Grant Thornton

MASH Holdings Limited

Annual Report & Accounts
For the year ended 30 April 2011

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Company no 06861426

Company information

Company registration number:	06861426
Registered office:	Unit A, Brook Park East Shirebrook NG20 8RY
Directors:	Robert Mellors
Secretary:	David Forsey
Auditor:	Grant Thornton UK LLP Statutory Auditor Chartered Accountants 2 Broadfield Court SHEFFIELD S8 0XF

Index to the annual report and accounts

Report of the director

The director has pleasure in submitting his report, together with the Consolidated financial statements of the Group for the year ended 30 April 2011

Principal activities

The principal activities of the Group during the year were

- the operation of a professional football club together with related and ancillary activities,
- retailing of sports and leisure clothing;
- wholesale distribution and sale of sports and leisure clothing, and
- licensing of group brands

Review of the Business

Sports Direct

It is good to be able to report on another year of strong growth for Sports Direct, achieved by delivering what we said we would The resilience of our business model continues to add significant value to our operations by providing customers with an unrivalled depth and breadth of product choice at the best available prices, across all categories and in all stores for serious sportsmen and women

With a number of new stores opened during the year in the UK and Europe, we are taking our offering to an ever increasing customer base which is responding positively to stronger in-store marketing and promotional initiatives We are proud of our reputation for quality and remain as determined as ever to strengthen our position as the clear market leader in the UK sports retail sector

I am especially pleased that our people will benefit from their contribution to Group success through our meeting the second year's target for the Employee Bonus Share Scheme

Newcastle United Football Club

The financial results for Newcastle United Football Club reflect the impact of promotion back to the Premier League and the continuing focus on the club to become self financing without increasing debt year on year or relying on additional financial support from the owner Turnover increased by 22% mainly as a result of the increased TV revenue from the Premier League and although the total wage bill increased by 12% the overall costs of the club remained consistent with the previous year The Club's operating profit before exceptional items and amortisation of player's registrations increased by 121%

Results and dividends

The consolidated profit and loss account is set out on page 7 and shows a profit for the year after taxation of £79,427,000 (2010 loss of £592,000) The directors do not recommend the payment of a dividend (2010 nil)

Future developments

The strength of our business model means that we are very well positioned for the challenges and targets for the next four years Our progress since the year end is in line with management expectations

Directors

The director who served the company during the year and the present membership of the board are set out below The director served throughout the year

R Mellors

Report of the director

Charitable donations

Chantable donations of £20,896 (2010 £4,000) were made dunng the year

Key performance indicators

The Director monitors the performance of the Group by reference to a number of key performance indicators (KPIs) The most important of these KPIs are

	Year ended 30 Apnl 2011	Penod ended 30 Apnl 2010
Financial KPIs		
Group revenue	**£1,674.3m**	£1,513 2m
Profit before taxation	**£140.1m**	£26 1m
UK Retail gross margin	**43 8%**	41 3%
UK Retail like-for-like stores gross contribution	**+6 6%**	+3 4%
Non financial KPIs		
No of core stores	**306**	300
Customer complaints % change	**+3 6%**	+4 0%
Employee turnover	**16 9%**	17 0%
Cardboard recycling	**6,237 tonnes**	5,847 tonnes

Group revenue
Group revenue increased by 10 6% with Sports Direct revenue increasing by 10 2% and Newcastle United revenue increasing by 21 9%

Profit before tax
Profit before tax increased from £26 1m to £140 1m dnven by increased revenue and gross profit and an increased profit on disposal of player registrations

UK retail gross margin
UK retail gross margin increased from 41 3% to 41 9%, boosted by the FIFA World Cup

UK retail like-for-like stores gross contribution
UK retail like-for-like stores gross contributions was up 6 6%, marking the third consecutive year of growth in this KPI

No. of core stores
The number of core stores increased from 300 to 306 with 11 new core stores opening and five closing

Customer complaints % change
This year 5,201 complaints were logged with our customer service team, an increase of 3 6% on last year

Employee turnover
This year 16 9% of our UK employees left the business, the vast majority of them were from our stores

Cardboard recycling
During the year 6,237 tonnes of cardboard (2010 5,847 tonnes) were recycled

Disabled employees

Applications for employment by disabled persons are given full and fair considerations for all vacancies in accordance with their particular aptitudes and abilities In the event of employees becoming disabled, every effort is made to re-train them in order that their employment with the Group may continue

It is the policy of the Group that training, career development and promotion opportunities should be available to all employees

Report of the director

Employee investment

The Group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the Group

Principal risks and uncertainties

Sports Direct

The Group's retail businesses will undoubtedly be affected by the economic climate and changes therein Movements in interest rates and exchange rates affect the businesses directly and consumer confidence and spending is affected by a wide range of factors including employment, tax and interest rates, house prices and the general 'feel good factor', factors beyond the Group's influence We were relieved that the Government had given plenty of warning that the VAT increase to 20% would not take place until 4 January 2011

All of the above apply equally to our Brands businesses, both wholesale and licensing Reduction in customer demand is reflected in the wholesaling and licensing business, as orders and royalties are affected Moreover, in difficult economic times, suppliers come under increasing pressure to reduce their prices to their customers and all suppliers run the risk of their customer ceasing to trade, reducing demand for their products Difficult economic conditions can also make it difficult for suppliers, leaving the supplier with a difficult question of whether or not to supply and, if they do, with the attendant risk of bad debts

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

The Group is now applying economic hedging, which is in line with other major retailers This reduces an element of potential volatility in reported profit

Newcastle United Football Club

The principal risks in relation to the football club are as follows

- The identification and negotiation of the acquisition of players and their related payroll costs are one of the most significant and high profile risks facing the Group
- Injuries to key players The Club has invested substantial sums in sports medicine and science facilities to ensure that the players return to fitness more quickly and the Board also obtains insurance cover where it considers such cover to be appropriate
- Team performance affects all aspects of the Group's operations, and the Board has continued to invest in the squad to ensure that the Club can compete at the highest levels
- Risks are also reported on by the FA Premier League and the Football League, and the Group regularly attends these meetings which cover secretarial, financial, commercial, community and health and safety issues
- The Group's capital requirements depend on many factors and these are kept under constant review The Group may require further financing if its capital requirements vary materially from its current plans
- The Group buys from suppliers and sells to customers outside the United Kingdom and, consequently, dealings with these customers and suppliers may be in foreign currencies which will be subject to exchange rate fluctuations Where considered prudent, the Group actively hedges its foreign currency exposure, principally the Euro

Report of the director

Financial risk management objectives and policies

The Group uses financial instruments, comprising loans, cash and other liquid resources and various other items such as trade debtors, creditors and finance lease arrangements that arise directly from its operations The main purpose of these financial instruments is to raise finance for the Group's operations

The main issues arising from the Group's financial instruments are liquidity risk and interest rate risk The director reviews and agrees policies for managing each of these risks and they are summarised below The policies have remained unchanged from the previous period

In addition to the above the Group also has significant exposure to foreign exchange fluctuations relating to purchases made in foreign currency, principally the US dollar The Group's policy is to reduce substantially the risk associated with purchases denominated i e foreign currencies by using forward fixed rate currency purchase contracts, taking into account any foreign currency cashflows

Cashflow hedging

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

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by negotiating adequate facilities from the Group's bankers and other lenders

Interest rate risk

The Group finances its operations through a mixture of shareholders' equity, retained profits and bank borrowings The Company's exposure to interest rate fluctuations is managed by the use of both fixed and floating facilities

Foreign currency risk

The Group is exposed to transaction and translation foreign exchange risk The Group seeks to minimise its exposure when known, using forward fixed rate currency contracts

Capital management

MASH Holdings seeks to enhance shareholder value by capturing business opportunities as they develop To achieve this goal, MASH Holdings maintains sufficient capital to support its business

MASH Holdings reviews its sufficiency of capital as appropriate, taking into consideration economic risks inherent in its business, regulatory requirements, and maintenance of a sufficient debt rating for its business

Director's responsibilities for the financial statements

The director is responsible for preparing the Report of the director and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law, the director has elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) Under Company law the director must not approve the financial statements unless he is 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 those financial statements, the director is required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

Report of the director

Director's responsibilities for the financial statements (continued)

The director is 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 Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 He is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the director is aware

- there is no relevant audit information of which the Company's auditor are unaware, and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is 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

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE BOARD

R Mellors
Director
30 January 2012

Report of the independent auditor to the members of MASH Holdings Limited

We have audited the financial statements of MASH Holdings Limited for the year ended 30 April 2011 which comprise the consolidated profit and loss account, the balance sheets, the consolidated statement of total recognised gains and losses, the consolidated cash flow statement and notes 1 to 40 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of the director and auditors

As explained more fully in the Director's Responsibilities Statement on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2011 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP, Statutory Auditor, Chartered Accountants
Sheffield
3 February 2012

Consolidated profit and loss account

	Note	2011 £'000	2010 £'000
Turnover including share of joint ventures		**1,677,098**	1,516,870
Share of turnover of joint ventures		**(2,846)**	(3,695)
Group turnover	3	**1,674,252**	1,513,175
Cost of sales		**(940,330)**	(862,490)
Gross profit		**733,922**	650,685
Administrative expenses (excluding exceptional items, amortisation and impairment)		**(597,715)**	(605,090)
Exceptional items	6	**(2,777)**	(9,986)
Amortisation of players' registrations		**(12,651)**	(13,432)
Amortisation of goodwill		**(18,152)**	(18,152)
Impairment of players' registrations		**(2,475)**	-
Administrative expenses		**(633,770)**	(646,660)
Other operating income	5	**5,489**	3,493
		(628,281)	(643,167)
Group operating profit		**105,641**	7,518
Share of operating profit of joint ventures		**(91)**	(112)
Share of operating profit of associates		**2,767**	4,244
Operating profit including joint ventures and associates		**108,317**	11,650
Profit on disposal of players' registrations		**35,768**	15,423
Other investment income		**2,689**	10,238
Net interest payable	7	**(6,645)**	(11,218)
Profit on ordinary activities before taxation		**140,129**	26,093
Taxation	9	**(36,224)**	(16,445)
Profit on ordinary activities for the year		**103,905**	9,648
Minority interest	28	**(24,478)**	(10,240)
Profit/(loss) for the financial year	27	**79,427**	(592)

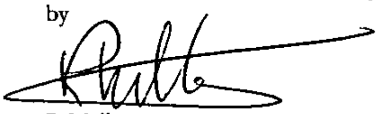
All activities of the group are classed as continuing

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

Balance sheets

	Note	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Fixed assets					
Intangible assets	11	**317,741**	351,745	**-**	-
Tangible assets	12	**314,384**	351,776	**-**	-
Other investments	13	**34,398**	22,228	**241,518**	241,518
		666,523	725,749	**241,518**	241,518
Investment in joint venture and associate					
Share of gross assets		**76,811**	73,923	**-**	-
Share of gross liabilities		**(40,703)**	(38,323)	**-**	-
	14	**36,108**	35,600	**-**	-
		702,631	761,349	**241,518**	241,518
Current assets					
Stocks	15	**218,509**	219,843	**-**	-
Debtors	16	**119,390**	128,634	**5,008**	5,008
Cash at bank and in hand		**76,084**	25,183	**3**	3
		413,983	373,660	**5,011**	5,011
Creditors amounts falling due within one year	17	**(542,159)**	(874,998)	**(5,008)**	(5,008)
Net current liabilities		**(128,176)**	(501,338)	**3**	3
Total assets less current liabilities		574,455	260,011	241,521	241,521
Creditors· amounts falling due after more than one year	18	**(225,742)**	(22,459)	**-**	-
Provisions for liabilities	21	**(86,515)**	(79,218)	**-**	-
Deferred income	23	**(18,725)**	(17,076)	**-**	-
Net assets excluding pension liabilities		**243,473**	141,258	**241,521**	241,521
Defined benefit pension scheme liability	24	**(11,654)**	(14,212)	**-**	-
Net assets including pension scheme liability		**231,819**	127,046	**241,521**	241,521
Capital and reserves					
Called up share capital	25	**1**	1	**1**	1
Share premium account	27	**241,517**	241,517	**241,517**	241,517
Other reserve arising on merger	27	**(291,088)**	(291,088)	**-**	-
Other reserve employee benefit trust	27	**(6,094)**	(6,094)	**-**	-
Foreign currency translation reserve	27	**28,263**	40,633	**-**	-
Profit and loss account	27	**188,248**	95,539	**3**	3
Shareholders' funds	29	**160,847**	80,508	**241,521**	241,521
Minority interest	28	**70,972**	46,538	**-**	-
		231,819	127,046	**241,521**	241,521

The financial statements were approved by the Board of Directors on 30 January 2012 and are signed on their behalf by



R Mellors
Director

Company number 06861426

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

Consolidated statement of total recognised gains and losses

	2011 £'000	2010 £'000
Profit/(loss) for the financial year	**79,427**	(592)
Actuarial gains/(losses)	**2,077**	(8,184)
Exchange differences on translation of foreign operations	**(12,370)**	(7,947)
Taxation on other recognised gains and losses	**582**	-
Other recognised gains and losses	**(9,711)**	(16,131)
Total recognised gains and losses since last financial year	**69,716**	(16,723)

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

Consolidated cash flow statement

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	30	215,725	178,649
Returns on investments and servicing of finance			
Interest received		2,601	810
Interest paid		(7,825)	(12,037)
Investment income received		3,367	1,728
		(1,857)	(9,499)
Taxation		(27,324)	(34,834)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(20,671)	(17,004)
Payments to acquire other intangible assets		(1,498)	(2,586)
Payments to acquire player registrations		(15,878)	(14,510)
Payments to acquire listed investments		-	(16,301)
Proceeds from disposal of player registrations		30,638	44,172
Proceeds from disposal of tangible fixed assets		961	882
Proceeds on disposal of listed investments		-	8,040
Net cash (outflow)/inflow from capital expenditure and financial investment		(6,448)	2,693
Acquisitions and disposals			
Purchase of subsidiaries net of cash acquired		1,034	(3,330)
Equity dividend paid		-	(6,935)
Net cash inflow before financing		181,130	126,744
Financing			
Capital element of finance lease payments		-	(82)
Receipt/(repayment of) of bank borrowings		205,911	(3,447)
Net cash inflow/(outflow) from financing		205,911	(3,529)
Increase in cash	31	387,041	123,215

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

Notes to the financial statements

1 Accounting policies

Basis of preparation

MASH Holdings Limited ('the Company') is a company incorporated in the United Kingdom The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group') The Parent Company financial statements present information about the Company as a separate entity and not about its Group

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom law and applicable accounting standards (United Kingdom Generally Accepted Accounting Practice) except for the true and fair override in respect of the adoption of merger accounting set out below On presenting the Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006

The accounting policies set out below have been applied consistently for the Group to all periods presented in these consolidated financial statements

Going concern

The Director has a reasonable expectation that the Group will be able to continue as a going concern for the foreseeable future, and for this reason he continues to adopt the going concern basis in preparing the financial statements The Director considers the foreseeable future to be 12 months from the date that the financial statements are signed

The Director has prepared financial forecasts and expects to maintain suitable financial facilities from the Group's bankers and ultimate shareholder to provide adequate ongoing finance consistent with these forecast requirements The Director has concluded that the Group remains a going concern and has accordingly prepared these financial statements on the going concern basis

True and fair override

The accounting requirements of the Companies Act 2006 and FRS 6 to the extent that FRS 6 requires the Companies Act 2006 to be met have not been adhered to in respect of acquisition accounting As the transactions to acquire the shares of both St James Holdings Limited and Sports Direct International plc from Mike Ashley do not alter the relative rights of the company's shareholder the recognition of goodwill is considered to be inappropriate

The financial statements therefore present the assets and liabilities of the merged entities at the book values stated immediately before the merger took place If acquisition accounting had been adopted the assets and liabilities would be included at fair value and the difference between the fair value of the net assets acquired and the fair value of the shares issued would be goodwill As the fair values have not been calculated the quantification of the effect of the true and fair override cannot be given

Basis of consolidation

The consolidated balance sheet and profit and loss account include the accounts of the Company and its subsidiaries made up to the year end All intra group trading has been eliminated Interests in associates and joint ventures are equity accounted

The consolidated financial statements have been prepared in accordance with the principles of merger accounting, consequently the assets and liabilities of the subsidiaries have been included at the amount at which the subsidiaries recorded them in their books before the combinations

Merger relief

Where the company acquired 100% of the shares of St James Holdings Limited by the issue of its own ordinary shares the conditions for merger relief under the Companies Act 2006 were met The company has chosen to account for this transaction at nominal value and therefore recognises the cost of investment in St James Holdings Limited at the nominal amount of the shares issued As a result no share premium or merger reserve arises

Notes to the financial statements

1 Accounting policies (continued)

Associates and joint ventures

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

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

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

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

Turnover

Operation of professional football club and ancillary activities
Turnover represents income arising from sales to third parties, and excludes transfer fees receivable, which are dealt with in the profit or loss on disposal of players' registrations, and value added tax Turnover in relation to the operation of the professional football club can be classified into three major streams, within which significant amounts are accounted for as follows

- *Matchday*

Season ticket and corporate hospitality revenue is recognised over the period of the football season as home matches are played Any revenue received in respect of future matches is held as deferred income

- *Media*

Fixed elements of central broadcasting contracts are recognised over the period of the football season as league matches (home and away) are played Television appearance fees are accounted for as earned The merit based payment is recognised at the end of the league season, when the final league position is known

- *Commercial*

Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate based on the terms of the contract Catering revenues are recognised on an earned basis Revenue from the sale of branded products is recognised at the point of despatch when significant risks and rewards of ownership are deemed to have been transferred to the buyer

Retailing and wholesale distribution of sports and leisure clothing
Revenue from goods sold through retail stores and the internet is recognised when goods are sold to the customer, less provision for returns Retail sales are usually in cash, by debit card and credit card

Licensing of group brands
Revenue generated from trademarks and licences is recognised on an accruals basis in accordance with the relevant agreements or on a transactional basis when revenue is linked to sale of purchase volumes

Acquired players' registrations

The costs of acquired player registrations, including agents' fees, are capitalised at cost at the date of acquisition as intangible assets and amortised over the period of the players' contracts, which are variable in length with appropriate adjustments for any diminutions in value assessed to have taken place

For the purpose of impairment reviews, acquired players' registrations are classified as a single cash-generating unit until the point at which it is made clear that the player is no longer an active member of the playing squad In these circumstances the carrying value of the players' registration is reviewed against a measurable net realisable value

Notes to the financial statements

1 Accounting policies (continued)

Contingent payments
Under the conditions of certain transfer agreements, further fees may become payable to the selling club in the event of the player concerned making a certain number of first team appearances, or on the occurrence of certain other specified future events Liabilities in respect of these additional payments are accounted for when, in the opinion of the Directors, it becomes probable that the number of required appearances will be achieved or the specified future event will occur See note 34

Signing on fees
Signing on fees are initially recognised as intangible assets – player registrations Signing on fees are charged, on a straight-line basis, to the profit and loss account over the period of the player's contract Prepayments/accruals arising at each period end are included within prepayments and accrued income or accruals within current assets or current liabilities, as appropriate Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against the profit/(loss) on disposal of players' registrations in the period in which the disposal is recognised

Deferred income
Deferred income comprises amounts received from capital grants, sponsorship, corporate hospitality and season ticket income Capital grants are released to the profit and loss account on a straight-line basis over the estimated useful lives of the assets to which they relate Other deferred income is released to the profit and loss account on a straight-line basis over the period to which it relates

Trademarks and licences
The cost of acquiring trademarks and licences is capitalised together with any direct costs of acquisition The amount arising is amortised on a straight line basis over the estimated useful life of between 10 and 15 years

Goodwill
On acquisition of a subsidiary or associated undertaking, the fair value of the consideration is allocated between the identifiable net tangible and intangible assets and liabilities on a fair value basis, with any excess consideration representing goodwill Goodwill in respect of subsidiaries is included within intangible fixed assets Goodwill relating to associated undertakings is included in the carrying value of the associated undertaking

Goodwill arising on acquisitions is capitalised as an asset on the balance sheet Where goodwill is regarded as having a finite useful economic life it is amortised on a straight line basis over its estimated life, not exceeding 20 years Impairment reviews are carried out at the end of the first full year of ownership and at other times if there are indications that the carrying value may not be supportable

Investments
Investments are stated at cost less amounts written off

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost or valuation, net of accumulated depreciation

Depreciation on tangible fixed assets is provided at the rates indicated below, to write off the cost or valuation of the assets, less estimated residual value, over their expected useful lives

Freehold property	2%
Long leasehold property	Over the shorter of the unexpired term of the lease and 50 years
Fixtures and equipment	3 - 15 years
Motor vehicles	4 years

No depreciation is provided on freehold land or assets in the course of construction The residual value is reassessed annually

Notes to the financial statements

1 Accounting policies (continued)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount

Stock

Stock, which comprises goods for resale, is valued at the lower of cost and net realisable value Cost includes the purchase price of the manufactured products, materials, direct labour, transport costs and a proportion of applicable overheads Cost is calculated using FIFO (first in, first out) Net realisable value is based on the estimated selling price less all estimated selling costs

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date, that will result in an obligation to pay more, or a right to pay less tax in the future

Deferred tax assets are recognised on an undiscounted basis when it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that are expected to apply in the period in which the continuing difference reverses

Government grants and similar income

Income from government grants and similar income such as landlord contributions and inducements that compensate the Group for the cost of an asset are recognised in the balance sheet as deferred income The amount is recognised in the consolidated profit and loss account over the life of the depreciable asset by way of a reduced depreciation charge To date the Group has not received government grants in compensation for expenses charged in the consolidated profit and loss account

Leasing and hire purchase contracts

Where a lease transfers substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic lives The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

Exceptional items

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction or if hedged the forward contract rate All differences are taken to the profit and loss account Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or if appropriate, at the forward rate

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 subsidiaries are translated at average rates applicable in the period All resulting exchange differences are recognised in the consolidated statement of total recognised gains and losses

Notes to the financial statements

1 Accounting policies (continued)

Pensions

Defined Contribution Plan
Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred

Defined Benefit Scheme
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 scheme liabilities is included in finance costs and the expected return on scheme assets is included in finance income

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

Football League Limited Pension and Life Assurance Scheme

Certain employees are members of the Football League Limited Pension and Life Assurance Scheme (FLLPLAS), a defined benefit scheme As the Group is one of a number of participating employers in FLLPLAS, it is not possible to accrue any actuarial surplus or deficit on a meaningful basis The assets of the scheme are held separately from those of the Group, being invested with insurance companies Under the provisions of FRS 17 the scheme is treated as a defined benefit multi-employer scheme, and the contributions are charged to the profit and loss account as incurred As one of a number of participating employers the Group is advised only of its share of the schemes deficit Its share of the underlying assets and liabilities of the scheme can not be identified on a reasonable and consistent basis

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 dilapidations 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 profit and loss account 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 profit and loss account 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

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability

Where none of the contractual terms of share capital meet the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Notes to the financial statements

1 Accounting policies (continued)

Share-based payments

The Sports Direct 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 profit and loss account on a straight-line basis over the vesting period, with the corresponding credit going to equity The company does not issue any equity-settled share-based payment

Fair value is based on the market share price on the grant date and the likelihood of meeting the vesting targets 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 £10,623,000 (2010 £10,767,000) was recognised in selling, distribution and administrative expenses for the year ended 30 April 2011

Employee Benefit Trust

The cost of shares acquired by the Sports Direct Employee Benefit Trust is recognised within 'other reserves – employee benefit trust'

2 Segmental analysis

The Group has three separately identifiable business segments Segmental information about the divisions are presented below

Turnover

	2011 £'000	2010 £'000
Retail	**1,411,560**	1,261,111
Brands	**187,677**	190,510
Football Club	**75,015**	61,554
	1,674,252	1,513,175

Group profit before tax

	2011 £'000	2010 £'000
Retail	**107,799**	41,736
Brands	**15,159**	10,554
Football Club	**17,171**	(26,169)
Profit before tax	**140,129**	26,093

Net assets

	2011 £'000	2010 £'000
Retail	**233,727**	147,630
Brands	**50,504**	48,999
Football Club	**(54,412)**	(69,583)
	231,819	127,046

Notes to the financial statements

3 Turnover

	2011 £'000	2010 £'000
UK	1,391,661	1,244,204
Rest of the World	282,591	268,971
	1,674,252	1,513,175

4 Profit before tax

	2011 £'000	2010 £'000
The profit on ordinary activities is stated after:		
Depreciation of property, plant and equipment		
- Owned	62,840	50,491
- Leased	-	48
Amortisation and impairment of player registrations	15,126	13,432
Amortisation of other intangibles	2,750	2,897
Impairment of other intangibles	202	-
Amortisation of goodwill	18,152	18,152
Operating lease rentals		
- Plant & Machinery	100,822	95,756
- Land & Buildings	460	730
Audit services		
- Auditor's remuneration for Group audit services	25	25
- Auditor's remuneration for subsidiary company audit service	725	626
Non-audit services		
- Auditor's remuneration for taxation service	347	200
- Auditor's remuneration for other services	17	35

5 Other operating income

	2011 £'000	2010 £'000
Other operating income is made up as follows:		
Rent receivable	3,500	2,242
Other	1,989	1,251
	5,489	3,493

6 Exceptional items

	2011 £'000	2010 £'000
Profit on disposal of intangible assets	(876)	-
Changes in team management	525	-
Provision for costs relating to regularity enquiries	-	7,800
Provision for cost of legal dispute	3,128	2,186
	2,777	9,986

Notes to the financial statements

7 Net interest payable

	2011 £'000	2010 £'000
Bank interest receivable	466	524
Other interest receivable	-	304
Expected return on pension plan assets	2,133	1,645
Bank overdraft and loans	(4,805)	(9,567)
Other interest payable and similar charges	(267)	(597)
Interest on retirement benefit obligations	(2,564)	(2,303)
Share of associated undertakings interest	(1,608)	(1,224)
	(6,645)	(11,218)

8 Staff costs

Staff costs during the year were as follows	2011 £'000	2010 £'000
Wages and salaries	193,824	193,320
Social security costs	15,376	15,847
Pension costs	920	743
	210,120	209,910

The average number of employees during the year were as follows

	2011 Total Number	2010 Total Number
Playing squad and team management	194	177
Commercial	150	145
Administration	83	109
Retail stores	8,024	8,415
Distribution	2,295	2,504
	10,746	11,350

Director's emoluments	2011 £'000	2010 £'000
Aggregate emoluments in respect of qualifying services	150	150

Notes to the financial statements

9 Taxation

a) The tax charge represents·

Current tax

	2011 £'000	2010 £'000
Current year tax charge at 28% (2010 28%)	**42,825**	23,491
Share of associates' taxation	**248**	622
Share of joint ventures' taxation	**(75)**	7
Deferred tax	**(6,774)**	(7,675)
	36,224	16,445

	2011 £'000	2010 £'000
b) Profit on ordinary activities before tax	140,129	26,093
Corporation tax in the UK of 28% (2010 28%)	39,236	7,306
Effect of		
Expenses not deductible for tax purposes	**10,459**	9,541
Impact of tax losses and other short-term timing differences not recognised in deferred tax	**(383)**	651
Deferred tax recognised in respect of unremitted earnings from an associate	-	(3,070)
Unrelieved foreign tax	-	183
(Profit on)/de-recognition of listed investments	-	(2,448)
Depreciation in excess of capital allowances for the year	**398**	1,574
Other timing differences	**(546)**	(5,198)
Capital gain	-	3,747
Adjustment in respect of prior periods	**(8,305)**	-
Utilisation of tax losses	**(4,808)**	-
Unused tax losses carried forward	-	3,530
Share of tax relating to associates and joint venture	**173**	629
Group tax charge	36,224	16,445

10 Profit for the financial year

The Parent Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements The profit for the year of the Company was £Nil (2010 £2,000)

Notes to the financial statements

11 Intangible fixed assets

Group	Goodwill £'000	Players' registrations £'000	Trademarks and licences £'000	Total £'000
Cost				
At 1 May 2010	354,932	56,874	30,640	442,446
Additions	44	11,170	1,505	12,719
Disposals	(1,236)	(10)	-	(1,246)
Exchange adjustment	(6,480)	-	(2,888)	(9,368)
At 30 April 2011	347,260	68,034	29,257	444,551
Amortisation				
At 1 May 2010	(57,463)	(25,015)	(8,223)	(90,701)
Amortisation in year	(18,152)	(12,651)	(2,750)	(33,553)
Impairment in year	(202)	(2,475)	-	(2,677)
Released on disposals	202	8	-	210
Exchange adjustment	-	-	(89)	(89)
At 30 April 2011	(75,615)	(40,133)	(11,062)	(126,810)
Net book amount				
At 30 April 2011	**271,645**	**27,901**	**18,195**	**317,741**
At 30 April 2010	297,469	31,859	22,417	351,745

Goodwill is estimated to have a useful life of 20 years

The impairments in the year relate predominantly to player registrations and were measured where individual triggers were identified in respect of those players for example long term injury or where a decision to sell had been made

Notes to the financial statements

12 Tangible fixed assets

Group	Freehold land & buildings £'000	Leasehold land & buildings £'000	Plant & equipment £'000	Total £'000
Cost				
At 1 May 2010	124,368	220,692	328,781	673,841
Exchange adjustment	33	10	362	405
Acquisitions	-	-	4,028	4,028
Additions	1,299	3,384	17,887	22,570
Disposals	(75)	(1,799)	(8,654)	(10,528)
At 30 April 2011	125,625	222,287	342,404	690,316
Depreciation				
At 1 May 2010	(29,433)	(77,854)	(214,778)	(322,065)
Exchange adjustment	(9)	-	(114)	(123)
Charge in the year	(3,378)	(15,049)	(44,413)	(62,840)
On disposals	-	1,799	7,297	9,096
At 30 April 2011	(32,820)	(91,104)	(252,008)	(375,932)
Net book amount				
At 30 April 2011	**92,805**	**131,183**	**90,396**	**314,384**
At 30 April 2010	94,935	142,838	114,003	351,776

The total amount of finance costs included in the cost of tangible fixed assets is £3,964,000 (2010 £3,964,000)

Included in freehold land and buildings is £2,626,000 (2010 £2,626,000) relating to land, which is not depreciated

13 Investments

Company	Total £'000
Shares in subsidiary undertakings	
At 30 April 2010 and 30 April 2011	**241,518**

Group	Total £'000
Other investments	
Cost and net book value as at 1 May 2010	22,228
Additions	12,170
Cost and net book value as at 30 April 2011	**34,398**

At the year end the Group held 14 5% of the issued share capital of Blacks Leisure plc, which had a market value of £1,640,655 No provision for permanent diminution has been booked as the director does not consider that the diminution was permanent at the year end date Since the year end this company has entered administration and a loss of approximately £4 2 million will appear in the 2012 financial statements

Notes to the financial statements

13 Investments (continued)

The principal subsidiaries of the Group were as follows A full list of subsidiary companies is filed at Companies House with the annual return All of the subsidiaries are incorporated in the UK unless otherwise indicated

Name of company	Country of incorporation	Percentage of issued share capital held	Nature of business
Sports Direct International plc	England	71	Holding company
Antigua Enterprises Inc*	USA	100	Sporting and leisure goods wholesale and brand licensing
Brands & Fashion NV*	Belgium	100	Brand management and licensing
Brands Inc Limited*	England	100	Brand management and licensing
Brands Holdings Limited*	England	100	Brand management and licensing
CDS Holdings SA*	Belgium	100	Sporting and leisure goods retail
Donnay International SA*	England	100	Sporting and leisure goods wholesale and brand licensing
Dunlop Slazenger Group Limited*	USA	100	Sporting and leisure goods wholesale and brand licensing
Everlast Worldwide Inc*	England	100	Sporting and leisure goods wholesale and brand licensing
Field and Trek (UK) Limited*	England	100	Sporting and leisure goods retail
International Brand Management Limited*	England	100	Brand management
Kangol Holdings Limited*	England	100	Fashion and leisure goods wholesale and brand licensing
Karrimor Limited*	England	100	Fashion and leisure goods wholesale and brand licensing
Lillywhites Limited*	England	100	Sporting and leisure goods retail
Lonsdale Boxing Limited*	England	100	Fashion and leisure goods wholesale and brand licensing
Lonsdale Sports Limited*	England	100	Sporting and leisure goods wholesale and brand licensing
Smith and Brooks Holdings Limited*	England	100	Sporting and leisure goods wholesale and brand licensing
Sports Essentials Limited*	England	100	Sporting and leisure goods wholesale and brand licensing
Sportsdirect com Retail Limited*	England	100	Sporting and leisure goods retail
Sports 2000 Sportne Trogovine*	Slovenia	100	Sporting and leisure goods retail
The Trademark Licensing Company Limited*	England	100	Brand licensing

Notes to the financial statements

13 Investments (continued)

Name of company	Country of incorporation	Percentage of issued share capital held	Nature of business
Universal Cycles Limited*	England	86	Bicycle wholesaler
St James Holdings Limited	England	100	Holding company
Newcastle United Limited*	England	100	Holding company
Newcastle United Football Club Limited*	England	100	Professional football club
Newcastle United Enterprises Limited*	England	100	General commercial
St James' Park Newcastle Limited*	England	100	General commercial
Newcastle United Football Club (International) Limited*	Gibraltar	100	General commercial
nufc co uk Limited*	England	100	Exploitation of internet and media rights
MGM Grand Newcastle (Holdings) Limited*	England	100	Investment company
MGM Grand Newcastle Limited*	England	100	Property Development
Newcastle United 1892 Limited*	England	100	Dormant
Newcastle United Catering Limited*	England	100	Dormant
Newcastle United Employment Limited*	England	100	Dormant
Newcastle United Entertainment Limited*	England	100	Dormant
Newcastle United Group Limited*	England	100	Dormant
Newcastle United Licensing Limited*	England	100	Dormant
Newcastle United Promotions Limited*	England	100	Dormant
Newcastle United Publications Limited*	England	100	Dormant
Newcastle United Sports Limited*	England	100	Dormant
Newcastle United Sportswear Limited*	England	100	Dormant
Newcastle United Telecoms Limited*	England	100	Dormant
Newcastle United Television Limited*	England	100	Dormant
Newcastle United Ventures Limited*	England	100	Dormant
NUFC Limited*	England	100	Dormant
Newcastle United FC Limited*	England	100	Dormant
Newcastle United Football Club Limited*	England	100	Dormant
Newcastle (NUFC Holdings) Limited*	England	100	Dormant
Newcastle United Management Company Limited*	England	100	Dormant
The Football Channel Limited*	England	100	Dormant

* Held by an intermediate subsidiary

Notes to the financial statements

14 Investments in associated undertakings and joint ventures

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

	Associates £'000	Joint ventures £'000	**Total £'000**
At 1 May 2010	28,496	7,104	**35,600**
Exchange differences	286	-	**286**
Share of profit/(loss)	911	(16)	**895**
Dividend paid	(673)	-	**(673)**
At 30 April 2011	29,020	7,088	**36,108**

Associates

The Group's associates are

Company	**Country of incorporation**	**Percentage of share capital held**	**Nature of business**
Warrnambool	Republic of Ireland	50%	Household, sporting and leisure goods retail

The Group's interest in Warrnambool is 50% The business activity of Heatons is that of household, sporting and leisure goods retail Heatons operates in the Republic of Ireland and Northern Ireland The directors do not consider that they have control over the financial and operating policies of Warrnambool and so will continue to account for the Company as an associate

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

	2011 £'000	2010 £'000
Share of fixed assets	**49,777**	50,491
Share of current assets	**19,503**	18,036
Share of long-term liabilities	**(23,465)**	(25,105)
Share of current liabilities	**(16,795)**	(11,784)
	29,020	31,638

	2011 £'000	2010 £'000
Turnover	**89,721**	81,137
Expenses	**(86,954)**	(76,900)
Profit before interest and tax	**2,767**	4,237
Interest	**(1,608)**	(1,224)
Profit before tax	**1,159**	3,013
Taxation	**(248)**	(622)
Profit after tax	**911**	2,391

Notes to the financial statements

14 Investments in associated undertakings and joint ventures (continued)

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

Joint ventures

The Group's joint ventures are

Name	Country of incorporation	Percentage of issued share capital held	Nature of business
No Fear International Limited*	England	50	Brand licensing
PBF International Limited*	England	50	Brand licensing

* Held by an intermediate subsidiary

All joint venture undertakings operate in their country of incorporation

The Group's share of its joint ventures' assets, liabilities and profit and loss account, which is included in the consolidated financial statements, is as follows

	2011 £'000	2010 £'000
Share of fixed assets	5,260	5,916
Share of current assets	4,510	2,622
Share of current liabilities	(2,682)	(1,434)
	7,088	7,104

	2011 £'000	2010 £'000
Turnover	2,846	3,695
Expenses	(2,937)	(3,800)
Loss before tax	(91)	(105)
Taxation	75	(7)
Loss after tax	(16)	(112)

Notes to the financial statements

15 Stocks

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Raw materials	3,290	3,773	-	-
Work in progress	653	1,129	-	-
Finished goods and goods for resale	214,566	214,941	-	-
	218,509	219,843	-	-

16 Debtors

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Trade debtors	53,984	46,154	-	-
Amounts owed by related undertakings	3,095	2,481	-	-
Other debtors	9,039	40,145	-	-
Prepayments and accrued income	43,880	34,442	-	-
Deferred tax assets	9,392	5,412	-	-
Amounts owed by Group undertakings	-	-	5,008	5,008
	119,390	128,634	5,008	5,008

17 Creditors: amounts falling due within one year

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Bank overdraft	11,876	348,016	-	-
Term and other loans	112,335	111,762	-	-
Amounts due to shareholder	132,144	131,902	-	-
Trade creditors	101,011	143,803	-	-
Amounts owed to related undertakings	5,112	4,044	5,008	5,008
Other taxes and social security costs	16,918	9,844	-	-
Other creditors	38,703	31,214	-	-
Accruals	91,934	75,055	-	-
Hire purchase and finance lease contracts	8	-	-	-
Corporation tax payable	32,118	19,358	-	-
	542,159	874,998	5,008	5,008

Notes to the financial statements

18 Creditors: amounts falling due after more than one year

	Group 2011 £'000	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
Other payables	-	2,345	-	-
Bank and other loans	223,917	19,289	-	-
Trade creditors	560	262	-	-
Hire purchase and finance lease contracts	1,265	563	-	-
	225,742	22,459	-	-

19 Borrowings

Maturity Profile	**Group 2011 £'000**	Group 2010 £'000	**Company 2011 £'000**	Company 2010 £'000
In less than one year or on demand				
Bank and other loans	124,211	459,778	-	-
Hire purchase and finance lease contracts	8	-	-	-
In more than one years but less than two years				
Bank and other loans	29,732	19,289	-	-
Hire purchase and finance lease contracts	457	187	-	-
In more than two years but less than five years				
Bank and other loans	194,185	-	-	-
Hire purchase and finance lease contracts	456	188	-	-
In more than five years				-
Bank and other loans	-	-	-	-
Hire purchase and finance lease contracts	352	188	-	-
Borrowings	349,401	(479,630)	-	-
Cash	(76,084)	(25,183)	-	-
Net debt	273,317	(454,447)	-	-

Notes to the financial statements

20 Deferred taxation

Group

The movement in the deferred tax provision in the year was

	2011 £'000	2010 £'000
Provision brought forward	**(26,712)**	(32,084)
Credited to profit and loss	**7,284**	7,675
Foreign exchange adjustment	**582**	(2,303)
Provision carried forward	**(18,846)**	(26,712)

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of

	2011		2010	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Excess of taxation allowances over depreciation on fixed assets	**(3,746)**	**2,200**	(6,204)	2,400
Tax losses recoverable	**900**	**14,300**	1,475	24,200
Other temporary timing differences	**(16,000)**	**300**	(21,983)	(1,000)
	(18,846)	**16,800**	(26,712)	25,600

No provision has been made for deferred taxation on trading losses carried forward The total amount unprovided for is approximately £16 8 million (2010 £25 6 million) At present it is not envisaged that future taxable profits will be sufficient for these timing differences to reverse

	2011 £'000	2010 £'000
Deferred tax assets	**9,392**	5,412
Deferred tax liabilities	**(28,238)**	(32,124)
	(18,846)	(26,712)

21 Provisions

Group	Deferred taxation £'000	Dilapidations £'000	Onerous contracts £'000	Other Provisions £'000	Total £'000
At 1 May 2010	32,124	24,593	21,005	1,496	**79,218**
Amounts provided	-	3,923	14,901	-	**18,824**
Amounts utilised	(3,886)	(495)	(5,650)	(1,496)	**(11,527)**
At 30 April 2011	28,238	28,021	30,256	-	**86,515**

Notes to the financial statements

22 Derivatives

The fair value of derivatives held by the company at 30 April not recognised in the financial statements is as set out below

	2011 £'000	2010 £'000
Forward exchange contracts – (liabilities)/assets	**(5,984)**	13,648

The sterling principal amounts of forward foreign currency purchase contracts and contracted forward rates were as follows

	2011 £'000	2010 £'000
US dollar purchases	**320,000**	210,000
Contracted rates	**1.56-1.65**	1 53-1 68
US dollar sales	**-**	(50,000)
Contracted rates	**-**	1 54
Euro sales	**(33,451)**	(36,319)
Contracted rates	**1.13-1 14**	1 09-1 14

23 Deferred income

	2011 £'000	2010 £'000
Advanced season ticket sales and other match related income	**15,168**	13,383
Sponsorship, advertising and other income	**775**	846
Deferred grant income	**2,672**	2,760
Royalties	**110**	87
	18,725	17,076

24 Pensions and other post retirement benefits

Certain of the St James group company's employees and ex-employees are members of the Football League Limited Pension and Life Assurance Scheme (FLLPLAS), a defined benefit scheme As the company is one of a number of participating employers in FLLPLAS, it is not possible to accrue any actuarial surplus or deficit on a meaningful basis The assets of the scheme are held separately from those of the company, being invested with insurance companies Under the provisions of FRS 17 the scheme is treated as a defined contribution as a multi-employer scheme

The scheme's actuary has advised that the participating employer's share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis and, accordingly, no disclosures are made under the provisions of FRS 17

A non-actuarial valuation of the funding position undertaken at 1 April 2006, identified a deficit of £8,890,000 on the Minimum Funding Requirements, which under The Pension Act 1995, has to be made good by participating employers The Group's share of the additional contributions totalled £60,000 The Group has accrued for the forecast additional contributions likely to be required for the next 10 years The amount accrued is not significant in the context of these financial statements

Notes to the financial statements

24 Pensions and other post retirement benefits (continued)

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

The major assumptions used for the actuarial valuation were

	2011 %	2010 %
Inflation rate	**3 5**	3 6
Rate of increase in salaries	**n/a**	n/a
Rate of increase in pensions payment	**3 3**	3 4
Discount rate	**5 4**	5 5

The assumed life expectancy on retirement age 65 are

	2011	2010
Future pensioners		
Male	**87 4**	87 4
Female	**89.7**	90 2
Current pensioners		
Male	**86 0**	86 4
Female	**88 1**	89 2

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

	2011 £'000	2011 %	2010 £'000	2010 %
Equities	**22,048**	**7 5**	19,760	7 3
Bonds	**14,547**	**5.0**	13,210	5 1
Cash and other	**263**	**0.5**	179	4 0
	36,858		33,149	

The amounts recognised in the profit and loss account are as follows

	2011 £'000	2010 £'000
Amounts charged to operating profit		
Current service cost	**9**	12
Total operating charge	**9**	12
Amounts included in net finance costs		
Interest on retirement benefit obligation	**2,564**	2,303
Expected return on plan assets	**(2,133)**	(1,645)
	431	658

Actuarial losses of £2,077,000 (2010 £8,184,000) have been recognised in the statement of total recognised gains and losses

Notes to the financial statements

24 Pensions and other post retirement benefits (continued)

The movement in the deficit in the year can be summarised as follows

Movement in the year	2011 £'000	2010 £'000
Current service cost	(9)	(12)
Interest cost	(2,564)	(2,303)
Actuarial gain/(loss)	2,077	(12,645)
Employee contributions	(14)	(15)
Benefits paid out	1,511	1,628
Exchange gain	51	223
	1,052	(13,124)

The amounts recognised in the balance sheet are as follows

	2011 £'000	2010 £'000
Present value of funded obligations	(53,044)	(52,888)
Fair value of scheme assets	36,858	33,149
Related deferred tax asset	4,532	5,527
Net pension liability	(11,654)	(14,212)

Changes in the present value of the defined benefit obligations are as follows

	2011 £'000	2010 £'000
Opening defined benefit obligation	(52,888)	(39,764)
Current service cost	(9)	(12)
Interest on scheme liabilities	(2,564)	(2,303)
Actuarial gain/(loss)	869	(12,645)
Contributions by scheme participants	(14)	(15)
Benefits paid	1,511	1,628
Exchange gain	51	223
Closing defined benefit obligation	(53,044)	(52,888)

Changes in the fair value of scheme assets are as follows

	2011 £'000	2010 £'000
Opening fair value of the scheme assets	33,149	27,440
Expected return on scheme assets	2,133	1,645
Actuarial gain	1,208	4,461
Contributions by employer	1,865	1,216
Contributions by scheme participants	14	15
Benefits paid out	(1,511)	(1,628)
Closing fair value of scheme assets	36,858	33,149

Notes to the financial statements

24 Pensions and other post retirement benefits (continued)

The amounts for the current and previous four periods are as follows

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Total fair value of scheme assets	**36,858**	33,149	27,440	32,706	36,419
Present value of scheme liabilities	**(53,044)**	(52,888)	(39,764)	(44,411)	(50,451)
Net scheme obligations	**(16,186)**	(19,739)	(12,324)	(11,705)	(14,032)
Experience adjustments on plan liabilities	**869**	(12,645)	5,887	4,652	(1,620)
Experience adjustments on plan assets	**1,208**	4,461	(6,336)	(2,969)	1,164

In addition to amounts recognised in relation to the defined benefit retirement plans, amounts of £121,000 and £187,000 have been recognised in the profit and loss account in relation to defined contribution retirement plans of the Sports Direct Group An amount of £327,000 has been recognised relating to defined contribution retirement plans in respect of St James Holdings Limited and its subsidiary undertakings

25 Share capital

Company	**Share capital £'000**
At 1 May 2010 and at 30 April 2011	**1**

Group	**Share capital £'000**
At 1 May 2010 and at 30 April 2011	**1**

	Authorised Number	**£'000**	**Allotted, called up & fully paid Number**	**£'000**
Ordinary shares of 0 1p each				
At 1 May 2010 and at 30 April 2011	**1,000,000**	**1**	**1,000,000**	**1**

Advantage has been taken of merger relief in respect of the acquisition of shares in St James Holdings Limited and no premium has been accounted for

Contingent share awards
Sports Direct International plc operates two share award schemes, which are detailed below

Notes to the financial statements

26 Share based payments

Sports Direct

The Executive Bonus Share Scheme
Under the terms of the Executive Bonus Share Scheme, which was approved by Shareholders on 10 September 2010 and is a Revenue approved scheme, the Board may make share awards in respect of the ordinary shares in the company Awards may be made to Executives and Persons Discharging Managerial Responsibilities over a fixed number of shares subject to performance conditions The extent to which the awards will vest is based on whether the Group meets the Underlying EBITDA targets for the 2011 financial year

An award of 4,073,036 shares was granted on 26 January 2011 at a share price of 164 3 pence and none of these shares have since lapsed These shares will only vest if the performance conditions (continued employment) are met over the next two years

The Bonus Share Scheme
Under the terms of the Bonus Share Scheme, which was approved by the shareholders on 9 September 2009, the Board may make share awards in respect of the ordinary shares in the Company to employees based on a percentage of salary and subject to performance conditions The extent to which the awards vest is based on the whether the Group meets underlying EBITDA targets for the 2010 and 2011 financial years

The first awards of 34,898,000 shares were granted on 14 October 2009 at an average price of 99 50p At 24 April 2011 31,455,413 (25 April 2010 33,274,964) awards were outstanding under the scheme, with the decrease in the year being attributable to leavers These shares will only vest if the performance conditions (continued employment) are met over the next two years

A share-based payment charge of £10,623,000 (2010 £10,767,000) was recognised in administrative expenses in respect of these share awards for the 52 weeks ended 24 April 2011, based on the directors' best estimate of the number of shares that will vest

27 Reserves

Company	Share premium £'000	Profit & loss account £'000
At 1 May 2010 and at 30 April 2011	241,517	3

Notes to the financial statements

27 Reserves (continued)

Group	Share premium £'000	Other reserve arising on merger £'000	Other reserve employee benefit trust £'000	Foreign currency translation reserve £'000	Profit & loss account £'000
At 1 May 2010	241,517	(291,088)	(6,094)	40,633	95,539
Profit for the year	-	-	-	-	79,427
Actuarial losses	-	-	-	-	2,077
Taxation on items taken directly to equity	-	-	-	-	582
Translation differences	-	-	-	(12,370)	-
Share-based payments	-	-	-	-	10,623
At 30 April 2011	241,517	(291,088)	(6,094)	28,263	188,248

The other reserve arising on consolidation represents the cost of investment in the merged entities less the value of the share capital and capital reserves including share premium in the merged entities

28 Minority interest

	SDI £'000	Other £'000	Total £'000
At 1 May 2009	34,698	3,232	37,930
Acquisitions	-	(1,632)	(1,632)
Minority share of profits/ (loss)	10,457	(217)	10,240
At 30 April 2010	45,155	1,383	46,538
Acquisitions	-	(44)	(44)
Minority share of profits/(loss)	25,428	(950)	24,478
At 30 April 2011	70,583	389	70,972

29 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit/(loss) for the financial year	79,427	(592)
Other recognised gains and losses relating to the year (net)	(9,711)	(16,131)
Share based payment charge	10,623	10,767
Net reduction in shareholders' funds	80,339	(5,956)
Opening shareholders' funds	80,508	86,464
Closing shareholders' funds	160,847	80,508

Notes to the financial statements

30 Net cash inflow from operating activities

	2011 £'000	2010 £'000
Operating profit	105,641	7,518
Depreciation	62,840	50,539
Amortisation of other intangible assets	2,750	2,897
Amortisation of goodwill	18,152	18,152
Impairment of goodwill	202	-
Capital grants released	(87)	-
Amortisation of players' registrations	12,651	13,432
Impairment of players' registrations	2,475	-
Profit on disposal of intangible assets	(10)	184
Defined benefit pension plan current service costs	-	670
Defined benefit pension plan employer contributions	(1,865)	(1,216)
Share based payments	10,623	10,767
Decrease in stocks	1,618	43,417
Decrease in debtors	6,645	3,261
(Decrease)/increase in creditors	(7,646)	33,416
Increase/(decrease) in deferred income	1,736	(4,388)
Net cash outflow from operating activities	215,725	178,649

31 Reconciliation of net cash flow to movement in net debt

	2011 £'000	2010 £'000
Increase in cash in the year	387,041	123,215
Cash (outflow)/inflow from change in debt and lease financing	(205,911)	3,529
Changes in net debt resulting from cash flows and movement in net debt in the year	181,130	126,744
Net debt at 1 May 2010	(454,447)	(581,191)
Net debt at 30 April 2011	(273,317)	(454,447)

32 Analysis of changes in net debt

	At 1 May 2010 £'000	Cash flow £'000	At 30 April 2011 £'000
Bank overdraft	(348,016)	336,140	(11,876)
Cash	25,183	50,901	76,084
	(322,833)	387,041	64,208
Bank and other borrowings	(131,051)	(205,201)	(336,252)
Finance leases	(563)	(710)	(1,273)
	(454,447)	181,130	(273,317)

Notes to the financial statements

33 Commitments under operating leases

At 30 April 2011 the Group had annual commitments under operating leases as follows

	2011 £'000	2010 £'000
Group		
Leases expiring within one year	1,868	829
Leases expiring within two to five years	16,788	20,610
Leases expiring after five years	57,907	56,312
	76,563	77,751

34 Deferred signing-on and transfer fees payable

Commitments in respect of deferred signing-on fees and loyalty payments due to players under contract at the year end and not provided in the financial statements amounted to £nil (2010 £nil) Such fees are charged to the profit and loss account in the period in which payment becomes probable

Under the terms of certain contracts with other football clubs in respect of player transfers, certain additional amounts would be payable by the Group if conditions as to future team selection or performance are met The maximum that could be payable is £2,231,000 (2010 £3,353,000)

35 Related party transactions

The Group entered into the following material transactions with related parties

The Group has taken advantage of the exemptions contained within FRS 8 - Related Party Disclosures from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation

Year ended 30 April 2011

Related party	Relationship	Sales £'000	Purchases £'000	Trade and other receivables £'000	Trade and other payables £'000
Heatons	Associate	22,789	-	4,425	-
No Fear International Limited	Joint venture	-	-	5,384	(1,197)
Brasher Leisure Limited	Associate	80	(678)	25	(117)

Mr M J W Ashley leases certain properties to various companies in the Group which are operated as retail and distribution premises A commercial rent is charged in respect of these leases

Compensation paid to key management of the Group was £797,075, including pension contributions of £Nil

Mr M J W Ashley also continued to provide loan facilities to the Group during the year The total balance outstanding at 30 June 2011 was £272 1 million (30 June 2010 £256 9 million) The maximum amount outstanding in the year was £272 1 million (2010 £256 9 million) No interest was payable on the loan for either the current or prior year

Mr M J W Ashley also advanced £13 25 million to the Group during the year in respect of future amounts receivable from the disposal of players' registrations At the same time the Group assigned the corresponding debts due from the purchasing clubs to Mr Ashley

Notes to the financial statements

36 Ultimate controlling party

The Group is controlled by Mr M J W Ashley through his 100% shareholding in MASH Holdings Limited

37 Contingent assets and liabilities

As a matter of course the Group undertakes action in numerous parts of the world to protect its trade mark registrations and in connection with the Group's licensees Such actions are usually resolved in the ordinary course of business The Group is, however, party to a dispute and since 2007 has provided for an amount representing the financial estimation of the potential loss if the outcome was not to be in its favour The Group believes that to provide further information would be seriously prejudicial to the case

During the year, discussions between Newcastle United Limited and H M Revenue & Customs (HMRC) have been ongoing about certain contractual arrangements with players and agents The directors of Newcastle United understand that HMRC are interested in such arrangements at a number of professional football clubs The directors believe that there will be no costs involved in settling this matter However, there remains a risk that additional unrecognised liabilities may arise The directors have concluded that additional liabilities are unlikely and therefore no additional liability is necessary in the financial statements

38 Post balance sheet event

Subsequent to the balance sheet date, the playing registrations of certain players have been acquired for total consideration, including associated costs, of £8 5million Playing registrations of certain players have been disposed of for total consideration of £7 25million

On 8 July 2011 the Group acquired 80% shareholdings in West Coast Capital (USC) Limited ("USC"), a top young branded fashion retailer, and Cruise Clothing Limited ("Cruise"), one of the UK's leading independent luxury retailers, for a total cash consideration of £7 5m

Subsequent to the year end a number of advertising and promotional services continued to be provided by Newcastle United Limited to a fellow subsidiary No consideration was paid or payable for these services

On 9 January 2012 Blacks Leisure Group plc announced that it had appointed administrators and that the administrators had agreed to sell the trade and assets of the business to JD Sports Fashion plc This will result in the group's shareholding in Blacks Leisure being written off in the year ending 30 April 2012 and a £5 8m charge to the profit and loss account in the MASH Holdings Limited accounts

39 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 cash-generating units 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 cash-generating units 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 11

The Group has contingent liabilities in respect of deferred signing etc – see note 34

Notes to the financial statements

39 Critical accounting estimates and judgements (continued)

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 11

Useful economic life of intangible assets
For intangible assets which have a finite life, the directors revisit their estimate of useful economic life at each period end and revise accordingly Licences and trade marks typically have a life of between 10 and 12 years

Identification and valuation of acquired intangible assets
On acquisition, each material separable intangible asset is identified and valued by the directors with assistance from a professional third party Any such calculation is judgmental in nature as it is based on a valuation methodology

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

The nature and carrying amounts of these assets are set out in Note 11

Provision for obsolete, slow moving or defective inventories
The directors have applied their knowledge and experience of the sports retail industry in determining the level and rates of provisioning required in calculating the appropriate inventory carrying values The nature and carrying amounts are set out in Note 15

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

Provision for dilapidations and onerous lease contracts
The basis of the estimation of the provisioning for dilapidations and onerous lease contracts is detailed in the provision accounting policy and Note 21

Estimates and judgments 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

Provision for costs relating to regulatory enquiries
Provision has been made for legal costs incurred in the period relating to ongoing regulatory enquiries

40 Limitation of Liability

The company has entered into a limited liability agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 30 April 2011 The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and was approved by the shareholder on 24 May 2011