COMPANIES HOUSE

MASH Holdings Limited

Annual Report & Accounts

For the year ended 30 April 2012

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COMPANIES HOUSE

Company no. 06861426

Company information

Company registration number:	06861426
Registered office:	Unit A, Brook Park East Shirebrook NG20 8RY
Director:	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 2012

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

I am pleased to be able to report another year of strong profit growth for Sports Direct, in a consumer environment that remains very tough The resilience and flexibility 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 and online We constantly review and improve our stores to provide a fresh and exciting retail environment for our customers

With new stores opened during the year in the UK and Europe, we are proud of our reputation for quality We have continued to strengthen our position as the clear market leader in the UK sports retail sector and we are very pleased to report that we increased our UK 52 week like-for like gross contribution by 0 7%, in spite of the challenging environment and tough comparatives

We have established a strong online presence, delivering rapid growth in the year Critically, our online sales benefit from our UK market leading position on the high street and from our established systems and processes, while our retail stores continue to perform strongly

Furthermore, we have broadened our consumer offering with the creation of our Premium Lifestyle division which includes our acquisitions of the USC, Cruise and Van Mildert retail fascias We also announced, post the period end, the acquisition of Flannels Group Limited, which will join the Premium Lifestyle division We have high expectations that this exclusive offering will benefit from our strong supply chain and provide a high-quality customer experience

Newcastle United Football Club

The Directors are satisfied with both the playing and the financial performance of the Club during the year

Starting the 2011/2012 season with an unbeaten run of 11 Premier League games gave the Club the perfect platform to maintain a position at the top end of the Premier League throughout the season After another run of 6 wins from 6 games in March and April we finished the season in 5th position, our highest league finish since 2003/04 season and we gained qualification for the Europa League

The financial results for 2011/12 reflect the continued application of the clubs financial model by which the club aims to achieve a sustainable financial position, able to operate without reliance on external bank debt or additional long term financial support from our owner and meeting UEFA's Financial Fair Play requirements

The club invested heavily in its playing squad during the year, signing players such as Yohan Cabaye, Demba Ba, Papiss Cisse, Davide Santon and Sylvain Marveaux These new players, together with performance bonuses, were the main reason for the increase in the club's wage bill

The changing composition of the playing squad resulted in a reduction in the charge for amortisation of players' registrations in the year The result of player trading was an overall profit of £6 9m which was a very significant reduction on the previous year, largely as a result of the sale of Andy Carroll to Liverpool in January 2011

Our average attendance rose during the 2011/12 season to 49,936 (2011 – 47,746) which was the again the 3rd highest in the country This increase in attendance did not generate an increase in ticket revenue as the Club took a

Report of the director

policy decision to make many tickets more affordable, including the groundbreaking 50% discount offer made to season ticket holders, which was taken up by over 5,000 fans

TV and Media Revenue increased by 14 6 % in the year mainly due to the club's improved final position in the league table and two additional live games broadcast on UK TV

Commercial turnover fell significantly compared to the previous season and the Directors are focused on increasing this revenue stream over the next few years

Results and dividends

The consolidated profit and loss account is set out on page 8 and shows a profit for the year after taxation of £59,471,000 (2011 £79,427,000) The director does not recommend the payment of a dividend (2011 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

Director

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

R Mellors

Charitable donations

Charitable donations of £30,060 (2011 £20,896) were made during 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 April 2012	Period ended 30 April 2011
Financial KPIs		
Group turnover	**£1,926 3m**	£1,677 1m
Profit before taxation	**£130 6m**	£140 1m
UK retail gross margin	**43 3%**	43 8%
UK retail like-for-like stores gross contribution	**+0 7%**	+6 6%
Non financial KPIs		
No of core stores	**305**	306
Employee turnover	**17 0%**	16 9%
Cardboard recycling	**6,622 tonnes**	6,237 tonnes

Group revenue
Group revenue increased by 15 0% with Sports Direct revenue increasing by 14 8% and Newcastle United revenue increasing by 20 4%

Profit before tax
Profit before tax decreased from £140 1m to £130 6m

UK retail gross margin
UK retail gross margin decreased from 43 8% to 43 3%

Report of the director

UK retail like-for-like stores gross contribution
UK retail like-for-like stores gross contributions was up 0 7%, particularly impressive in a non-tournament year

No of core stores
The number of core stores decreased from 306 to 305 with 12 new core stores opening and 13 closing

Employee turnover
This year 17 0% of our UK employees left the business, the vast majority of them were from our stores

Cardboard recycling
During the year 6,622 tonnes of cardboard (2011 6,237 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

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

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

Post balance sheet event

On 26 February 2013 the company sold 25,000,000 ordinary shares in Sports Direct International at a price of £4 00 per ordinary share

Report of the director

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 of Newcastle United Football Club 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

Financial risk management including derivatives, objectives, forward fixed rate currency contracts 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, interest rate and foreign currency risk The group 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 in foreign currencies by using forward fixed rate currency purchase contracts, taking into account any foreign currency cash flows

Cash flow hedging

Derivative financial instruments are used 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

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

Report of the director

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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) 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 these financial statements, the director is required to

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

The 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

The director confirms that

- so far as he 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 as director to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

The director is 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
26 February 2013

GrantThornton

Independent auditor's report to the member of MASH Holdings Limited

We have audited the financial statements of MASH Holdings Limited for the year ended 30 April 2012 which comprise the consolidated profit and loss account, the group and company balance sheets, the consolidated statement of total recognised gains and losses, the consolidated cash flow statement and notes 1 to 41 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 6, 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 2012 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 director 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
27 February 2013

Consolidated profit and loss account

	Note	2012 £'000	2011 £'000
Turnover including share of joint ventures		**1,926,260**	1,677,098
Less share of turnover of joint ventures		**(205)**	(2,846)
Group turnover	3	**1,926,055**	1,674,252
Cost of sales		**(1,091,480)**	(940,330)
Gross profit		**834,575**	733,922
Administrative expenses (excluding exceptional items, amortisation and impairment)		**(677,552)**	(597,715)
Exceptional items	6	**5,619**	(2,777)
Amortisation of players' registrations		**(12,114)**	(12,651)
Amortisation of goodwill		**(18,152)**	(18,152)
Impairment of players' registrations		**(2,084)**	(2,475)
Administrative expenses		**(704,283)**	(633,770)
Other operating income	5	**5,283**	5,489
		(699,000)	(628,281)
Group operating profit		**135,575**	105,641
Share of operating loss of joint ventures		**(34)**	(91)
Share of operating profit of associates		**222**	2,767
Operating profit including joint ventures and associates		**135,763**	108,317
Profit on disposal of players' registrations		**6,914**	35,768
(Loss)/profit on investments		**(5,007)**	2,689
Interest receivable and similar income	7	**2,882**	2,599
Interest payable and similar charges	8	**(9,956)**	(9,244)
Profit on ordinary activities before taxation		**130,596**	140,129
Taxation	10	**(45,138)**	(36,224)
Profit on ordinary activities for the year		**85,458**	103,905
Minority interest	30	**(25,987)**	(24,478)
Profit for the financial year	29	**59,471**	79,427

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 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Fixed assets					
Intangible assets	12	330,112	317,741	-	-
Tangible assets	13	389,363	314,384	-	-
Other investments	14	28,568	34,398	241,518	241,518
		748,043	666,523	241,518	241,518
Investment in joint ventures and associates					
Share of gross assets		60,273	76,811	-	-
Share of gross liabilities		(34,009)	(40,703)	-	-
	16	26,264	36,108	-	-
		774,307	702,631	241,518	241,518
Current assets					
Stocks	17	317,461	218,509	-	-
Debtors	18	128,703	119,390	5,008	5,008
Cash at bank and in hand		78,983	76,084	13	3
		525,147	413,983	5,021	5,011
Creditors amounts falling due within one year	19	(621,492)	(542,159)	(5,018)	(5,008)
Net current (liabilities)/assets		(96,345)	(128,176)	3	3
Total assets less current liabilities		677,962	574,455	241,521	241,521
Creditors amounts falling due after more than one year	20	(216,013)	(225,742)	-	-
Provisions for liabilities	23	(87,585)	(86,515)	-	-
Accruals and deferred income	25	(14,672)	(18,725)	-	-
Net assets excluding pension liabilities		359,692	243,473	241,521	241,521
Defined benefit pension scheme liability	26	(14,295)	(11,654)	-	-
Net assets including pension scheme liability		345,397	231,819	241,521	241,521
Capital and reserves					
Called up share capital	27	1	1	1	1
Share premium account	29	241,517	241,517	241,517	241,517
Other reserve arising on merger	29	(239,498)	(291,088)	-	-
Other reserve employee benefit trust	29	(57,684)	(6,094)	-	-
Foreign currency translation reserve	29	25,962	28,263	-	-
Profit and loss account	29	278,467	188,248	3	3
Shareholders' funds	31	248,765	160,847	241,521	241,521
Minority interest	30	96,632	70,972	-	-
		345,397	231,819	241,521	241,521

The financial statements were approved by the Board of Directors on 26 February 2013 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

	2012 £'000	2011 £'000
Profit for the financial year	59,471	79,427
Actuarial (losses) / gains	(5,501)	2,077
Exchange differences on translation of foreign operations	(2,301)	(12,370)
Taxation on other recognised gains and losses	1,430	582
Other recognised losses	(6,372)	(9,711)
Total recognised gains since last financial year	53,099	69,716

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

Consolidated cash flow statement

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	32	218,224	215,725
Returns on investments and servicing of finance			
Interest received		605	2,601
Interest paid		(6,013)	(7,825)
Investment income		-	3,367
		(5,408)	(1,857)
Taxation		(41,253)	(27,324)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(132,062)	(20,671)
Payments to acquire other intangible assets		(2,921)	(1,498)
Payments to acquire player registrations		(29,004)	(15,878)
Payments to acquire listed investments		(523)	-
Proceeds from disposal of player registrations		11,296	30,638
Proceeds from disposal of tangible fixed assets		1,330	961
Net cash outflow from capital expenditure and financial investment		(151,884)	(6,448)
Acquisitions and disposals			
Purchase of subsidiaries net of cash acquired		(26,214)	1,034
Net cash (outflow)/inflow before financing		(6,535)	181,130
Financing			
Capital element of finance lease payments		(444)	-
Receipt of bank borrowings		6,570	205,911
		6,126	205,911
(Decrease) / increase in cash	34	(409)	387,041

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 results of subsidiaries acquired and sold are consolidated for the periods from or to the date on which control passed Acquisitions are accounted for under the acquisition method 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 from presenting its individual profit and loss account

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 in 2009 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 in the parent company financial statements 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 accumulated impairment losses which 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 director, it becomes probable that the number of required appearances will be achieved or the specified future event will occur See note 36

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 Impairment reviews are carried out whenever there is an indication that the carrying rate of an investment may not be supportable

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of accumulated depreciation Finance costs, including interest, are capitalised as part of the initial cost of an asset where relevant

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

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 material 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 payments

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

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

	2012 £'000	2011 £'000
Retail	**1,639,837**	1,411,560
Brands	**195,919**	187,677
Football Club	**90,299**	75,015
	1,926,055	1,674,252

Group profit before tax

	2012 £'000	2011 £'000
Retail	**114,039**	107,799
Brands	**22,098**	15,159
Football Club	**(5,541)**	17,171
Profit before tax	**130,596**	140,129

Net assets

	2012 £'000	2011 £'000
Retail	**341,188**	235,727
Brands	**62,162**	50,504
Football Club	**(57,953)**	(54,412)
	345,397	231,819

3 Turnover

	2012 £'000	2011 £'000
UK	**1,618,792**	1,391,661
Rest of the World	**307,263**	282,591
	1,926,055	1,674,252

Notes to the financial statements

4 Profit before tax

	2012 £'000	2011 £'000
The profit on ordinary activities is stated after		
Depreciation of property, plant and equipment		
- Owned	60,955	62,840
Amortisation and impairment of player registrations	14,198	15,126
Amortisation of other intangibles	12,247	2,750
Impairment of other intangibles	2,473	202
Amortisation of goodwill	18,152	18,152
Operating lease rentals		
- Plant & Machinery	99,924	100,822
- Land & Buildings	786	460
Audit services		
- Auditor's remuneration for Group audit services	25	25
- Auditor's remuneration for subsidiary company audit service	720	725
Non-audit services		
- Auditor's remuneration for taxation service	351	347
- Auditor's remuneration for other services	53	17

A share-based payment charge of £20,643,000 (2011 £10,623,000) was recognised in selling, distribution and administrative expenses for the year ended 30 April 2012

5 Other operating income

	2012 £'000	2011 £'000
Other operating income is made up as follows		
Rent receivable	2,731	3,500
Other	2,552	1,989
	5,283	5,489

6 Exceptional items

	2012 £'000	2011 £'000
Profit/(loss) on disposal of intangible assets	1,624	(876)
Changes in team management	-	525
Release of provision for costs relating to regularity enquiries	2,309	-
Profit on disposal of leasehold property (lease surrender premium)	724	-
Profit on disposal of freehold property	962	-
Provision for cost of legal dispute	-	3,128
	5,619	2,777

Notes to the financial statements

7 Interest receivable and similar income

	2012 £'000	2011 £'000
Bank interest receivable	598	466
Other interest receivable	7	-
Expected return on pension plan assets	2,277	2,133
	2,882	2,599

8 Interest payable and similar charges

	2012 £'000	2011 £'000
Bank overdraft and loans	(5,694)	(4,805)
Other interest payable and similar charges	(319)	(267)
Interest on retirement benefit obligations	(2,526)	(2,564)
Share of associated undertakings interest	(1,417)	(1,608)
	(9,956)	(9,244)

9 Staff costs

Staff costs during the year were as follows	2012 £'000	2011 £'000
Wages and salaries	222,080	193,824
Social security costs	19,212	15,376
Pension costs	1,012	920
	242,304	210,120

The average number of employees during the year were as follows

	2012 Total Number	2011 Total Number
Playing squad and team management	181	194
Commercial	138	150
Administration	198	83
Retail stores	9,358	8,024
Distribution	2,787	2,295
	12,662	10,746

Director's emoluments	2012 £'000	2011 £'000
Aggregate emoluments in respect of qualifying services	150	150

Notes to the financial statements

10 Taxation

a) The tax charge represents

Current tax

	2012 £'000	2011 £'000
Current year tax charge at 26% (2011 28%)	**53,997**	42,825
Share of associates' taxation	**(479)**	248
Share of joint ventures' taxation	**-**	(75)
Total current tax	**53,518**	42,998
Deferred tax	**(8,380)**	(6,774)
	45,138	36,224

	2012 £'000	2011 £'000
b) Profit on ordinary activities before tax	**130,596**	140,129
Corporation tax in the UK of 26% (2011 28%)	**33,955**	39,236
Effect of		
Expenses not deductible for tax purposes	**7,851**	10,459
Impact of tax losses and other short-term timing differences not recognised in deferred tax	**-**	(383)
Depreciation in excess of capital allowances for the year	**-**	398
Other timing differences	**-**	(546)
Capital loss not deductible for tax purposes	**1,858**	-
Adjustment in respect of prior periods	**512**	(8,305)
Tax losses carried forward	**1,441**	(4,808)
Share of tax relating to associates and joint venture	**(479)**	173
Group tax charge	**45,138**	36,224

11 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 (2011 £nil)

Notes to the financial statements

12 Intangible fixed assets

Group	Goodwill £'000	Players' registrations £'000	Trademarks and licences £'000	Total £'000
Cost				
At 1 May 2011	347,260	68,034	29,257	444,551
Additions	10,495	29,004	23,114	62,613
Disposals	(2,300)	(20,403)	(1,679)	(24,382)
Exchange adjustment	5,084	-	(655)	4,429
At 30 April 2012	360,539	76,635	50,037	487,211
Amortisation				
At 1 May 2011	(75,615)	(40,133)	(11,062)	(126,810)
Amortisation in year	(18,152)	(12,114)	(12,247)	(42,513)
Impairment in year	(2,473)	(2,084)	-	(4,557)
Released on disposals	2,300	16,021	-	18,321
Exchange adjustment	(2,191)	-	651	(1,540)
At 30 April 2012	(96,131)	(38,310)	(22,658)	(157,099)
Net book amount				
At 30 April 2012	**264,408**	**38,325**	**27,379**	**330,112**
At 30 April 2011	271,645	27,901	18,195	317,741

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, where long term injury had occurred or where a decision to sell had been made

Included within trademarks and licences are additions arising though business combinations of £20,193,000 Other additions totalled £2,921,000

Included in amortisation of trademarks and licences is £7,889,000 arising on acquisitions and £4,358,000 in respect of amortisation in the year

Notes to the financial statements

13 Tangible fixed assets

Group	Freehold land & buildings £'000	Leasehold land & buildings £'000	Plant & equipment £'000	Total £'000
Cost				
At 1 May 2011	125,625	222,287	342,404	690,316
Exchange adjustment	1,179	(314)	(5,806)	(4,941)
Acquisitions	-	-	7,293	7,293
Additions	94,419	6,435	31,208	132,062
Disposals	(1,689)	(2,657)	(13,492)	(17,838)
At 30 April 2012	219,534	225,751	361,607	806,892
Depreciation				
At 1 May 2011	(32,820)	(91,104)	(252,008)	(375,932)
Exchange adjustment	936	57	5,260	6,253
Charge in the year	(2,047)	(14,952)	(43,956)	(60,955)
On disposals	1,247	1,304	10,554	13,105
At 30 April 2012	(32,684)	(104,695)	(280,150)	(417,529)
Net book amount				
At 30 April 2012	**186,850**	**121,056**	**81,457**	**389,363**
At 30 April 2011	92,805	131,183	90,396	314,384

Assets held under finance leases have a net book value of Nil (2011 Nil)

The total amount of finance costs included in the cost of tangible fixed assets is £3,964,000 (2011 £3,964,000)

Included in freehold land and buildings is £3,731,000 (2011 £2,626,000) relating to land, which is not depreciated

14 Investments

Company	Total £'000
Shares in subsidiary undertakings	
At 30 April 2011 and 30 April 2012	**241,518**

Group	Total £'000
Other investments	
Cost and net book value as at 1 May 2011	34,398
Additions	523
Write down	(6,353)
Cost and net book value as at 30 April 2012	**28,568**

Notes to the financial statements

14 Investments (continued)

At the 2011 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 On 9 January 2012 JD Sports Fashion plc announced that it had acquired the trade and assets of Blacks from its administrators Existing shareholders did not receive any distribution from the administration and so the Group has written off the original cost of its investment in Blacks This resulted in a write off of £6 4m in the year

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	72	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
Cruise Clothing*	Scotland	80	Fashion and leisure goods retail
Delima Limited*	England	100	Fashion and leisure goods retail
Donnay International SA*	Belgium	100	Sporting and leisure goods wholesale and brand licensing
Dunlop Slazenger Group Limited*	England	100	Sporting and leisure goods wholesale and brand licensing
Everlast Worldwide Inc*	USA	100	Sporting and leisure goods wholesale and brand licensing
Field and Trek (UK) Limited*	England	100	Sporting and leisure goods retail
Firetrap Limited*	England	100	Fashion and leisure goods wholesale and 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
No Fear International Limited*	England	100	Licensing of intellectual property
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

14 Investments (continued)

Name of company	Country of incorporation	Percentage of issued share capital held	Nature of business
Universal Cycles Limited*	England	86	Bicycle wholesaler
West Coast Capital (USC) Limited*	England	100	Fashion and leisure goods retail
St James Holdings Limited	England	100	Holding company
Newcastle United Limited*	England	100	Holding company
Newcastle United Football 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
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

On 25 July 2011 the Group acquired the remaining 50% of No Fear International Limited resulting in the company being fully consolidated as an investment and no longer being accounted for as a joint venture (note 16)

Notes to the financial statements

15 Acquisitions

Details of principal acquisitions are set out below

i	8 July 2011	Acquired 80% of the ordinary share capital of West Coast capital (USC) Limited and 80% of the ordinary share capital relating to Cruises Clothing Limited Total cash consideration was £7 5m
ii	25 July 2011	Acquired the remaining 50% of the ordinary shares of No Fear International Limited for a cash consideration of £6 9m, taking the cumulative holding to 100%
iii	17 January 2012	Acquired the remaining 20% of share capital in West Coast Capital (USC) Limited for nil cash consideration
iv	17 February 2012	Acquired 100% of the ordinary share capital of Delima Limited for nil cash consideration
v	16 March 2012	Acquired the Firetrap brand and certain other assets from World Design and Trade Co Limited for total consideration of £6 5m

The aggregate fair value of consideration paid, assets and liabilities acquired and resulting goodwill in respect of the above acquisitions is detailed below

	Total £'000
Cash consideration	20,875
Less fair value of net assets acquired	(10,380)
Goodwill	**10,495**

The goodwill is attributable to the premium paid to strengthen the Group's existing business segments of Retail and Brand, which is in line with the Group's strategy

Legal fees relating to the above acquisitions of £500,000 were expensed through the profit and loss during the year

None of the acquisitions are considered to be individually material

The asset values are detailed below

	Carrying values at acquisition £'000	Provisional fair value adjustment £'000	Fair value of net assets acquired £'000
Tangible fixed assets	8,552	(2,868)	5,684
Intangible fixed assets	16,685	(4,381)	12,304
Stocks	18,683	-	18,683
Trade and other debtors	9,879	-	9,879
Cash and cash equivalents	(5,339)	-	(5,339)
Trade and other creditors	(17,697)	-	(17,697)
Provisions	-	(5,471)	(5,471)
Minority interests	(7,663)	-	(7,663)
	23,100	**(12,720)**	10,380
Goodwill			10,495
Cash consideration			**20,875**

Notes to the financial statements

15 Acquisitions (continued)

Net cash outflows in respect of the acquisition are as follows

	Total £'000
Cash consideration	20,875
Bank overdraft acquired	5,339
Net cash outflow in the cash flow statement	**26,214**

£77,989,000 of revenue, £11,164,000 of operating loss and £11,258,000 of loss before tax has been included within the Group's financial statements for the period in respect of the above acquired entities since the dates of acquisition

Had the above acquisitions been included from the start of the period, £100,983,000 of revenue, £17,852,000 of operating loss and £17,946,000 of loss after tax would have been included in the Group's financial statements

16 Investments in associated undertakings and joint ventures

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

	Associates £'000	Joint ventures £'000	Total £'000
At 1 May 2011	29,020	7,088	**36,108**
Exchange differences	(2,040)	-	**(2,040)**
Share of loss	(716)	(34)	**(750)**
Transfer to subsidiary undertaking	-	(7,054)	**(7,054)**
At 30 April 2012	26,264	-	**26,264**

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, a wholly owned subsidiary of Warrnambool, is that of household, sporting and leisure goods retail Heatons operates in the Republic of Ireland and Northern Ireland The director does not consider that they have control or joint control over the financial and operating policies of Warrnambool and so will continue to account for the Company as an associate

Notes to the financial statements

16 Investments in associated undertakings and joint ventures (continued)

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

	2012 £'000	2011 £'000
Share of fixed assets	42,971	49,777
Share of current assets	17,301	19,503
Share of liabilities due after one year or more	(19,826)	(23,465)
Share of liabilities due within one year	(14,182)	(16,795)
	26,264	29,020

	2012 £'000	2011 £'000
Turnover	84,755	89,721
Expenses	(84,533)	(86,954)
Profit before interest and tax	222	2,767
Interest	(1,417)	(1,608)
Profit before tax	(1,195)	1,159
Taxation	479	(248)
Profit after tax	(716)	911

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

On 25 July 2011 the Group acquired the remaining 50% of No Fear International Ltd resulting in the company being fully consolidated as a subsidiary (note 14) and no longer being accounted for as a joint venture

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

	2012 £'000	2011 £'000
Share of fixed assets	-	5,260
Share of current assets	-	4,510
Share of liabilities due within one year	-	(2,682)
	-	7,088

	2012 £'000	2011 £'000
Turnover	205	2,846
Expenses	(239)	(2,937)
Loss before tax	(34)	(91)
Taxation	-	75
Loss after tax	(34)	(16)

Notes to the financial statements

17 Stocks

	Group 2012 £'000	Group 2011 £'000
Raw materials	**4,103**	3,290
Work in progress	**864**	653
Finished goods and goods for resale	**312,494**	214,566
	317,461	218,509

18 Debtors

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade debtors	**51,648**	53,984	**-**	-
Amounts owed by related undertakings	**1,090**	3,095	**-**	-
Other debtors	**10,600**	9,039	**-**	-
Prepayments and accrued income	**37,763**	43,880	**-**	-
Deferred tax assets	**27,602**	9,392	**-**	-
Amounts owed by Group undertakings	**-**	-	**5,008**	5,008
	128,703	119,390	**5,008**	5,008

19 Creditors: amounts falling due within one year

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank overdraft	**15,184**	11,876		-
Term and other loans	**129,051**	112,335	**-**	-
Amounts due to shareholder	**132,533**	132,144	**-**	-
Trade creditors	**159,413**	101,011	**-**	-
Amounts owed to related undertakings	**-**	5,112	**5,018**	5,008
Other taxes and social security costs	**10,269**	16,918	**-**	-
Other creditors	**41,594**	38,703	**-**	-
Accruals	**89,416**	91,934	**-**	-
Hire purchase and finance lease contracts	**13**	8	**-**	-
Corporation tax payable	**44,019**	32,118	**-**	-
	621,492	542,159	**5,018**	5,008

Notes to the financial statements

20 Creditors: amounts falling due after more than one year

Group

	2012 £'000	2011 £'000
Bank and other loans	213,758	223,917
Trade creditors	1,426	560
Hire purchase and finance lease contracts	829	1,265
	216,013	225,742

21 Borrowings

Maturity Profile
Group

	2012 £'000	2011 £'000
In less than one year or on demand		
Bank and other loans	144,235	124,211
Hire purchase and finance lease contracts	13	8
In more than one years but less than two years		
Bank and other loans	213,758	29,732
Hire purchase and finance lease contracts	516	457
In more than two years but less than five years		
Bank and other loans	-	194,185
Hire purchase and finance lease contracts	284	456
In more than five years		
Hire purchase and finance lease contracts	29	352
Borrowings	358,835	349,401
Cash	(78,983)	(76,084)
Net debt	279,852	273,317

Notes to the financial statements

22 Deferred taxation

Group

The movement in the deferred tax provision in the year was

	2012 £'000	2011 £'000
Provision brought forward	(18,846)	(26,712)
Credited to profit and loss	8,380	-
Credited through STRGL	1,430	7,284
Other temporary timing differences	13,257	-
Foreign exchange adjustment	(1,315)	582
Provision carried forward	2,906	(18,846)

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

	2012		2011	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Excess of taxation allowances over depreciation on fixed assets	1,320	2,000	(3,746)	2,200
Tax losses recoverable	525	12,500	900	14,300
Other temporary timing differences	1,061	600	(16,000)	300
	2,906	15,100	(18,846)	16,800

The total amount of trading losses unprovided for is approximately £15 1 million (2011 £16 8 million) At present it is not envisaged that future taxable profits will be sufficient for these timing differences to reverse

	2012 £'000	2011 £'000
Deferred tax assets	27,602	9,392
Deferred tax liabilities	(24,696)	(28,238)
	2,906	(18,846)

Notes to the financial statements

23 Provisions

Group	Deferred taxation £'000	Dilapidations £'000	Onerous contracts £'000	Total £'000
At 1 May 2011	28,238	28,021	30,256	**86,515**
Amounts provided	(8,380)	4,284	5,296	**1,200**
On acquisition	-	1,369	4,102	**5,471**
Amounts utilised	4,838	-	(638)	**4,200**
Amounts reversed	-	(1,044)	(8,757)	**(9,801)**
At 30 April 2012	24,696	32,630	30,259	**87,585**

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

The provision in respect of onerous lease contracts represents the net cost of fulfilling the Group's obligations over the term of these contracts discounted at 5% per annum The provision is expected to be utilised over the period to the end of each specific lease Provision is also made for the strategic rationalisation of certain properties The unwinding of the discount on provision over time passes through the profit and loss account

24 Derivatives

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

	2012 £'000	2011 £'000
Forward exchange contracts – assets / (liabilities)	**4,356**	(5,984)

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

	2012 £'000	2011 £'000
US dollar purchases	**371,986**	320,000
Contracted rates	**1 61-1 65**	1 56-1 65
US dollar sales	**(40,000)**	-
Contracted rates	**1 53-1.54**	-
Euro sales	**(24,678)**	(33,451)
Contracted rates	**1 13-1 14**	1 13-1 14

Notes to the financial statements

25 Accruals and deferred income

	2012 £'000	2011 £'000
Advanced season ticket sales and other match related income	11,336	15,168
Sponsorship, advertising and other income	686	775
Deferred grant income	2,582	2,672
Royalties	68	110
	14,672	18,725

26 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

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

	2012 %	2011 %
Inflation rate	3 2	3 5
Rate of increase in pensions payment	3.2	3 3
Discount rate	4 6	5 4

The assumed life expectancy on retirement age 65 are

	2012	2011
Future pensioners		
Male	87 5	87 4
Female	89 7	89 7
Current pensioners		
Male	86 1	86 0
Female	88 2	88 1

Notes to the financial statements

26 Pensions and other post retirement benefits (continued)

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

	2012 £'000	2012 %	2011 £'000	2011 %
Equities	20,669	6 25	22,048	7 5
Bonds	18,694	3 25	14,547	5 0
Cash and other	742	0 5	263	0 5
	40,105		36,858	

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

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

	2012 £'000	2011 £'000
Amounts charged to operating profit		
Current service cost	7	9
Total operating charge	7	9
Amounts included in net finance costs		
Interest on retirement benefit obligation	2,526	2,564
Expected return on plan assets	(2,277)	(2,133)
	249	431

The actual (losses) / gains recognised in the statement of total recognised gains and losses for the current and previous four periods are as follows

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Experience adjustments on plan liabilities	(5,539)	869	(12,645)	5,887	4,652
Experience adjustments on plan assets	38	1,208	4,461	(6,336)	(2,969)
	(5,501)	2,077	(8,184)	(449)	1,683

The actual return on plan assets for the 53 weeks ended 29 April 2012 was a gain of £2,315,000 (2011 gain of £3,341,000)

The cumulative amount of actuarial gains and losses recognised in the STRGL as at 29 April 2012 was an actuarial loss of £10,701,000 (2011 actuarial loss of £5,200,000) There were no unrecognised actuarial gains or losses or past service costs as at 24 April 2011 or 29 April 2012

Notes to the financial statements

26 Pensions and other post retirement benefits (continued)

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

Movement in the year	2012 £'000	2011 £'000
Current service cost	(7)	(9)
Interest cost	(2,526)	(2,564)
Actuarial gain/(loss)	(5,539)	2,077
Employee contributions	(9)	(14)
Benefits paid out	1,636	1,511
Exchange gain	66	51
	(6,379)	1,052

The amounts recognised in the balance sheet are as follows

	2012 £'000	2011 £'000
Present value of funded obligations	(59,423)	(53,044)
Fair value of scheme assets	40,105	36,858
Related deferred tax asset	5,023	4,532
Net pension liability	(14,295)	(11,654)

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

	2012 £'000	2011 £'000
Opening defined benefit obligation	(53,044)	(52,888)
Current service cost	(7)	(9)
Interest on scheme liabilities	(2,526)	(2,564)
Actuarial (loss) / gain	(5,539)	869
Contributions by scheme participants	(9)	(14)
Benefits paid	1,636	1,511
Exchange gain	66	51
Closing defined benefit obligation	(59,423)	(53,044)

Changes in the fair value of scheme assets are as follows

	2012 £'000	2011 £'000
Opening fair value of the scheme assets	36,858	33,149
Expected return on scheme assets	2,277	2,133
Actuarial gain	38	1,208
Contributions by employer	2,559	1,865
Contributions by scheme participants	9	14
Benefits paid out	(1,636)	(1,511)
Closing fair value of scheme assets	40,105	36,858

Notes to the financial statements

26 Pensions and other post retirement benefits (continued)

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

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Total fair value of scheme assets	40,105	36,858	33,149	27,440	32,706
Present value of scheme liabilities	(59,423)	(53,044)	(52,888)	(39,764)	(44,411)
Net scheme obligations	(19,318)	(16,186)	(19,739)	(12,324)	(11,705)
Experience adjustments on plan liabilities	(5,539)	869	(12,645)	5,887	4,652
Experience adjustments on plan assets	38	1,208	4,461	(6,336)	(2,969)

The Group expects to contribute £2,700,000 to its defined benefit pension plans for the 52 weeks ended 28 April 2013

In addition to amounts recognised in relation to the defined benefit retirement plans, amounts of £187,000 and £132,000 have been recognised in the profit and loss account in relation to defined contribution retirement plans of the Sports Direct Group An amount of £335,000 has been recognised relating to defined contribution retirement plans in respect of St James Holdings Limited and its subsidiary undertakings

27 Share capital

Company	Share capital £'000
At 1 May 2011 and at 30 April 2012	1

Group	Share capital £'000
At 1 May 2011 and at 30 April 2012	1

	Authorised Number	£'000	Allotted, called up & fully paid Number	£'000
Ordinary shares of 0 1p each				
At 1 May 2011 and at 30 April 2012	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

28 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 Sports Direct International plc Awards may be made to Executives and Persons Discharging Managerial Responsibilities over a fixed number of shares subject to performance conditions

An award of 4,073,036 shares was granted on 10 September 2010 at a share price of 125 5 pence and none of these shares have since lapsed These shares will only vest if the performance conditions (continued employment) are met over the next year

A further award of 4,000,000 shares was granted on 10 September 2010 at a share price of 125 5 pence and none of these shares have since lapsed These shares will only vest if the performance conditions are met over the next 5 years

The Bonus Share Scheme
Under the terms of the 2009 Bonus Share Scheme, which was approved by the shareholders on 9 September 2009, the Board may make share awards in respect of the ordinary shares in Sports Direct International plc to employees based on a percentage of salary and subject to performance conditions No consideration is payable by employees in respect of these awards

The first awards of 34,898,000 shares were granted on 19 November 2009 at an average price of 99 50p At 29 April 2012, 29,088,000 (24 April 2011 31,455,413) 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 year

The 2011 Bonus Share Scheme was approved by the Board on 10 September 2010 The first award of 30,000,000 shares were granted on 10 September 2010 at an average price of 125 5p At 29 April 2012 the full 30,000,000 remained outstanding These shares will only vest if performance conditions are met over the next 5 years

A share-based payment charge of £20,643,000 (2011 £10,623,000) 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

Notes to the financial statements

29 Reserves

Company	Share premium £'000	Profit & loss account £'000
At 1 May 2011 and at 30 April 2012	241,517	3

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 2011	241,517	(291,088)	(6,094)	28,263	188,248
Profit for the year	-	-	-	-	59,471
Actuarial losses	-	-	-	-	(5,501)
Taxation on items taken directly to equity	-	-	-	-	1,430
Translation differences	-	-	-	(2,301)	-
Share-based payments	-	51,590	(51,590)	-	20,643
Tax on Share-based payments	-	-	-	-	14,176
At 30 April 2012	**241,517**	**(239,498)**	**(57,684)**	**25,962**	**278,467**

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

30 Minority interest

	SDI £'000	Other £'000	Total £'000
At 1 May 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
Acquisitions	-	(327)	(327)
Minority share of profits/(loss)	26,554	(567)	25,987
At 30 April 2012	**97,137**	**(505)**	**96,632**

Notes to the financial statements

31 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Profit for the financial year	**59,471**	79,427
Other recognised gains and losses relating to the year (net)	**(6,372)**	(9,711)
Share based payment charge	**20,643**	10,623
Tax on share based payment charge	**14,176**	-
Net increase in shareholders' funds	**87,918**	80,339
Opening shareholders' funds	**160,847**	80,508
Closing shareholders' funds	**248,765**	160,847

32 Net cash inflow from operating activities

	2012 £'000	2011 £'000
Operating profit	**135,582**	105,641
Depreciation	**60,955**	62,840
Amortisation of other intangible assets	**12,247**	2,750
Amortisation of goodwill	**18,152**	18,152
Impairment of goodwill	**2,473**	202
Capital grants released	**-**	(87)
Amortisation of players' registrations	**12,114**	12,651
Impairment of players' registrations	**2,084**	2,475
Profit / (loss) on disposal of intangible assets	**1,679**	(10)
Defined benefit pension plan current service costs	**7**	-
Defined benefit pension plan employer contributions	**(2,559)**	(1,865)
Share based payments	**20,643**	10,623
(Increase) / decrease in stocks	**(80,269)**	1,618
Decrease in debtors	**18,776**	6,645
Increase /(decrease) in creditors	**21,252**	(7,646)
(Decrease) / increase in deferred income	**(4,053)**	1,736
Increase /(decrease) in provisions	**(859)**	-
Net cash inflow from operating activities	**218,224**	215,725

Notes to the financial statements

33 Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Increase in cash in the year	**2,899**	387,041
Cash outflow from change in debt and lease financing	**(9,434)**	(205,911)
Changes in net debt resulting from cash flows and movement in net debt in the year	**(6,535)**	181,130
Net debt at 1 May 2011	**(273,317)**	(454,447)
Net debt at 30 April 2012	**(279,852)**	(273,317)

34 Analysis of changes in net debt

	At 1 May 2011 £'000	Cash flow £'000	At 30 April 2012 £'000
Bank overdraft	(11,876)	(3,308)	**(15,184)**
Cash	76,084	2,899	**78,983**
	64,208	(409)	**63,799**
Bank and other borrowings	(336,252)	(6,570)	**(342,822)**
Finance leases	(1,273)	444	**(829)**
	(273,317)	(6,535)	**(279,852)**

35 Commitments under operating leases

At 30 April 2012 the Group had annual commitments under operating leases as follows

	2012 £'000	2011 £'000
Group		
Leases expiring within one year	**920**	1,868
Leases expiring within two to five years	**18,236**	16,788
Leases expiring after five years	**53,972**	57,907
	73,128	76,563

36 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 (2011 £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 £1,833,000 (2011 £2,231,000)

Notes to the financial statements

37 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 2012

Related party	Relationship	Sales £'000	Purchases £'000	Trade and other receivables £'000	Trade and other payables £'000
Heatons	Associate	23,812	29	5,242	-
Brasher Leisure Limited	Associate	58	633	4	25
Waterline Angling	Associate	-	-	1,150	-

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 On 20 April 2012 the Group acquired 32 properties from Mike Ashley for consideration of £86 8m

Compensation paid to key management of the Group was £815,304, 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 April 2012 was £132 5 million (30 April 2011 £137 3 million) The maximum amount outstanding in the year was £140 1 million (2011 £243 1 million) No interest was payable on the loan for either the current or prior year

38 Ultimate controlling party

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

39 Capital commitments

The Group had capital commitments of £4 5m as at 30 April 2012 (2011 nil)

40 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

Notes to the financial statements

41 Post balance sheet event

Subsequent to the year end, Sportsdirect com Retail acquired key trading assets from the Administrator of JJB for a cash consideration of £24 0m The Group acquired 20 stores, substantially all of the stock in the business, the JJB website and the Slazenger Golf brand licences, as well as JJB's freehold property in Wigan The Group also acquired 51% of the share capital of the Flannels Group and 100% of the share capital of Used Tackle Limited

Also subsequent to the year end in Newcastle United Limited, the playing registrations of certain players have been acquired for total consideration, including associated costs, of £27 3 million Playing registrations of certain players have been disposed of for total consideration of £11 9 million

On 26 February 2013 the company sold 25,000,000 ordinary shares in Sports Direct International at a price of £4 00 per ordinary share