

## 10. FIRST TIME ADOPTION OF FRS 102

The company transitioned to FRS 102 from UK GAAP as at 28 April 2014. The estimates at 28 April 2014 and 26 April 2015 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences to accounting policies). The impact from transition to FRS 102 is set out below.

Reconciliation of Balance Sheet at 28 April 2014	Previous UK GAAP £'000	Effect of transition £'000	Restated £'000
Investments	1,077,408	-	1,077,408
Debtors	14,984	513	15,497
Cash at bank	186	-	186
Creditors	(114,018)	-	(114,018)
Deferred tax	-	(103)	(103)
<b>Net assets</b>	<b>978,560</b>	<b>410</b>	<b>978,970</b>
Share capital	64,060	-	64,060
Share premium	874,300	-	874,300
Treasury shares reserve	(56,234)	-	(56,234)
Permanent contribution to capital	50	-	50
Capital redemption reserve	8,005	-	8,005
Own share reserve	(13,251)	-	(13,251)
Profit and loss account	101,630	410	102,040
<b>Shareholders funds</b>	<b>978,560</b>	<b>410</b>	<b>978,970</b>

Reconciliation of Balance Sheet at 26 April 2015	Previous UK GAAP £'000	Effect of transition £'000	Restated £'000
Investments	1,083,119	-	1,083,119
Debtors	25,513	10,470	35,983
Cash at bank	1,418	-	1,418
Creditors	(112,488)	(1,061)	(113,549)
Deferred tax	-	(1,882)	(1,882)
<b>Net assets</b>	<b>997,562</b>	<b>7,527</b>	<b>1,005,089</b>
Share capital	64,060	-	64,060
Share premium	874,300	-	874,300
Treasury shares reserve	(56,234)	-	(56,234)
Permanent contribution to capital	50	-	50
Capital redemption reserve	8,005	-	8,005
Own share reserve	(13,251)	-	(13,251)
Profit and loss account	120,632	7,527	128,159
<b>Shareholders funds</b>	<b>997,562</b>	<b>7,527</b>	<b>1,005,089</b>

Reconciliation of equity	Note	At 26 April 2015 (£'000)	At 28 April 2014 (£'000)
Equity as reported under previous UK GAAP		997,562	978,560
Recognition of fair value derivative financial instruments	A	9,409	513
Deferred tax on above	B	(1,882)	(103)
<b>Equity as reported under FRS102</b>		<b>1,005,089</b>	<b>978,970</b>

<b>Profit or loss reported under previous UK GAAP</b>	<b>Note</b>	<b>At 26 April 2015 (£'000)</b>
Equity as reported under previous UK GAAP		1,824
Recognition of fair value derivative financial instruments	A	8,896
Deferred tax on above	B	(1 779)
Equity as report under FRS102		<b>8,941</b>

Notes to reconciliations on adoption of FRS 102

A FRS 102 requires that the fair value of financial instruments be recognised in the financial statements. Under previous UK GAAP this was not a requirement. The fair value of derivative financial instruments for purchase and sale of equity instruments is now recognised on the balance sheet with the movement in fair value from one period to another being shown in the profit and loss account. Derivative financial assets and liabilities have not been offset within the financial statements, and are presented with the debtors and creditors.

B The company has elected to not follow the accounting treatment of derivative financial instruments for tax purposes. This causes a temporary difference between accounting and taxable profits. As a result a deferred tax (liability) / asset is recognised.

# CONSOLIDATED FIVE YEAR RECORD

## Unaudited income statement

	52 weeks ended 24 April 2016 (£'000)	52 weeks ended 26 April 2015 (£'000)	52 weeks ended 27 April 2014 (£'000)	53 weeks ended 28 April 2013 (restated)* (£'000)	52 weeks ended 29 April 2012 (£'000)
<b>CONTINUING OPERATIONS</b>					
Revenue	2,904,325	2,832,560	2,705,958	2,185,580	1,835,756
Cost of sales	(1,619,681)	(1,591,748)	(1,551,036)	(1,290,822)	(1,091,480)
<b>Gross profit</b>	<b>1,284,644</b>	<b>1,240,812</b>	<b>1,154,922</b>	<b>894,758</b>	<b>744,276</b>
Selling, distribution and administrative expenses	(1,021,844)	(950,526)	(908,843)	(689,578)	(594,368)
Other operating income	11,137	8,345	8,583	7,199	3,268
<b>Exceptional items</b>					
Legal dispute	-	-	-	-	2,309
Impairment and accelerated depreciation	(58,544)	(13,338)	(5,531)	-	-
Profit on disposal of property	13,541	10,288	-	-	1,686
Profit on disposal of intangible asset	-	-	-	-	1,624
Provision against receivable & other	(5,756)	-	-	-	-
Exceptional items	(50,759)	(3,050)	(5,531)	625	5,619
<b>Operating profit</b>	<b>223,178</b>	<b>295,581</b>	<b>249,131</b>	<b>213,004</b>	<b>158,795</b>
Investment income / (costs)	148,148	14,104	7,017	1,473	(5,800)
Finance income	3,362	8,289	891	1,117	6,426
Finance costs	(15,330)	(7,487)	(19,853)	(9,688)	(8,481)
Share of profit of associated undertakings and joint ventures	2,449	2,959	2,266	1,320	558
<b>Profit before taxation</b>	<b>361,807</b>	<b>313,446</b>	<b>239,452</b>	<b>207,226</b>	<b>151,498</b>
Taxation	(82,826)	(72,093)	(59,839)	(55,569)	(45,867)
<b>Profit for the period</b>	<b>278,981</b>	<b>241,353</b>	<b>179,613</b>	<b>151,657</b>	<b>105,631</b>
Equity holders of the Group	277,415	240,397	180,245	151,596	106,198
Non-controlling interests	1,566	956	(632)	61	(567)
<b>Profit for the period</b>	<b>278,981</b>	<b>241,353</b>	<b>179,613</b>	<b>151,657</b>	<b>105,631</b>

\*Restatement relates to the adoption of the revised IAS 19 'Employee Benefits'

Notes to the consolidated income statement five year record

1 All information is presented under IFRS

2 The five year record has been prepared on the same basis as the Financial Statements for the 52 weeks ended 24 April 2016, as set out in note 1, basis of preparation, of the consolidated Financial Statements

# COMPANY DIRECTORY

## REGISTRAR AND TRANSFER OFFICE

Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE  
Telephone 0370 707 4030

## COMPANY SECRETARY AND REGISTERED OFFICE

Sports Direct International plc  
Unit A, Brook Park East  
Shirebrook  
NG20 8RY  
Telephone 0344 245 9200  
Sports Direct International plc is registered in England and Wales (No. 6035106)

## SOLICITORS

Freshfields Bruckhaus Deringer  
65 Fleet Street  
London  
EC4Y 1HS

## BROKERS

Citigroup Global Markets Limited  
City Centre  
Canada Square  
Canary Wharf  
London  
E14 5LB

Haitong Securities (UK) Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7AL

Goldman Sachs Limited  
Peterborough Court  
133 Fleet Street  
London  
EC4A 2BB

## 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

# SHAREHOLDER INFORMATION

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 11am on Wednesday 7 September 2016 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 30 April 2017

Half year results announced 8 December 2016

Preliminary announcement of full year results 20 July 2017

Annual Report circulated July / August 2017

## 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 0370 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)

## WEBSITE

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 Conduct Authority at [www.fca.org.uk](http://www.fca.org.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)

**SPORTSDIRECT.com**

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0344 245 9200

[www.sportsdirectplc.com](http://www.sportsdirectplc.com)