

# **SPORTS DIRECT.com**

**ANNUAL REPORT & ACCOUNTS 2019**

## AT A GLANCE

Founded as a single store in 1982, Sports Direct International plc (Sports Direct, the Group, the Business or the Company) is today the UK's largest sporting goods retailer by revenue. The Group operates a diversified portfolio of sports, fitness, fashion and lifestyle fascias in over 20 countries. We have approx. 29,400 staff across six business segments: UK Sports Retail, Premium Lifestyle, House of Fraser Retail, European Sports Retail, Rest of World Retail and Wholesale & Licensing. Our business strategy is to invest in our people, our business, and our key third party brand partners, in order to elevate our retail proposition across all our channels to attain new levels of excellence.

The Group aspires to be an international leader in sports, lifestyle, and luxury apparel retail, by offering our customers a dynamic range of iconic brands. We value our people, our customers, our shareholders and our third-party brand partners - and we strive to adopt good practices in all our corporate dealings. We are committed to treating all people with dignity and respect. We endeavour to offer customers an innovative and unrivalled retail experience. We aim to deliver shareholder value over the medium to long-term, whilst adopting accounting principles that are conservative, consistent and simple.

## MISSION STATEMENT

**'TO BECOME EUROPE'S LEADING ELEVATED SPORTING GOODS RETAILER.'**

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# HIGHLIGHTS

- **Group revenue increased by 10.2%**
  - ↳ Excluding acquisitions and on a currency neutral basis, revenue decreased by 1.9%
- **UK Sports Retail revenue increased by 0.3%**
  - ↳ Excluding acquisitions, revenue decreased by 2.9%
  - ↳ UK Sports Retail like-for-like stores gross contribution was down 1.6%<sup>(1)</sup>
- **European Sports Retail revenue decreased by 5.9%**
  - ↳ Currency neutral revenue decreased by 5.5%
  - ↳ European Sports Retail like-for-like stores gross contribution was up 0.9%<sup>(1)</sup>
- **Premium Lifestyle Retail revenue increased by 26.3%, due to an increased store portfolio and online sales**
- **Group gross margin increased to 42.8% from 39.7%, largely due to price resetting, prior year increased inventory provisions and prior year acquisition accounting for Bob's Stores and Eastern Mountain Sports**
- **Group underlying EBITDA<sup>(2)</sup> decreased by 6.0% to £287.8m**
  - ↳ Excluding House of Fraser, underlying EBITDA grew 10.9% to £339.4m
- **Free cash flow (pre-capex) down to £273.3m compared to £326.2m in the prior year<sup>(3)</sup>**
- **Reported profit before tax was £179.2m, up 193.3% from £61.1m (restated from £77.5m) largely due to an £85.4m impairment of our Debenhams strategic investment in the prior year**
- **Underlying profit before tax increased by 5.0% to £143.3m from £136.5m (restated from £152.9m)**
  - ↳ Excluding current year and prior year acquisitions, underlying profit before tax increased by 50.7% to £205.7m
- **Reported earnings per share grew by 468.4% to 21.6p, from 3.8p (restated from 4.6p)**
  - ↳ Underlying basic earnings per share decreased by 7.9% to 17.6p<sup>(2)</sup>
- **Reported profit after tax was £116.0m up 400.0% from £23.2m (restated from £27.6m)**
  - ↳ Underlying profit after tax was £91.5m (FY18: £100.6m, restated from £96.2m)
- **Net debt decreased to £378.5m (£397.1m at 29 April 2018)<sup>(4)</sup>, with acquisitions and investment in property funded by a strong free cash flow**

(1) Figure is on a 52 week currency neutral basis and with a consistent year on year inventory provision used.

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

(3) Underlying free cash flow is defined as operating cash flow after working capital, made up of underlying EBITDA plus realised foreign exchange gains and losses, less corporation tax paid.

(4) Net debt is borrowings less cash and cash equivalents held.

## UK SPORTS RETAIL

59.2% Total Group Revenue  
 £2,187.3m  
 Up 0.3%

UK Sports Retail includes core sports retail store operations in the UK, plus all the Group's sports retail online business globally, the Fitness Division, the Group's Shirebrook campus operations, Heatons Northern Ireland stores, as well as the Evans Cycles business acquired in the year.

Our store footprint is significant, with approx. 540 stores plus additional concessions across the UK, totalling approx. 5.6m sq. ft. in retail space. The majority of stores are operated under the SPORTSDIRECT.com and USC fascias.

## PREMIUM LIFESTYLE

5.5% Total Group Revenue  
 £204.8m  
 Up 26.3%

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

The segment is supported by our Group-wide centralised commercial and support functions, giving the benefit of scale and operating efficiencies to each fascia. The segment is a significant part of the Group's new generation retail concept and as such, in certain locations, Premium and Lifestyle stores are co-located alongside our Sports retail stores to benefit from increased customer footfall and operating synergies.

## HOUSE OF FRASER RETAIL

8.9% Total Group Revenue  
 £330.6m

On 10 August 2018, the Group acquired the trade and assets of House of Fraser, including the brand, inventory, certain property, plant and equipment, the right to trade from 59 stores and all the staff. The acquisition of the Dundrum, ROI store completed in October 2018. The Group has spent the post-acquisition period working with staff, suppliers, concessionaires and landlords to create a viable business which we believe can be a core part of the elevation strategy of the Group in the medium to long-term.

As at 28 April 2019, we are still operating out of 54 stores, totalling approx. 4.6m sq. ft. in retail space. The stores are operated under the Frasers and House of Fraser fascias.

## **EUROPEAN SPORTS RETAIL**

16.2% Total Group Revenue  
£599.8m  
Down 5.9%

European Sports Retail includes all the Group's sports retail stores, management and operations in Europe including the Group's European distribution centres in Belgium and Austria, with 251 stores and approx. 3.6m sq. ft. of retail space.

During FY19, management continued to elevate its European stores and work to further tailor the Group's customer value propositions to our local markets.

## **REST OF WORLD RETAIL**

5.8% Total Group Revenue  
£215.9m  
Up 12.2%

Rest of World Retail includes sports and outdoor retail stores in the US under the Bob's Stores and Eastern Mountain Sports fascias and their corresponding e-commerce offerings. It also includes the Group's retail stores in Malaysia under the Sports Direct fascia and its corresponding e-commerce offering.

## **WHOLESALE & LICENSING**

4.4% Total Group Revenue  
£163.5m  
Down 12.2%

The Wholesale & Licensing segment operates our globally renowned heritage Group brands, and our wholesale, licensing and distribution relationships across the world, as well as our partnerships with third party brands that we license-in to sell certain products.

The Group's own brands are managed both individually and centrally within this segment. This unique, integrated approach to brand management leverages the expertise of our people, encourages innovation, and ensures consistency.

The Group continued to focus during the year on its core UK and European Sports Retail business, in order to prioritise the continued development of our relationships with our key third party brand partners, as we elevate our sports retail proposition.

# CHAIR'S STATEMENT

## INTRODUCTION

I became Chair in September 2018 following the AGM and the departure of our outgoing Chair, Keith Hellawell. I am very pleased to take over the role and I have enjoyed overseeing an eventful, albeit challenging, remainder of the financial year to April 2019. The year which will be explained in more detail throughout the Annual Report has seen mixed trading in the core business with contribution like for likes suffering but our elevated stores and Flannels fascias continue to significantly outperform much of the rest of the High Street. We have acquired House of Fraser, Evans and Sofa.com (subject to FCA approval which was granted post year end) and welcomed many new colleagues to the Sports Direct Group in the year. We have seen the demise and destruction of shareholder value at Debenhams meaning both our investment, and that of smaller independent shareholders was worthless. Although the outcome of the Debenhams restructuring process was highly unsatisfactory and indeed a national scandal which could have been avoided, the Sports Direct Group can move on bruised but unhindered. The smaller shareholders, of whom many contacted us during the process offering their support, have suffered significantly and lost a substantial amount of money in relative terms. The government and regulators really should be looking to help them, and also future smaller shareholders in listed businesses so that they do not suffer the same fate.

Undoubtedly the High Street is undergoing some significant changes not helped by the uncertainty the population is experiencing in relation to Brexit, the current political upheaval, and the wider economic outlook. We remain focused however, on delivering the elevation strategy. We are excited by the opportunities ahead but also cautious as we realise that shaping House of Fraser in to what we want it to be after years of under investment and poor management will take time.

## OVERVIEW

FY19 (year ended 28 April 2019) has continued to see the Group progress the elevation strategy with additional new flagship stores opening and we continue to enjoy the enhanced returns we targeted at the outset. The elevation strategy will continue to be deployed across the estate. Excitingly we expect to open our new Flannels flagship store on Oxford Street in FY20.

Group revenue has increased from £3,359.5m to £3,701.9m, an increase of 10.2%, which includes a part year contribution from the acquired businesses in the period, the largest being the House of Fraser acquisition we made in August 2018. Underlying EBITDA, a key alternative performance measure for the Group increased 10.9% excluding the impact of House of Fraser which is consistent with the outlook statement made by our Chief Executive, Mike Ashley last year. Including House of Fraser and other acquisitions, Underlying EBITDA was £287.8m compared to £306.1m last year.

In terms of statutory reporting, our Profit before taxation has risen 193.3%, which arises predominantly from improved outcomes on our foreign exchange financial instruments and the non-recurrence of investment write downs through the profit and loss, such as on Debenhams where in FY18 the loss totalled £85.4m.

FY19 underlying profit before tax was up 5.0% to £143.3m, which was largely due to the non-reoccurrence of investment write downs being counteracted by the overall result of the Group being down year on year, primarily due to the results from House of Fraser since acquisition.

Our net debt at the year end was £378.5m compared to £397.1m a year ago as we continue to generate significant cash flows in the core business to support our investment strategies.

I am pleased to note that we extended the maturity of our Revolving Credit Facility to November 2022 with the majority of our banking partners, such that £847.5m now matures in November 2022 from the total facility of £913.5m.

## ELATION STRATEGY AND HOUSE OF FRASER

The enhancement of our retail proposition continues to be a strategic priority. Our multi-channel elevation strategy is a key driver towards achieving an unrivalled multi-brand offering to customers across sport, lifestyle and fashion. This strategy began on the High Street with the active management of our property portfolio, which is seeing us continue to open a new generation of stores. The acquisition of House of Fraser has given us the opportunity to enhance the offering over time and build stronger relationships with their premium third party brands. The elevation strategy further encompasses how we connect with the consumer across all our channels, including social, digital and in-store. We have acquired a great deal of retail space through the acquisition of House of Fraser and have exchanged contracts on the freehold purchase of the Glasgow Frasers store as a statement of intent regarding our seriousness about the business. Frasers in Glasgow and as announced in the Sunday Times a number of further Frasers stores will showcase our superior experiential offerings. I recognise and appreciate the work and effort that the Sports Direct team and our new House of Fraser colleagues have undertaken in integrating House of Fraser into the Group, it is and will continue to be a massive and complex project. It is always disappointing to see a business which has been under invested and poorly managed, as ultimately the employees and the consumer suffer the most. The results of House of Fraser in this first period with the Group show what a challenge turning the business around will be and highlights what a shambles previous management had left it in. We recognise the transition and rebirth will take time and commitment but look forward to the challenge and building a business all stakeholders can be proud of.

## **BRAND RELATIONSHIPS**

As Mike Ashley, our CEO will highlight in his report, our brand relationships with certain third party brands are currently challenging. We feel our elevation strategy is being delivered in line with the requirements highlighted to us by these brands several years ago, however we feel there remains some scepticism on their part with regards to our commitment to the full roll out of our elevation strategy. We continue to work on our relationships with these brands and believe a mutually beneficial outcome can be delivered.

## **OTHER ACQUISITIONS**

In the year we also acquired Evans Cycles and Sofa.com (subject to FCA approval which was granted post year end). Evans expands our cycle business and is consistent with our desire to offer the best possible multi-brand and multi-category presentation to consumers. Sofa.com sits comfortably in our wider plans for House of Fraser.

## **OUR PEOPLE**

Our people are a priority and the Board is committed to treating all staff with dignity and respect. We appreciate all the efforts and contributions that have made this year's result possible especially in these very challenging times within the UK retail market. We are very pleased to welcome many new colleagues to the Group through the acquisitions made in the year. Further details of our arrangements for staff are set out in the Our Business section on pages 9 to 10 and 33 to 35 of the Corporate Social Responsibility Report.

## **BOARD**

We would like to thank Keith Hellawell QPM and Simon Bentley who both left the Group at the conclusion of our AGM in September 2018. We are pleased to have appointed Nicola Frampton and Richard Bottomley OBE as independent Non-Executive Directors effective from 1 October 2018. Nicola Frampton is a senior executive at William Hill, where she is Managing Director of the UK Retail Division. Prior to joining William Hill, Nicola gained extensive experience in risk management, assurance and corporate governance across a wide range of industries while working in professional services, most recently with Deloitte. Richard has over 25 years' experience working with listed companies during his time as a senior partner at KPMG, and continues to be a member of the Audit Committee Institute. He is Chair of Trustees of the Greggs plc 1978 Retirement and Death Benefits Scheme and until recently was a Non-Executive Director of Newcastle Building Society where he chaired the Audit Committee. I am especially pleased to welcome Cally Price to the Board as a Non-Executive Director. Cally is the Manager of the Sports Direct store in Cardiff Bay.

Sports Direct is one of only a few groups that has appointed the Workers' Representative to the Board and we have appreciated the contributions Cally has made since her appointment on 1 January 2019. Cally follows Alex Balacki who was our first Workers' Representative and did a great job laying the foundations for the role.

## **STRATEGIC INVESTMENTS**

In a challenging retail market, we believe innovative strategic partnerships will help to differentiate our offering and enhance the consumer experience by giving us ways to extend our reach into new retail channels and geographies. The year was dominated by the demise of Debenhams. We had tried to establish a dialogue with their Board for a long period of time in order to look at how the two Groups could possibly combine in some form of commercial arrangements that would benefit both parties. They were completely averse to any kind of serious engagement with us and during the restructuring process had ceded control to the highly paid advisors who were concentrating on delivering one result only. We were most certainly not part of their plans despite protestations otherwise from management and these advisors. Our very public attempt to influence what we believe was an unnecessary destruction of shareholder value was extremely frustrating. The loss in value which has been absorbed through the last couple of years accounts in writing down the investment is very disappointing. Debenhams and our other strategic investments are commented on more fully later in the Annual Report.

## **DIVIDEND**

No dividend was paid during the year and the Board has decided not to declare a final dividend in respect of this financial year. The Company did undertake a share buyback at various points through the last financial year, the total number of shares purchased in the market was 561,145.

## OUTLOOK

We remain very focused on delivering our elevated proposition. We will see some great milestones achieved in the year ahead, with the Flannels flagship store opening and we will commence the work to shape the Frasers Glasgow store into what we believe will be a fantastic shopping experience for our customers and showcase our intentions for the remaining portfolio of stores.

We are building a young and dynamic executive team to assist in this transition but making sure we retain the core values in the existing Business that have allowed the business to prosper over the years. We would like to see some stability and certainty entering in to the wider economic environment, as at the date of writing it is not far off to say the political upheaval that has been going on in this financial year has been chaotic at best.

It is an exciting time but we also recognise the significant challenge that House of Fraser brings, so we are cautious about the year ahead. If House of Fraser is to be a viable ongoing entity, alongside other high street UK retailers we call on the government to overhaul the antiquated rates system. Our core business in the UK which drives our overall profitability will remain a firm foundation and we are hopeful that the overseas businesses continue their improved performance.

David Daly

**Non-Executive Chair**

26 July 2019

# OUR BUSINESS

Founded by Mike Ashley as a single Store in Maidenhead in 1982, Sports Direct International plc today operates a diversified portfolio of sports, fitness, fashion, lifestyle and department store fascias. The Group's approx. 29,400 people work together with our suppliers and our third-party brand partners to serve customers in over 20 countries. The Group aspires to be an international leader in sports, lifestyle, and luxury retail. The Board is committed to treating all people with dignity and respect. We value our people, our customers, our shareholders and we strive to adopt good practices in our corporate dealings. We aim to deliver shareholder value over the medium to long-term, whilst adopting accounting principles that are conservative, consistent and simple.

## BUSINESS MODEL

Our Business Model is focused on delivering an unrivalled range, availability and quality of products – both third party brand and Group branded products. This includes different customer value propositions across our Sports Retail and Premium Lifestyle fascias. To this end, we are elevating across all channels to enhance the customer journey at every step of the way. During the current year we acquired the House of Fraser department stores and Evans Cycles businesses. These add to or complement our business and House of Fraser with the 4.6m sq. ft. of retail selling space has provided the Group with a major opportunity to participate in the transformed retail environment that is occurring on the High Street.

The Group's Business Model is explained in greater detail below. This includes an outline of our fascias and retail channels, our elevation strategy including the management of our property portfolio, our people, our third-party brand partners and our centralised support functions and Group brands.

## BUSINESS STRUCTURE

The Group is structured across six business segments: UK Sports Retail, Premium Lifestyle, House of Fraser Retail, European Sports Retail, Rest of World Retail and Wholesale & Licensing.

In UK Sports Retail, we offer a complete range of sporting apparel, footwear and equipment through our predominant fascia, SPORTSDIRECT.com. This segment includes our lifestyle fascia USC. Our current forward-looking view is that the majority of our offering to customers must include leading third-party brands. The elevation of our sports retail proposition is key to ensure we are fully aligned with the future directions and ambitions of these brand partners. The UK Sports Retail segment also includes our fitness division, which currently consists of 34 gyms and the Evans Cycles business acquired during the year totalling 55 stores.

In Premium Lifestyle, we are developing the Group's premium offering, which primarily consists of the Flannels fascia, along with Cruise and van mildert. We aim to offer fashion-conscious consumers a luxurious, multi-brand retail destination with high-end and on-trend products. This is a core component of the elevation strategy and includes the provision of a new flagship Flannels store on Oxford Street in London which is due to open during FY20.

House of Fraser acquired in the year is a significant business with 54 stores and 4.6m sq. ft. of retail selling space at the period end. A great deal of time and effort has been expended in integrating the business into the wider Sports Direct Group. There are many cross over points on product with our existing fascia's as well as new lines and types. Within the House of Fraser store portfolio there is a range of store locations that dictate which third party brands are available. As we have indicated at the premium end following the exchange of contracts for the freehold of the Frasers store in Glasgow, it is a superb location with many luxury brands present and a store that will lead the fit-out programme and re-positioning we envisage taking place across the portfolio.

In European Sports Retail, we are evolving our customer proposition in line with the elevation strategy, while also seeking to increasingly tailor our proposition to the local markets where we operate. These include the Republic of Ireland and continental Europe.

In Rest of World Retail, we operate 49 stores trading as Bob's Stores and Eastern Mountain Sports. We also have 33 stores trading as SPORTSDIRECT.com in Malaysia.

In Wholesale & Licensing, the Group retains a portfolio of world famous heritage brands, which we offer via our fascias, and also wholesale and license to partners internationally. Our own brands include Karrimor, Slazenger and Everlast. The Group is also proud to have a number of sporting and entertainment personalities as ambassadors, as well as supporting sporting events and venues.

## MULTI-CHANNEL ELEVATION STRATEGY

Our elevation strategy continues to work towards improving our offering to customers across all of our channels, including marketing, social media, product, digital and in-store. This aims to enable the Company, along with our third party brand partners, to connect with customers via a consistent voice across multiple platforms, including online, mobile, and on the high street. This strategy enables our stores and our online operations to complement each other.

The websites for each of our core fascias in the UK, including SPORTSDIRECT.com, USC.co.uk and Flannels.com, have undergone significant enhancements in order to facilitate optimum appeal to consumers. Our product offering across these core fascias, both in-store and online, aims to create a compelling shopping experience in key categories that include, among others, Football, Women's, Kids, Running, Cycling, Lifestyle, Fashion and Luxury.

We offer product across a range of price points, including good, better and best. This enables us to offer more premium product, which is net-new to the Business. This gives consumers a greater range of choice for those who wish to shop for premium products, whilst still retaining our original entry-level and standard product offerings.

## A NEW GENERATION OF STORES

Our elevated stores typically include exceptional visual merchandising and are led by third party branded areas. This new generation of stores includes regional flagship megastores, which are typically larger format stores in strategic retail locations. These can be situated on the High Street in prime retail shopping areas, or in out of town shopping destinations. Flagship megastores typically include an extensive sports-category offering and may have more than one fascia on the same site, including adjacent Premium Lifestyle stores and / or a branded fitness gym. The creation of these retail destinations enhances appeal to customers and generates operating synergies.

In order to increase the Group's ability to secure strategic retail locations that are commercially viable, our Property Division alongside senior management has the flexibility to invest in freehold properties and development projects, which can span vacant buildings, development land or re-development projects and multi-tenanted schemes or properties. To ensure an efficient transition and reduce non-trading space, the Group seeks to align store openings with existing lease expiries where possible. This wide-ranging but controlled brief ensures the Group is able to roll out our plans while efficiently transitioning the store portfolio.

An example of our latest concept of a new generation store is our newly opened 100,000 sq. ft. flagship megastore at Thurrock in Essex. The site includes a SPORTSDIRECT.com store, a newlook USC store and a Flannels store. The customer experience also includes an eSports Belong Arena in association with Game Digital (GAME) and an Everlast-branded fitness gym.

Further details of our property strategies and our current property portfolio are included within the Chief Executive's Report and Business Review.

## OUR PEOPLE

It is the Group's policy to treat all our people with dignity and respect. The Sports Direct Group consists of approx. 29,400 staff, who work together across all areas of the Business. We are proud that Sports Direct International plc is one of the first public companies in the UK to make an elected Workers' Representative a Board member. We welcome all new employees into the Group following the acquisitions in the year.

## REMUNERATION AND REWARDS

Our policy is to foster a reward-based culture that enables our staff to share in the success of the Group. It is Company policy to pay above the statutory National Minimum Wage, including rates that are above the statutory National Living Wage for those over 25 years of age in the UK. In addition to this, the Company pays awards and incentives of approx. £16m annually, from which both permanent and casual staff can benefit.

The Board continues to work towards developing long-term incentive schemes that align the interests of our people and shareholders.

## WORKERS' REPRESENTATIVE

The Sports Direct Workers' Representative is Cally Price, a Manager at our Cardiff Bay store. Cally succeeded Alex Balacki who was the first Workers' Representative. Cally has been appointed as a main Board Director, which is one of the recommendations in the 2018 UK Corporate Governance Code. The Workers' Representative has a unique insight in to the Group and will speak on behalf of the Group's workforce at all scheduled meetings of the Board in order to facilitate a healthy and constructive dialogue.

## STAFF ENGAGEMENT

In addition to the Workers Representative, the Company also routinely has a rolling dialogue with staff via an initiative called 'Your Company, Your Voice.' This is a system whereby staff are able to raise any issues of their choosing via a number of different routes, both physical and digital. This feedback is passed to senior management and the Workers' Representative.

## **CASUAL WORKERS**

We continue to strive to ensure our arrangements for casual staff are fair and equitable. We have taken steps to promote stability for this group by ensuring changes to scheduled hours by the Company are kept to a minimum. In accordance with relevant regulatory requirements, our casual workers are entitled to accrued holiday leave and statutory sick pay. Our research found that in common with surveys by other companies, the vast majority of our casual workers wish to remain on flexible arrangements.

## **WELLBEING SERVICE**

During FY19, the Company continued to offer a Wellbeing Service for all members of the Group. The Wellbeing Co-ordinator is supported by the Healthy Workplaces Team at Derbyshire County Council in offering members of the Group a variety of programmes to promote physical wellbeing, such as advice on weight loss, improving physical activity, sleep issues and smoking cessation. Additional focus is being placed on building emotional health resilience within the workplace and providing wellbeing support to staff in-store.

## **TRAINING AND DEVELOPMENT**

We strive to offer staff the tools to achieve their personal development goals through training and other means. It should be noted that the majority of Store Managers are promoted from within, and over a third of them started as Casual Sales Assistants. We have an existing purpose-built training centre at our campus in Shirebrook, which is dedicated to ensuring our people have appropriate opportunities to develop their skills and progress their careers within the Group. Further details of our staff training programmes are contained in the Corporate Social Responsibility section.

## **OUR THIRD-PARTY BRAND PARTNERS**

We work with our leading third-party global brand partners and provide significant prominence for these specialists with our customers across all our platforms.

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

# WORKERS' REPRESENTATIVES' REPORT

## WORKING FOR A BRIGHT FUTURE FOR OUR PEOPLE

### A MESSAGE TO STAFF FROM ALEX BALACKI\*, WORKERS' REPRESENTATIVE DURING FY19

First of all, I'd like to congratulate Cally Price on her nomination to the Board. Cally is an outstanding member of staff who will take the Workers' Representative role to the next level. Since September 2018 I have worked closely with Cally, passing on what I have learnt from the role and helping her to hit the ground running.

In my last year as Workers' Representative I have attended all scheduled Board meetings, the results day and half year results and have continued to report to the Board, the views and opinions of the staff of the Sports Direct Group.

As a result of these meetings and feedback, we have elevated discounts that staff receive across all facias, alongside improving the accessibility of the discount. This has been extremely well received by all staff. Many other elevations to staff welfare continue to be in the pipeline, including an upgrade to the uniform which is currently being rolled out across stores.

Finally, I would like to thank the staff of Sports Direct for nominating me into the role. I hope I have done you all proud. It has been a once in a lifetime experience and I feel proud and privileged to be voted into the role. In my opinion, this role sets Sports Direct above many other companies, as we are consistently attempting to improve our staff welfare based purely upon the views of those staff. This is something I feel is a vital tool for the successful running of a business.

I wish Cally the best of luck and have no doubt she will set a new benchmark for the role.

### A MESSAGE TO STAFF FROM CALLY PRICE\*, WORKERS' REPRESENTATIVE AND NON-EXECUTIVE WORKFORCE DIRECTOR

I am very happy to be appointed as the new staff Workers' Representative and would like to thank the staff for voting for me, I hope I can do the role justice. I would like to thank my predecessor Alex Balacki in helping me transition into the role and for sharing his experiences.

I hope to pick up where Alex left off by bringing in new staff uniform and I am in the process of relaunching a benefit scheme where staff will see an increase in commission earnings. I have also taken full control of the staff welfare platform where all staff have direct access to me which is invaluable in my contributions to the board meetings.

I feel honoured to have been appointed to the Board as a Workforce Director and I am excited to make a positive impact for the staff. Everything I set out to achieve will be with the staff at the forefront of my thoughts. I feel incredibly lucky to have been given this role and will give it my all.

Alex

\* Alex Balacki has been with the Group since 2004, he is a Store Manager in the West Country and was elected as the Workforce Representative in FY17, serving until the election of Cally Price on 1 May 2019.

Cally

\* Cally Price has been with the Group since 2007 and is a Store Manager in Wales. Cally is also a Non-Executive Workforce Director, and succeeded Alex Balacki as the new Workers' Representative from 1 May 2019.

# CHIEF EXECUTIVE'S REPORT AND BUSINESS REVIEW

## STRATEGIC INVESTMENTS

Within the financial standards there is a presumption that holding 20% of the voting power of the investee indicates significant influence and thus that they should be accounted for as associates unless it can be clearly demonstrated that this is not the case.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- a. representation on the board of directors or equivalent governing body of the investee;
- b. participation in policy-making processes of the investee, including participation in decisions about dividends or other distributions;
- c. material transactions between the entity and its investee;
- d. interchange of managerial personnel; or
- e. the provision of essential technical information.

The past year has seen significant activity in relation to our strategic investment portfolio. Some of that activity including entire business failures has been widely publicised and, rightly, attracted national attention. It has also demonstrated only too well how incorrect and ludicrous any suggestion was that we have, or have had, significant influence in relation to some of those investees.

The relationships with those investees simply do not operate in that way and in fact, in some cases, those entities continue to stonewall us, ignore us and act in all ways possible to prevent us from building a mutually beneficial working relationship.

During a year end results presentation by Sports Direct at the Stock Exchange on 19 July 2018, I read aloud a brief statement about the Group's relationships with its strategic investment companies. This statement led to interest from various parties, and in response to this we published the statement in order to make it freely available to all.

This statement was made regarding the lack of significant influence we had over some of our strategic investments, however to our amazement there are questions still being raised over this. I noted that "Sports Direct believe accounts should be shown in a form that can be understood and relied upon." Quite clearly in the case of Debenhams and Goals for example this was not the case. As noted in the statement we want all of our strategic investments to adhere by the core Sports Direct principles of being conservative, consistent and simple, yet a number did not and do not.

## DEBENHAMS

We feel most strongly about the Debenhams group failure. Our concerns were so grave that, unusually for the Sports Direct Group, we felt it essential to be as public as possible regarding the events that unfolded between September 2018 and Debenhams entry into administration on 9 April 2019.

Our public role had three motivations:

- i. to maximise shareholder value (which, sadly, ultimately became a failed effort to avoid the entire destruction of that value for shareholders large and small);
- ii. to do everything possible to save what we saw as a viable and potentially successful business from becoming insolvent; and
- iii. to draw attention to a process that was so wrong as to be in our view a national scandal.

We made numerous offers, and took various actions, to assist Debenhams and to avert what we regarded, and still regard, as its unnecessary insolvency and the total destruction of shareholder value. In summary those offers and actions included:

- a. offers by Sports Direct throughout the period of practical and operational support including the appointment of myself as CEO of Debenhams. I wrote personally to Sergio Bucher, then CEO of Debenhams, on 12 December 2018 noting Debenhams refusal to accept any practical support and warning of the terminal fate that awaited it if it continued to not address the commercial and operational issues it faced. We take no pleasure in noting that Debenhams did not address those issues and that I was consequently proven to be right;
- b. an offer by Sports Direct in December 2018 to provide a £40m interest-free loan. That offer was rejected by Debenhams. Instead, the Board caused Debenhams to enter into a £40m bridge facility with its existing lenders on terms significantly less advantageous than they knew Sports Direct was willing and able to offer and which limited Debenhams' ability to obtain financing from other sources without the consent of its existing lenders. We note that this £40m bridge facility document was not made available to us as main shareholder, or indeed any other shareholder, and we consider this a crucial piece of information in the story of how the hedge funds eliminated shareholder value;

- c. voting for the removal of underperforming directors at the final AGM of Debenhams in January 2019. Iain Cheshire and Sergio Bucher were removed following a shareholder vote. Disappointingly, the remaining directors of Debenhams chose to retain Mr Bucher as CEO directly ignoring the wishes of shareholders and missing the opportunity to redirect and reinvigorate the business under new management;
- d. discussing with Debenhams in January 2019 and March 2019 the subscription by Sports Direct to significant new equity in Debenhams;
- e. requisitioning a Debenhams EGM in March 2019 to remove the board and to appoint myself as CEO. Unfortunately, before that meeting could be held Debenhams entered administration, frustrating it being convened;
- f. an offer by Sports Direct in March 2019 to provide a £150m unsecured loan facility. That was rejected by Debenhams, on the apparent (and false) assumption that Sports Direct would not be in a position to put together any comprehensive package until the first half of 2020. This was despite Sports Direct's repeated assurances that it was in a position to provide short-term liquidity. Instead Debenhams entered into a new facility with its existing lenders on terms that, in our view, sealed its eventual entry into administration;
- g. an offer by Sports Direct in March 2019 to purchase Debenhams' "Magasin du Nord" business for £100m, with an option to Debenhams to repurchase it at the same price in the future. That was rejected by Debenhams which issued a statement on 22 March 2019 that "as with all other proposals received to date from Sports Direct, it does not address the ['Debenhams'] funding and restructuring requirement, while balancing the interests of all stakeholders". There was no attempt to engage further with Sports Direct to see how the proposal could be improved upon to address the "funding and restructuring requirement" referred to;
- h. a possible cash offer announced on 25 March 2019 to purchase the entire issued share capital of Debenhams; and
- i. an offer in April 2019 to underwrite a £200m equity issuance by Debenhams as part of a comprehensive refinancing. That offer was rejected by Debenhams citing unwillingness of existing lenders to allow time for it to be concluded. Of course, in any event by that time Debenhams had secured additional funding from its existing lenders through two facilities totalling £200m which (i) contained conditions to draw down that in effect made it impossible for Sports Direct to rescue Debenhams and (ii) granted security to the existing lenders which ultimately facilitated them taking ownership of the Debenhams business on 9 April 2019.

In spite of these valuable repeated offers, Debenhams failed at every opportunity to engage with Sports Direct or to properly consider the proposals put forward save for what we saw as tactical lip service. During the restructuring process we were promised information that would be of great value to us in understanding the position the group found itself in and which would allegedly help us to come up with a sound financing proposal. This could not have been further from the truth as the information we received was both late and of poor and incomplete quality and quantity.

We have been highly, and publicly, critical of the board of Debenhams throughout the relevant period. In our view they lacked the requisite skill and experience to turn around a retailer in the distressed situation that Debenhams found itself in.

Worse than that we also regard them as having failed to discharge their fiduciary duties to Debenhams' shareholders – both through failing to engage with Sports Direct's proposals that could have avoided administration and being insufficiently interested or critical of the proposals from some of the existing lenders which they did accept and which ultimately led to Debenhams entering administration.

We have significant concerns regarding the terms on which Debenhams engaged in discussions with Sports Direct from February 2019 onwards and what the true purpose of those arrangements and discussions was. If as we believe there was a plan to hand the business over to the new owners then that raises serious questions about their motivations.

We have been similarly critical of the role of Debenhams' advisors during the relevant period. We note that we understand tens of millions of pounds were paid by Debenhams to those advisors at a time when cash was at a premium – indeed, significant proportions of the funding obtained during the relevant period simply went to pay those advisors' fees. The relevant lawyers, accountants, and other advisors must have well known what was happening and supported the process. They should be held responsible too.

It remains our firm view that the administration of Debenhams could have been avoided had any of the following occurred:

- a. serious engagement with Sports Direct's offers of practical and commercial assistance, advice and expertise including the appointment of myself as CEO;
- b. serious engagement with Sports Direct's offers of financial assistance on terms clearly more favourable than those that Debenhams' existing lenders were offering;
- c. Debenhams addressing its financial position earlier and in a manner more appropriate to its financial health. As an example we can see no justification for Debenhams continuing to pay significant dividends to shareholders up to and including during the financial year ending 2018 when that money would have been better invested in refreshing the businesses' offering to customers and its operational systems. Sports Direct repeatedly and strongly raised this issue and was ignored; and
- d. Debenhams' Board exercising proper independent decision making with regard to the interests of the shareholders to whom it owed fiduciary duties rather than apparently acting at the behest of its advisors and existing lenders.

Throughout the restructuring process, Sports Direct found it impossible to engage meaningfully with Debenhams and its advisors. We were frustrated at every turn in what appeared to us to be a pre-ordained path to the eventual entry of Debenhams into administration. The result of that administration has been the total destruction of shareholder value and the transfer of the Debenhams business into a new vehicle owned by its American hedge fund lenders through a Luxembourg holding company.

We continue to have very serious concerns about the restructuring process, the pre-pack transaction completed on 9 April 2019 and the conduct of the Debenhams' board and its advisors.

We have raised those concerns with regulators, individual MPs and Parliamentary Select Committees. It appears, unfortunately, that there is little or no will, or ability, amongst those bodies to properly hold any party to account for these events and we fear that this is a pattern that will be repeated seeing many more businesses fall into the clutches of these vulture funds. This will result in shareholders losing faith in the system and investing less. That cannot be healthy for the British economy, especially during the current challenging period that it faces.

In light of its strong views on the subject, Sports Direct continues to examine with its advisors exactly what happened, who was responsible and investigate avenues to seek redress through civil and / or criminal process.

## **GOALS**

Widely publicised accounting irregularities have been found at Goals. We have strongly urged the board to allow an independent investigation on our and other independent shareholders behalf to take place as soon as possible to restore trust in the business. We were assured by members of the board that the cause of the accounting irregularities was confined to one person. However, given the significant size of these irregularities and the timeframe over which they took place we need to understand whether the problem is wider than one individual acting alone. Based on many examples, including the recent case of Patisserie Valerie, these matters are always more pervasive than one individual acting alone. To date the board of the company has stonewalled our requests for an independent investigation repeatedly. We are particularly concerned that the second largest shareholder, Chris Mills, is also a Non-Executive Director and thus has access to more information and insight than is available to Sports Direct as the largest shareholder. This simply cannot be right in a matter so serious.

Based on the lack of engagement in this key matter, alongside our general concerns on the pervasive nature of irregularities, we as the biggest shareholder elected to vote against all resolutions including the reappointment of board members. The result of the AGM was in favour of the status quo despite our opposition and the evidence before the market's eyes, however the foul mouthed tirade and aggressive posturing of Chris Mills to the Sports Direct representative, attending the AGM and asking completely legitimate questions, was extremely unprofessional and unbecoming of a listed business to any representative let alone one from its biggest shareholder.

## **GAME**

After purchasing shares from another shareholder on 5 June 2019 to bring our holding up to 38.49% we were required to make a full takeover bid for the group under listing rules as our holding was above the 30% threshold.

In February 2018, Sports Direct and GAME entered into a collaboration agreement covering the rollout of BELONG and GAME retail stores, including the entering into of concession agreements regarding the siting of BELONG arenas and / or GAME retail stores in Sports Direct locations. BELONG is GAME's competitive gaming and eSports experience centred around physical 'arenas', bringing both casual and competitive gaming to communities nationwide, in city and town centres and in major shopping centres. As part of the agreement, the Sports Direct Group acquired a 50% interest in the BELONG intellectual property rights for a cash consideration of £3.2m, and a 50% profit share of future profits of BELONG. Sports Direct has also provided GAME with a £35m capital expenditure facility, which GAME may utilise to fund the venues envisaged under the collaboration agreement, including the costs for new venues and ongoing development of the BELONG website and its related tournament management system.

The retail and gaming sectors are fast moving and currently subject to challenging conditions. Sports Direct does not believe that, as a standalone business, GAME is able to weather the pressures that it is facing which, over the short to medium-term, Sports Direct believes can only become more acute.

To get the GAME retail and BELONG concepts right will also require a higher degree of flexibility than has proven possible under the current collaboration agreement. In a challenged market, the collaboration agreement simply does not go far enough to address the issues GAME faces as a standalone business.

The structural and escalating shift to digital gaming and game streaming will have a significant impact on physical games retailers. The retail market is littered with examples of businesses that failed to adapt quickly enough to changing consumer demands. Sports Direct believes that GAME needs to diversify and future-proof its product mix if it is to keep up with technological developments and ensure that it does not become irrelevant to customers. Whilst Sports Direct believes that GAME and its current management and Board has the capability, relationships and know-how to do this, it does not believe that, in the absence of the wider support detailed above, GAME will be able to make significant enough progress to reinvent its retail offering.

Similarly, Sports Direct believes that BELONG, when looked at against typical retail metrics, and in an area where competition is starting to emerge, is not a significant profit-driver on its own. Whilst Sports Direct continues to believe that the BELONG concept is attractive, it can only see it as a viable business proposition as part of a wider group that can take a more holistic review of its component parts and where BELONG can be combined with a focus on experiential retail creating a halo effect within stores and other physical locations. Sports Direct therefore believes that the offer, in providing GAME with the wider benefit of Sports Direct's operating and other experience, and increased support including a very strong balance sheet, will secure GAME's future and allow it to navigate the various pressures facing it.

We welcome Game's board's recommendation of the bid, value the unique expertise of the current management team in the gaming market and look forward to working alongside them to deliver a viable and exciting retail and arena experience. At the date of signing this Report, GAME had applied to de-list from the London Stock Exchange, given Sports Direct Group's shareholding had exceeded 75%.

During the year it was determined that the Group has significant influence over Game Digital Plc. Game Digital Plc has therefore been recognised as an associate.

## **FINDEL**

We made an unsuccessful bid for Findel during the financial year, although this was speculative, and mandatory, based on the acquisition of 6.9% from a distressed fund, we felt that there were, and still are, strategic partnerships that can be moved forward in the future. Although we felt our bid amount was fair, the board nonetheless strongly disagreed and did not recommend the bid even though we believe they see the value of working with the Sports Direct Group and developing ideas.

We believe and have made clear to Findel's board that we do not consider the Schools business is fundamental to the Findel group and indeed is not particularly in synergy with its wider activities, thus as the largest shareholder we have recommended it should be sold. Whilst we understand the board needs to assess the future of the Schools business, including all stakeholder requirements, and any potential sales price, based on facts available only to them, we would recommend that a disposal should be looked at as soon as possible.

## **FRENCH CONNECTION**

We continue to have an arms-length supplier / retailer relationship with French Connection, and we consider this relationship to be strong and working well. We do not participate in management decisions nor do we have access to management information and these have not been sought or granted. We note that French Connection has been reviewing strategic options, including a possible sale, since October last year. We believe this process has gone on far too long, and urge management to reach a favourable conclusion for all shareholders as soon as possible.

## **HOUSE OF FRASER**

During the financial year we acquired the trade and assets of House of Fraser for £90m, invested close to that to kick start the supply chain and signed up to the £95m purchase of the flagship Glasgow Frasers store to show we were serious with our investment and strategy.

However, as we have continued to look under the bonnet as we integrate the business, we have found that the problems are nothing short of terminal in nature. Serious under investment in stores and appropriate support services, excessive and unsustainable outsourcing and financing, and selling brands to their Chinese parent shortly before administration are just some of the many problems faced. The previous Chairman, Frank Slevin exemplified city greed and excess, and as House of Fraser's future became terminal with people losing their jobs and with more to follow, Mr Slevin thought it suitable to retain these extravagances not appropriate to a business in its death spiral.

There was the widely publicised closure of the website and warehouses as we tried to get the business moving in the first days after the acquisition which meant the business was starting on the back foot as we tried to save jobs and stores. Despite the frustration on our part we understand the position the likes of XPO were put in when being so fantastically out of pocket because of the previous management's mixture of misplaced optimism or worse, downright lies.

As well as support services suppliers, the brands within House of Fraser had taken a significant hit when the company went into administration. Again based on either misplaced optimism or falsehoods from House of Fraser management, the brands put more skin in the game than management deserved and paid a price for their loyalty. We had to quickly work with these brands to get the business moving again and restore trust and I am pleased and grateful to say that the vast majority of brands understood we were here to help, our vision for the future, and saw a mutually beneficial opportunity going forward.

We have done as much as we could realistically do to save as many jobs and stores as possible, and indeed we appreciate many landlords and local authorities have worked hand in hand with us as we tried to do this. However, there are still a number of stores which are currently paying zero rent and that are still unprofitable and unfortunately this is not sustainable. We are continuing to review the longer-term portfolio and would expect the number of retained stores to reduce in the next 12 months.

On a scale out of 5, with 1 being very bad and 5 being very good, House of Fraser is a 1, albeit we are trying very hard to turn the business around this will not be quick and it will not be easy. Even though we do believe there could be a bright future for House of Fraser, and indeed have publicised our Frasers vision which we are very excited about, if we had the gift of hindsight we might have made a different decision in August 2018.

In conclusion, unscrupulous and / or incompetent management have in this case, and in others within the retail market been shown to be largely untouchable by authorities or stakeholders.

## AUDITORS

We have noted inaccurate reports of an audit tender process being run in 2019, this is not the case. We have been in contact with a number of the Big 4 firms to try and build a relationship in anticipation of a tender process in due course. The last tender process was in 2016.

Grant Thornton have been the Sports Direct Group auditor since 2007 and the first year-end subject to audit after this date was the April 2008 year-end. In line with mandatory rotation rules their last possible year will be the April 2027 year-end.

The Sports Direct Group has grown exponentially in size, geography, and complexity over recent years and we do not believe a firm outside of the Big 4 will potentially be able to cope with such an audit in the future. However, we currently have Grant Thornton who have vast experience of the Sports Direct Group and our intention is to ask our shareholders to approve their reappointment for a further year at the AGM.

Our early discussions with the Big 4 have thrown up some barriers; Deloitte who do our tax compliance and advisory work cannot perform audit work at the same time and thus would currently be unable to tender. KPMG have indicated conflicts of interest based on an existing portfolio of clients, however we do not believe based on our understanding of Big 4 independence procedures that this is insurmountable. EY had some reluctance based on their close proximity to the House of Fraser administration which they ran, however as time has passed we do not believe this should be a barrier when a tender process is run. PwC have had some widely publicised fines in recent years and we understand there is a reluctance to engage based on our ownership structure. I would note that we have in the financial year, taken on two very skilled, independent Non-Executive Directors to assist us in maintaining a level of challenge and guidance to the executive team. I would also note that companies with supposed strong levels of corporate governance consisting of huge boards, many board meetings and management packs in the tens and hundreds, which the Big 4 have been more than happy to audit, for instance Debenhams or Carillion, have been shown to be seriously lacking in what should be important to investors, and indeed auditors, transparency, true and fair accounts, and realistic communications and expectations to the market. We adhere to our core principles in our dealings with investors and the market in general, namely being conservative, consistent and simple.

There have also been inaccurate reports that Sports Direct's 2018 year end accounts were being investigated, we reiterate that it was the audit of the financial statements by Grant Thornton and not the preparation of accounts by Sports Direct that were being reviewed, not investigated, by the Audit Quality Review Team. We would also note that FRC's Audit Quality Review team review on rotation which is a normal part of their procedures and we understand the Sports Direct audit has not been picked for any other reason.

## ACCOUNTING POLICIES

### *Inventory provisions*

To further provide transparency to the market we wish to provide more clarity on the reasons behind our inventory provision which is an outlier in the retail sector.

Sports Direct is a special case when it comes to our position in the retail market and our relationship with third party brands. We cannot be compared with any other retailer and thus trying to fit our judgements into the norm is completely illogical. There is no black and white supporting evidence or historic analysis that supersedes our knowledge and experience which indicates that a level of provision is required that is not fully quantifiable through normal methods. We hold a consistent provision within the boundaries of our analysis and judgement, which means higher inventory levels will mean a greater provision and lower inventory levels mean a lower provision, inherently this is a logical position to take before going into any further detail. We have no wish to manipulate an inventory provision year on year because there is no definitive piece of paper to support the provision level.

To give more clarity on the judgemental elements of our inventory provision highlights the brand pressure we are under from some of our key suppliers.

A number of years ago our key third party suppliers said that the Sports Direct Group had to elevate its offering away from a traditional discount model of 'stack them high sell them low'. As has been well documented in our Annual Reports and in the media in recent years we have been on a programme of serious investment in our elevation strategy including the purchase and superior fit out of freeholds. Even though our third party brand partners by their own admission think we have done a superb job of elevating our stores, we still do not receive as quickly as we would like the premium product we feel the stores deserve. This, combined with our competition getting stronger, increases the risk of us being cut off completely by these suppliers. When we are not providing the right product at the right time at the right price the consumer will not visit our stores and thus ancillary purchases will not be made, hence a greater risk against our remaining inventory.

As another example with some inventory that we have been allowed by the third party brands, we are purchasing significant levels of inventory cover to ensure we have sufficient product to drive footfall in the future, with greater inventory cover there is greater risk of the products going out of fashion. This is not quantifiable with supporting pieces of paper hence a judgement needs to be and has been taken.

These relationships also come in an increasingly difficult, and indeed unpredictable retail market hence an historic view cannot be considered on its own to be a useful indicator of future outcome.

Further information with regard to the Group's inventory provision is provided per note 22 and information in relation to the significant judgements used in determining the inventory provision is provided within the critical accounting judgements and estimates per note 2.

#### *Accounts presentation*

We want to be as clear as possible to the market on how we account and what our assumptions are, thus we welcome any suggestions from our shareholders and the analyst community on what would be helpful to them in how we present our accounts. We will then do our best to accommodate as best we can in practical and regulatory terms. As in any normal audit process there are adjustments proposed by the auditors, some of these which we have agreed are very conservative.

## **RETAIL MARKET**

The current bricks and mortar retail market is in dire straits and without substantial support from the Government in particular it is in a terminal state. I noted at the Commons Select Committee in December 2018 that the patient was at the bottom of the pool, nothing has happened since then to indicate a change in fortunes in the British High Street.

The MPs who showboated, and in the case of MP for Slough Tanmanjeet Singh Dhesi, lied, regarding what I said about saving House of Fraser stores, rather than being interested in saving the High Street showed that they are either not interested in genuinely helping the High Street, are incapable or incompetent to do so, or are so distracted with other matters such as Brexit as to not have time to do anything about it.

Unfortunately, I would have sympathy with the raft of issues being dealt with in Parliament if I felt they were being handled as best they could, I believe I am in the majority in this country when I say the government and members of parliament from all sides are failing this country economically.

To illustrate how serious the situation is on the High Street, alongside the almost weekly administrations, CVAs, frauds, and profit warnings, the British Retail Consortium showed May 2019 as the worst on record. The Sports Direct Group is not immune to this and indeed if not for the Elevation Strategy we implemented in recent years we would be looking at significant problems in the future. Nonetheless, our UK store contribution likes are down 1.6% and we would expect these to be some of the rosier figures from the High Street. Myself and other voices in the retail sector have already noted loudly and clearly some of the measures that should be undertaken to help save high streets, these include an extra tax on online and reform of the business rates regime.

Following on from this, and echoing sentiments from others in the sector, CVAs now seem to be being used carte blanche to penalise creditors and landlords and by extension lead to the more successful retailers subsidising the rotten ones.

## **REGULATORS**

We fundamentally do not believe that advisors, particularly in the distressed and restructuring space are in anyway regulated appropriately. They are clearly in this space for self-interest to generate significant fees, and absolutely not in the best interests of their clients and other relevant stakeholders. Debenhams and its advisors being a recent relevant example in our opinion. I reiterate my stance that advisors that have been shown to act for their own ends should be fined and jailed.

We believe that regulators focus far too much on historic outcomes rather than preventing future problems when the damage is already done. Using the example of Debenhams, the small independent shareholders of whom many contacted us to offer their support during the restructuring process, have had significant sums wiped out from their pensions and savings because of the destruction of shareholder value by the directors, advisors and hedge funds. This is absolutely material to them and no amount of subsequent investigation by the authorities and regulators will bring them this money back. Sports Direct by contrast although bruised by our lost investment and opportunity can move on to the next matter of business. We recommend a system is implemented that flags to the FCA when a situation or transaction becomes higher risk and means they pick up the phone to warn the advisors in particular that this will be looked at very carefully and they are being warned in public. A real time risk of reputational damage through naming and shaming is likely to be the only thing that will make advisors think twice before implementing a course of action that leads to many stakeholders losing out. I was always told by the city that there was an unwritten rule that all things had to pass the smell test, this is clearly no longer the case.

We have also noted to the FCA that we believe that there should be a voluntary drug test for CEOs and CFOs of listed companies. Having such undisclosed personal issues could lead to blackmail and force CEOs and CFOs to make decisions based on saving their own skin and potentially reducing shareholder value.

Also discussed with the FCA is our view that the unwritten rule to have unanimous board decisions on various topics supports unrealistic expectations with shareholders and could lead shareholders to make uninformed and potentially disadvantageous strategic decisions. There is rarely in our view circumstances where all board members are completely aligned with a point of view and we believe board dissention is a healthy part of a board's normal processes and procedures, and indeed on market moving decisions should be made public for listed businesses.

## **FLANNELS**

In contrast to House of Fraser, on a scale of 1 to 5 we would rank Flannels as a 4, being good. We think we can push this up to a 5 in the near future with further support from the luxury brands, for the benefit of all stakeholders. As part of the Elevation Strategy led by Michael Murray, Flannels stores and website continue to go from strength to strength. As part of the Premium Lifestyle division they have grown from sales of £60.4m in FY17 to £173.9m in FY19. Our latest stores, including in Newcastle, highlight our premium offering which is bringing much needed investment and success into the UK High Street.

## **BRAND RELATIONSHIPS**

We took up our third-party brand partners' challenge several years ago to elevate our store offering so that we could showcase the best of what they have to offer. This has involved significant effort and investment in freehold properties and store fit outs, as well as brand relationship management.

Although we are far from finished with our elevation strategy across the Group we feel we are sufficiently advanced as to have met and indeed bettered what the third party brands required of us. However, we believe that having carried out our part of the plan with best intent we have not yet been granted access to the premium product as quickly as we feel these stores deserve.

We want to flag to the market that based on our current position our relationships with key third party brands remain challenging although we are attempting to improve on these as a significant work stream of senior management within the Group.

## **CONSENSUS**

Our acquisition of House of Fraser as noted above has led to significant uncertainty as to the future profitability of the group as a whole, albeit not impacting the going concern assessment of the group. There are significant operational and investment issues we are trying to rectify based on the appalling mismanagement of House of Fraser, prior to its acquisition by the Sports Direct Group, that led to its downfall. Although we have put significant effort into integrating the business into the Sports Direct operational model, including its processes and KPIs, we are still some way from reaching an operating norm. We cannot yet confirm, or even predict, with enough material accuracy what the overall estate will look like in the near term, and this will depend on a combination of factors including brand allowances, current and projected store performance, and rental deals. To be able to invest in the estate, including experiential, we need to confirm the longer-term estate via freehold acquisitions and longer term leases. We believe this will help drive improved performance through greater brand allowances and increased footfall.

Based on this we will not be giving a consensus to the market for FY20 performance. Any projections produced by third parties such as research analysts are not produced on behalf of Sports Direct International plc and Sports Direct International plc takes no responsibility for such projections. As a result prospective investors and other market participants should not treat, and Sports Direct International plc does not intend to treat, the financial projections produced by third parties as indicative of the market expectations of Sports Direct International plc's future financial performance. We specifically note that we are under no obligation to correct estimates made by financial analysts or to inform the market should we come to believe that our actual performance will differ from those estimates. This is not our normal approach, nor a normal approach taken by most listed businesses, however given the current circumstances outlined above we feel it is the correct course of action and it is important that investors understand this current differentiation.

We will review the current situation again at the half year and depending on factors mentioned above being resolved to a suitable extent we may be able to give guidance at that point.

## **KAREN BYERS**

Karen Byers has been an invaluable member of the Sports Direct team for over 28 years, however as the focus of the Group moves to an elevated offering, including shop fits, this meant that Karen was no longer able to do the things she loved and was good at for so many years. Many elements at which Karen excelled now fall under the remit of third-party brands as we create the elevated stores they and our customers now demand. We wish her well for the future and consider the door to always be open if she wants to re-engage with the Group in a consultant role.

## **JON KEMPSTER**

We have today announced that Jon Kempster, the Chief Financial Officer, will step down on 11 September 2019. Jon came in during a transitional period and his knowledge and experience has helped to guide the Group through this stage in its development as well as passing on vital knowledge to those around him. Jon was proactive in forging improved relationships with the market and we believe we are in a better place in this regard than when he first started. Jon came in as Group CFO despite the negative perception of the Business and how it was run. Jon and ourselves believe he has found that actually this is a very well run business with far less corporate governance issues to deal with than the markets and the media have incorrectly smeared us with. We thank Jon for his time and effort during his two years with us and wish him the best of luck in his future endeavours. Jon is handing over smoothly to Chris Wootton our current Deputy Chief Financial Officer and I believe the knowledge and experience passed on by Jon and others within the Group puts Chris in a great place to succeed and help drive the Group into the next phase of its development.

## **CAMERON OLSEN**

For personal reasons Cameron Olsen has chosen to move back to his native Australia and we wish him all the best in his future endeavours and thank him for his support whilst with the Group.

## **NEWCASTLE UNITED**

In the current and prior year we have in the ordinary course of business been charged £1m per season for advertising rights whilst Newcastle United are in the Premier League, this is covered in the related party note in the financial statements on page 144. For the football season beginning in August 2019 the Sports Direct Group will be charged £2m for the advertising rights. Sports Direct still considers this to be value for its shareholders.

## **MALAYSIA**

I wanted to congratulate our fast-growing Malaysian Business which we operate and own alongside a local team. June 2019 was a significant milestone for the Business in Malaysia. Our team beat the shortlisted competition from pharmaceutical, oil and gas, construction and manufacturing to pick up the 'UK-Malaysia Business of the Year' accolade from the Malaysian Finance Minister. This was audited by the British Malaysian Chamber of Commerce and judged by an independent panel, based on business growth, market impact, customer service and consumer feedback.

We are extremely proud of our staff and local management team and look forward to the continuing growth and success of this business.

## **SHARE BUYBACKS**

We have continued our share buyback programme during the closed period to 26 July 2019 to continue to signal to the market our belief in the strength of the group. As our elevation strategy continues to materialise we have growing confidence in a successful future for the group in the mid to long term, thus until further notice all future buyback programmes will be up to the maximum daily volume allowed under MAR rules, currently 25%. With this in mind today we announce a new share buyback programme from 30 July 2019 for the period up until the AGM on 11 September 2019. The aggregate purchase price of all shares acquired under the Programme will be no greater than £30m. The maximum number of shares that may be purchased under the Programme will be 10m ordinary shares.

## **SHIREBROOK SALE AND LEASEBACK AND THE NEW LONDON OFFICE**

The Group has grown substantially in the last year, particularly with the acquisition of House of Fraser and the opening of our London office, Academy House. The latter has enabled us to interact more directly with suppliers, banks, brands and other associates based in or as regular visitors to London, all key relationships to the ongoing success of our business.

During the post year end period we completed the sale of the Shirebrook campus for £120.1m and its lease back by the Sports Direct Group of the site for 15 years. Shirebrook and its functions remain key to the operational success of the Sports Direct Group and we look forward to working closely with the site's new owners to ensure that remains the case. The Group's elevation strategy continues to be a success as we roll this out further and further and it would not be possible without the support and capabilities of Shirebrook.

## **UNIONS**

There continues to be repeated reference to the Shirebrook warehouse as a 'Victorian Workhouse' by sections of the media amongst others, referring back to a phrase coined by Iain Wright, a former MP who we complained about regarding a donation he received from the trade union Unite.

I have mentioned on numerous occasions the true reason behind the attack by the unions on Sports Direct and will mention here again for the record, and I will repeat this every year. On Tuesday 4 October 2016 Luke Primarolo, Regional Officer, Unite Union and Steve Turner, Assistant General Secretary, Unite Union were taken on a tour of the facilities at Sports Direct Head Office, Shirebrook. Time was spent in each of the retail units in Shirebrook, then the Main offices and the canteen, and finally the warehouse. Both Mr Primarolo and Mr Turner engaged in a long and interactive discussion with myself into how Sports Direct works, how Sports Direct is run by the people of Sports Direct but how difficult the focus on the Business has been. It was during the tour that Mr Turner said to me "It was the Agencies we were after"..."We had to get you in order to get to the agencies".

What Mr Turner had said made me realise that their wilful and purposeful attempt to destroy the Business everyone in Sports Direct works incredibly hard for, was nothing more than a throwaway by-product of their ultimate goal of getting to the employment agencies.

## KEY PERFORMANCE INDICATORS

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

	52 weeks ended 28 April 2019	52 weeks ended 29 April 2018	53 weeks ended 30 April 2017	Pro forma 52 weeks April 2017
<b>FINANCIAL KPIs</b>				
Group revenue	£3,701.9m	£3,359.5m	£3,245.3m	£3,199.9m
Underlying EBITDA <sup>(1)</sup>	£287.8m	£306.1m	£272.7m	£268.3m
Sports Retail gross margin <sup>(2)</sup>	42.4%	40.8%	41.6%	41.6%
Underlying basic earnings per share <sup>(3)</sup>	17.6p	19.1p	11.4p	
Free cash flow	£273.3m	£326.2m	£257.2m	
Net debt	£378.5m	£397.1m	£182.1m	
<b>NON-FINANCIAL KPIs</b>				
No. of Sports Retail stores <sup>(4)</sup>	968	826	802	
Workforce turnover	23.0%	23.0%	17.4%	
Packaging recycling <sup>(5)</sup>	12,807 tonnes	13,757 tonnes	13,226 tonnes	

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

(2) Sports Retail gross margin is shown after adjustments for inventory provisions and hedging revaluations.

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

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

(5) Cardboard and plastic recycling.

### Group revenue

The Board considers that this measurement is a key indicator of the Group's growth.

### Underlying EBITDA

Underlying EBITDA shows how well the Group is managing its trading and operational efficiency and therefore the overall performance of the Group.

### Sports Retail gross margin

Include the Group's UK Sports Retail and European Sports Retail divisions. The Board considers that this measurement is a key indicator of the Group's trading profitability.

### Underlying basic earnings per share

Underlying basic EPS is a measure of total shareholder return and ultimately an indicator to our shareholders of the success of our elevation strategy.

### Free cash flow

Free cash flow is considered to be an important indicator for the Business of the cash available for investment in the elevation strategy.

### Net debt

Net debt is an indicator of both the Group's investment in the elevation strategy and its covenant headroom which is a key component of the Group's going concern considerations.

### No. of Sports Retail stores

The Board considers that this measurement is an indicator of the Group's growth, the Group's elevation strategy is replacing older stores and often this can result in the closure of two or three stores to be replaced by one larger new generation store.

**Workforce turnover**

The Board considers that this measurement is a key indicator of the contentment of our people.

**Packaging recycling**

The Board considers that this measurement is a key indicator of our impact and commitment to the best environmental practices.

**PERFORMANCE OVERVIEW**

Group revenue increased by 10.2% to £3,701.9m in the year. UK Sports Retail increased by 0.3% to £2,187.3m, which includes USC fascia sales. European Sports Retail decreased by 5.9% to £599.8m including Heatons Republic of Ireland. Premium Lifestyle revenue increased by 26.3%, with revenue in the Wholesale & Licensing division down 12.2%. Rest of World Retail revenue was £215.9m, up 12.2%. House of Fraser sales were £330.6m since acquisition.

Group gross margin in the year increased by 310 basis points from 39.7% to 42.8%. This was largely due to price resetting, adjustments in the prior year relating to acquisition accounting as a result of the purchase of the trade and assets of Bob's Stores and Eastern Mountain Sports, and prior year increased inventory provisions as all divisions invested in more significant product offerings. UK Sports Retail margin was up 130 basis points at 42.1% (FY18: 40.8%) while European Sports Retail increased 280 basis points from 40.8% to 43.6%. Premium Lifestyle's gross margin increased by 610 basis points from 33.3% to 39.4% due to improved sell through as the product mix continues to improve. Rest of World Retail margin was 40.2%, with the prior year margin of 30.0% including acquisition adjustments. Excluding acquisition adjustments, Rest of World FY18 margin was 39.1%.

Group operating costs increased by 26.1% to £1,287.1m (FY18: £1,020.3m), mainly due to the inclusion of House of Fraser overheads. Excluding House of Fraser and other acquisitions, Group operating costs decreased by 1.0%. See Financial Review for reconciliation of Group operating costs to selling, distribution and administrative expenses.

As a result, Group underlying EBITDA (pre-Share Scheme costs) for the year was down 6.0% to £287.8m (FY18: £306.1m). Excluding current year and prior year acquisitions, Group Underlying EBITDA for the year was up 9.5% to £357.4m. UK Sports Retail underlying EBITDA was down 4.7% to £264.7m while European Sports Retail underlying EBITDA was up 109.3% to £29.3m from a prior year of £14.0m. Premium Lifestyle underlying EBITDA was up 117.5% to £13.7m from £6.3m, Rest of World Retail was a loss of £0.9m, from a £22.3m loss and Wholesale & Licensing underlying EBITDA increased to £32.6m from £30.2m.

The depreciation and amortisation charges have decreased by 19.5% to £125.4m (FY18: £155.8m restated from £139.4m), with acquisitions having minimal impact.

Group underlying profit before tax increased 5.0% to £143.3m (FY18: £136.5m restated from £152.9m), due to the inclusion of House of Fraser, but offset by lower depreciation and amortisation charges. Underlying basic EPS for the year decreased by 7.9% to 17.6p (FY18: 19.1p restated from 19.9p).

The Group generated free cash flow during the year of £273.3m, down from £326.2m in the prior year. Net debt decreased by £18.6m to £378.5m at year end, with the spend on acquisitions and related working capital offset by disposal of investments and properties and slightly reduced capital expenditure combined with continued strong cash generation in the core business. Net debt currently stands at 1.3 times reported EBITDA (29 April 2018: 1.1 times).

**REVIEW BY BUSINESS SEGMENT**

The UK Retail division includes the Sportsdirect.com and USC fascias. Premium Lifestyle includes the Flannels, Cruise and van mildert fascias. European Retail includes continental Europe and Republic of Ireland retail stores. Rest of World Retail includes US and Asia retail and e-commerce results. These segments best show the operational activity of the Group, with the UK entrepreneurial hub serving both the UK and European markets, and the US and Malaysian activity taking advantage of the Group's strong supply chain relationships. The House of Fraser acquisition and integration has taken place during the period and is being actively managed by the central UK function.

## UK SPORTS RETAIL

The UK Sports Retail segment includes all of the Group's sports retail and USC store operations in the UK and Northern Ireland, all of the Group's Sports Online business (excluding Bob's and Eastern Mountain Sports, and Malaysia), the Group's Fitness Division and the Group's Shirebrook campus operations. UK Sports Retail is the main driver of the Group and accounts for 59.2% of Group revenue.

	52 weeks ended 28 April 2019 (£'m)	52 weeks ended 29 April 2018 (£'m)
<b>UK Sports Retail Revenue</b>	2,187.3	2,181.5
Cost of Sales	(1,267.4)	(1,290.7)
Gross Profit	919.9	890.8
Gross Margin %	42.1	40.8

Revenue grew 0.3% to £2,187.3m, excluding the acquisition of Evans, revenue fell 2.9%.

UK Sports Retail gross margin increased to 42.1% (FY18: 40.8%). The foreign currency effect on margin for FY20 is expected to improve based on USD forecast purchases for FY20 being hedged at approx. 1.42.

Operating expenses increased by 7.1% due to the addition of Evans during the year. Excluding acquisitions, operating expenses decreased by 1.0%. Store wages were down on the prior year at £153.2m (FY18: £174.9m) and as a percentage of store sales it decreased to 9.1% (FY18: 10.4%). This was offset by increases to onerous lease provisions.

Underlying EBITDA for UK Sports Retail was £264.7m (FY18: £277.9m), a decrease of 4.7% for the year.

## UK SPORTS STORE PORTFOLIO

	28 April 2019	29 April 2018
England	367	374
Scotland	37	36
Wales	28	29
Northern Ireland	17	16
Isle of Man	1	1
USC	35	38
Evans Cycles	55	-
<b>Total</b>	<b>540</b>	<b>494</b>
Opened	13	13
Closed	(22)	(32)
Acquired	55	-
Area (sq. ft.)	approx. 5.6m	approx. 5.4m

## PREMIUM LIFESTYLE

Premium Lifestyle consists of Flannels, Cruise and van mildert fascia stores and corresponding web sales.

	52 weeks ended 28 April 2019 (£'m)	52 weeks ended 29 April 2018 (£'m)
Revenue	204.8	162.1
Cost of sales	(124.1)	(108.2)
Gross Profit	80.7	53.9
Gross Margin %	39.4	33.3

Premium Lifestyle sales increased by 26.3% to £204.8m (FY18: £162.1m), mostly due to new Flannels stores and increased web sales. The Premium Lifestyle gross margin for the year increased by 610 basis points to 39.4% (FY18: 33.3%), largely due to improved buying disciplines.

Premium Lifestyle operating costs increased by 40.8% to £67.0m (FY18: £47.6m) due to the increase in Flannels fascia stores. As a result, Underlying EBITDA grew 117.5% to £13.7m (FY18: £6.3m).

At the year end, the Premium Lifestyle division traded from stores under three main fascias.

	28 April 2019	29 April 2018
Flannels	31	21
Cruise	8	10
van mildert	2	3
<b>Total</b>	<b>41</b>	<b>34</b>
Area (sq. ft.)	approx. 0.45m	approx. 0.35m

## HOUSE OF FRASER

On 10 August 2018, the Group acquired the trade and assets of House of Fraser, including the brand, inventory, certain property, plant and equipment, the right to trade from 59 stores and all the staff. As at 28 April 2019, 54 stores were still trading.

House of Fraser operates a significant number of concessions within its stores, where House of Fraser acts as Agent for the sale of the concession owned inventory. Revenue from concession sales is required to be shown on a net basis, being the actual commission received rather than the gross value achieved on the sale. In order to understand the value of overall activity of the Group we have disclosed below the Gross Transaction value (GTV) being gross sales net of VAT, discounts and returns and gross sales where the Group acts as Agent.

	10 August 2018 to 28 April 2019 (£m)
Gross transaction value (GTV)	527.6
Revenue	330.6
Cost of sales	(164.0)
Gross profit	166.6
GTV margin %	31.6
Reported margin %	50.4

## EUROPEAN SPORTS RETAIL

European Sports Retail contains the Sports Retail stores in Continental Europe and the Republic of Ireland.

	52 weeks ended 28 April 2019 (£'m)	52 weeks ended 29 April 2018 (£'m)
European Sports Retail Revenue	599.8	637.2
Cost of Sales	(338.3)	(377.1)
Gross Profit	261.5	260.1
Gross Profit %	43.6	40.8

Revenue fell 5.9% to £599.8m. On a currency neutral basis, European Sports Retail revenue decreased by 5.5% largely due to changes in the store portfolio.

European Sports Retail gross margin increased to 43.6% (FY18: 40.8%) with the prior year reduced due to inventory provisions and shrinkage adjustments. The majority of forecast USD / EUR purchases are hedged in FY20 at USD / EUR 1.2.

Operating expenses decreased by 5.8%, to £232.2m (FY18: £246.6m). Store wages in the year were down to £97.4m (FY18: £100.4m) and as a percentage of sales it increased to 16.3% (FY18: 15.7%). In the current year, provisions were made for onerous leases in poorly performing stores of £23.6m (FY18: £9.0m).

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

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

	28 April 2019	29 April 2018
Belgium	35	36
Republic of Ireland <sup>(2)</sup>	33	32
Austria	26	28
Estonia <sup>(1)</sup>	26	27
Portugal	19	17
Latvia <sup>(1)</sup>	18	18
Lithuania <sup>(1)</sup>	18	17
Poland	16	16
Slovenia	14	14
Czech Republic	11	10
Hungary	8	8
Cyprus	6	6
Holland	5	6
Slovakia	5	6
France	4	5
Germany	2	2
Luxembourg	2	2
Spain	2	2
Iceland	1	1
Total	251	253
Opened	8	5
Closed	(10)	(17)
Acquired		1
Area (sq. ft.)	approx. 3.6m	approx. 3.9m

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

(2) Excluding Heatons fascia stores

## REST OF WORLD RETAIL

Rest of World Retail includes sports stores in Malaysia trading under the SPORTSDIRECT.com fascia which continued to expand with 3 stores opened. Sales are now £41.6m with gross margins of 45.9% (FY18: sales £33.1m and gross margin 45.6%).

	52 weeks ended 28 April 2019 (£'m)	52 weeks ended 29 April 2018 (£'m)
Revenue	215.9	192.4
Cost of sales	(129.1)	(134.6)
Gross Profit	86.8	57.8
Gross Margin %	40.2	30.0

Rest of World Retail sales were £215.9m for the year. Gross margin was 40.2%, up from 30.0% in the prior year and underlying EBITDA loss was £0.9m, improved from a loss of £22.3m in FY18. The improvements are due to prior year acquisition accounting for Bob's Stores and Eastern Mountain Sports, and prior year increased inventory provisions.

There are currently 51 stores in the US. In Malaysia the Group has 33 stores which are 51.0% owned by the Group.

	28 April 2019	29 April 2018
Malaysia	33	30
Bob's Stores	28	30
Eastern Mountain Sports	23	19
	84	79
Area (sq. ft.)	approx. 1.5m	approx. 1.5m

## WHOLESALE & LICENSING

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

	52 weeks ended 28 April 2019 (£'m)	52 weeks ended 29 April 2018 (£'m)
Wholesale	136.0	154.3
Licensing	27.5	32.0
Total Revenue	163.5	186.3
Cost of Sales	(95.5)	(113.8)
Gross Profit	68.0	72.5
Gross Margin %	41.6	38.9

Wholesale & Licensing total revenue decreased by 12.2% to £163.5m (FY18: £186.3m). Wholesale revenues were down 11.9% to £136.0m (FY18: £154.3m), due to reductions in UK wholesale activity. Trading in the US market was in line with expectations and now represents approx. 60% of total wholesale sales.

Total gross margin increased by 270 basis points to 41.6% (FY18: 38.9%). Wholesale gross margins increased 360 basis points to 29.8% (FY18: 26.2%) mainly due to changes in the distribution mix with a lower proportion of low margin direct delivery sales.

Licensing revenues in the year were down 14.1% to £27.5m (FY18: £32.0m). During the year we signed 12 new licence agreements and renewed several existing licenses, covering multiple brands, product categories and geographies, with minimum contracted values of \$20m over the life of the agreements.

Operating costs decreased by 16.3% to £35.4m (FY18: £42.3m). Underlying EBITDA increased by 7.9% to £32.6m (FY18: £30.2m), with the reduction in licensing revenue offset by reduced overheads.

## PROPERTY REVIEW

The elevation strategy developed significantly over the course of FY19 demonstrated by a number of key store openings. Starting with the opening of Thurrock, further elevated multi fascia sites were opened regionally at Denton, Manchester, Merry Hill Shopping Centre and Northwich. The elevated store concept now extends to four different formats and are not limited to large format or multi fascia sites. The pipeline of new generation stores remains strong bolstered by the current UK market conditions being favourable to secure new sites.

The Premium Lifestyle division has been an area of focus having opened 10 new stores over the period. A newly developed 'regional concept' store design has been implemented at new sites in Oxford, Merry Hill and Newcastle which opened shortly after the financial year end. This exciting new concept will complement the London flagship store due to open in FY20.

New stores continue to be opened across the European estate, the recent openings also adopt the new elevated formats in line with what has been delivered in the UK.

### **Store Portfolio – Sports Stores – UK incl. Northern Ireland**

The Group is currently operating 367 stores in England, 37 in Scotland, 28 in Wales and 17 in Northern Ireland, along with 35 other fascias including USC. This represents a net reduction of 9 stores over the period as a result of 13 openings and 22 closures. Despite the net reduction in stores the total sales area has increased to approx. 5.6m sq. ft.

Of the new store openings, locations to highlight include new generation stores at Thurrock, Denton, Manchester, Merry Hill and Northwich. With the exception of Merry Hill all of these are held on a Freehold or Long Leasehold basis.

Over the period and with the continued success of the new generation stores, an elevated concept has been developed across four different store formats - small, medium, large and extra-large. All of which incorporate a lifestyle offer via the newly designed USC section first introduced at Thurrock.

The Northwich store is the first example of a medium format new generation store. Widnes which opened shortly after the financial year end is an executed small format elevated store. These new formats will be implemented for all new Sports Direct stores.

### **Sports Direct Forecast Openings UK FY20**

The Group forecasts that including relocations there will be in the region of 10-20 new generation Sports stores over the coming financial year in the UK, all of which will include the new USC concept first delivered at the Thurrock store.

For our luxury fascia, Flannels, we anticipate 5-10 new stores over the coming financial year including relocations.

### **Store Portfolio – Premium Lifestyle**

Significant progress has been made on the development of the Flannels Estate, specifically the delivery of the new regional concept store designs in Oxford, Merry Hill and Newcastle which opened shortly after the financial year end. A key milestone for the division will be the opening of the Flannels London flagship store in FY20.

Over FY19 there were 10 openings and 3 closures resulting in a net increase of 7 stores. The resulting store numbers for the Premium Lifestyle division consisted of 31 Flannels stores, 8 Cruise stores and 2 Van Mildert stores – a total of 41 stores.

### **Store Portfolio – House of Fraser**

The group acquired 59 trading House of Fraser stores during FY19, this has been the area of significant focus to negotiate both interim and long-term lease deals with Landlords in order to stabilise and reposition the business. As at the end of FY19, 5 stores were closed taking the number of trading stores to 54.

### **European Retail**

#### **Store Portfolio Europe – Republic of Ireland**

The Group has continued to invest extensively in the Heatons ROI existing store network through the conversion of a further 15 stores into multi fascia / Sports Direct stores. The Group operates 33 locations across ROI, of which there are 9 standalone Sports Direct stores. In addition to this, there is 1 House of Fraser, and 6 standalone Heatons stores.

Our investment in stores continues to be well-received by our colleagues, local customers and third party brands. In the next financial year, we aim to convert the remaining standalone Heatons stores into multi fascia / Sports Direct stores.

As previously advised and as can be seen to date we remain committed to roll out more of the new generation store format with a particular focus on flagship stores across Ireland. The Group forecasts that there will be in the region of 2 - 4 new generation Sports stores over the coming financial year in ROI, all of which will include the new USC concept.

**Store Portfolio Europe – Continental**

The Group continues to operate sports stores in 19 countries in Europe.

- 218 Sports retail stores in Continental Europe (plus 13 non-core, speciality and outlets)
- Total sq ft of approx. 2.9m of all sports fascias in Europe (including Eybl, Disport, Sportsworld etc)
- 8 openings in 4 different countries in FY19, 2 of which were relocations
- 10 closures in 9 different countries of non-performing stores and where impacted by relocation
- The Group are committed to expansion in continental Europe and in the immediate months following FY19 opened elevated Sports Direct stores across 3 locations in Portugal, with a further 3 due in Portugal in FY20
- The Group estimate there will be a total delivery of 10-15 new elevated Sports Direct stores over the coming financial year across continental Europe

**Store Portfolio – Rest of World**

- 33 stores in Malaysia, including 3 openings and 1 closure FY19
- The Malaysian elevation and expansion drive continues, with 1 new elevated store opening in the immediate months following FY19, 1 refit to an elevated store and a further 8 stores under contract for opening in FY20 in an elevated format
- 51 stores in the USA, including 3 openings, 1 relocation and 1 closure in FY19. 2 stores closed shortly after FY19

**Freehold / Long Leasehold Property Purchases**

For FY19, a total of 9 acquisitions were completed in the UK amounting to a combined purchase price of £34.1m. (This excludes amounts paid for building improvements to existing freeholds). As announced contracts were exchanged to acquire the Glasgow Frasers store for £95.0m completing in FY20. A further property was acquired in the USA, amounting to \$11.1m.

Further disposals of property assets were completed over FY19 where appropriate and will remain the case over the coming financial year. The most significant disposal completed subsequent to the year end was the groups UK Office and Distribution campus located in Shirebrook.

**CONTRACTS ESSENTIAL TO THE BUSINESS OF THE GROUP**

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

**ENVIRONMENTAL MATTERS**

Details of Corporate Social Responsibility are on pages 33 to 39 and an assessment of the Group's impact on the environment is included in this Report.

Mike Ashley

**Chief Executive**

26 July 2019

## FINANCIAL REVIEW

The Financial Statements for the Group for the 52 weeks ended 28 April 2019 are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### SUMMARY OF RESULTS

	52 weeks ended 28 April 2019 (£'m)	52 weeks ended 29 April 2018 Restated (£'m)
Revenue	3,701.9	3,359.5
Underlying EBITDA	287.8	306.1
Reported profit before taxation	179.2	61.1
Underlying profit before tax	143.3	136.5
	Pence per share	Pence per share
Reported basic EPS	21.6	3.8
Underlying basic EPS	17.6	19.1

The Directors believe that underlying EBITDA, underlying Profit before tax and underlying basic EPS provide further useful information for shareholders on the underlying performance of the Business in addition to the reported numbers and are consistent with how business performance is measured internally. They are not recognised profit measures under IFRS and may not be directly comparable with "adjusted" profit measures used by other companies.

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

### EBITDA AND PROFIT BEFORE TAX

	52 weeks ended 28 April 2019	52 weeks ended 29 April 2018 Restated
	EBITDA (£'m)	PBT (£'m)
<b>Operating profit</b>	<b>160.5</b>	<b>200.5</b>
Depreciation and amortisation	125.4	155.8
Share of (loss) / profit of associated undertakings (excl. FV adjustments)	(8.6)	(8.7)
<b>Reported</b>	<b>277.3</b>	<b>179.2</b>
Share Scheme	-	(6.0)
Exceptional items	41.0	4.8
Profit on sale of properties	(8.4)	(16.3)
Net investment costs / (income)	-	93.3
Realised FX (gain) / loss	(22.1)	(24.0)
Fair value adjustment on foreign exchange contracts	-	17.7
<b>Underlying</b>	<b>287.8</b>	<b>143.3</b>
		PBT (£'m)
		<b>347.6</b>
		<b>61.1</b>

## GROUP OPERATING COSTS

	52 weeks ended 28 April 2019 (£'m)	52 weeks ended 29 April 2018 (£'m)
Group operating costs	1,287.1	1,020.3
Depreciation and amortisation	125.4	155.8
Bonus Share Scheme	-	(6.0)
Realised FX (gain) / loss	(22.1)	(24.0)
Operating income	23.4	26.5
<b>Selling, distribution and administration costs</b>	<b>1,413.8</b>	<b>1,172.6</b>

Group operating costs for the purposes of management reporting:

- i. Excludes depreciation, amortisation and impairments, Share Scheme charges and realised FX losses; and
- ii. Includes other operating income.

## FOREIGN EXCHANGE AND TREASURY

The Group reports its results in GBP but trades internationally and is therefore exposed to currency fluctuations on currency cash flows in various ways. These include purchasing inventory from overseas suppliers, making sales in currencies other than GBP and holding overseas assets in other currencies. The Board mitigate the cash flow risks associated with these fluctuations with the careful use of currency hedging using forwards.

The Group uses forward contracts that qualify for hedge accounting in two main ways – to hedge highly probable Euro sales income and USD inventory purchases. This introduces a level of certainty into the Group's planning and forecasting process. Management have reviewed detailed forecasts and the growth assumptions within them and are satisfied that the forecasts meet the criteria as being highly probable forecast transactions.

As at 28 April 2019, the Group had the following forward contracts that qualified for Hedge Accounting under IFRS 9 Financial Instruments, meaning that fluctuations in the value of the contracts before maturity are recognised in the Hedging Reserve through Other Comprehensive Income. After maturity, the sales and purchases are then valued at the Hedge rate.

Currency	Hedging against	Currency value	Timing	Rates
EUR / GBP	Euro sales	EUR 1,013m	FY20 – FY23	0.99 – 1.140
AUD / GBP	Australian Dollar sales	AUD 8m	FY20	1.690
USD / GBP	USD inventory purchases	USD 720m	FY20	1.410 – 1.430
USD / EUR	USD inventory purchases	USD 210m	FY20 – FY21	1.210 – 1.320

The Group also uses currency options, swaps and spots for more flexibility against cash flows that are less than highly probable and therefore do not qualify for hedge accounting under IFRS9 Financial Instruments. The fair value movements before maturity are recognised in the Income Statement.

The Group has the following currency options and unhedged forwards:

Currency	Expected use	Currency value	Timing	Rates
EUR / GBP	Euro sales	EUR 1,130m	FY20 – FY23	0.99 – 1.140
AUD / GBP	Australian Dollar sales	AUD 8m	FY20	1.690
USD / EUR	USD purchases	USD 90m	FY20 – FY21	1.210

The Group also holds short-term swaps for Treasury management purposes.

The Group is proactive in managing its currency requirements, the Sports Direct Treasury team work closely with senior management to understand the Group's plans and forecasts and appropriately discuss and understand financial products with reputable financial institutions including those within the Group Revolving Credit Facility. This information is then used to implement suitable currency products to align with the Group's strategies and forecasts.

Regular reviews are performed by the Sports Direct Treasury team alongside senior management to ensure the continued appropriateness of the currency hedging in place, and where suitable either implementing additional strategies and / or restructuring existing approaches in conjunction with our financial institution partners.

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

## TAXATION

The effective tax rate on profit before tax in FY19 was 35.3% (FY18: 62.0% restated from 64.4% due to deferred tax rate changes in the US). The prior year rate reflects the impact of investment losses that are not tax deductible. The underlying effective tax rate remains at approx. 31%, this reflects the impact of the increase in freehold property and related disallowable depreciation.

## EARNINGS

	52 weeks ended 28 April 2019 (pence per share)	52 weeks ended 29 April 2018 Restated (pence per share)	Change (%)
Reported EPS (Basic)	21.6	3.8	468.4
Underlying EPS (Basic)	17.6	19.1	(7.9)
Weighted average number of shares (actual)	519,468,336	527,793,623	

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

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

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

	52 weeks ended 28 April 2019 (£'m)	52 weeks ended 29 April 2018 Restated (£'m)
Profit after tax	112.0	20.1
Post tax effect of adjustment items:		
(Profit) / loss on disposal of listed investments	(6.7)	3.6
Fair value adjustment to forward foreign exchange contracts	(31.0)	13.8
Fair value adjustment to derivative financial instruments	-	89.6
Realised gain on forward foreign exchange contracts	(17.3)	(18.6)
Profit on disposal of freehold properties	(6.5)	(12.9)
Impairment	41.0	5.0
<b>Underlying profit after tax</b>	<b>91.5</b>	<b>100.6</b>

## DIVIDENDS

The Board has decided not to pay a dividend in relation to FY19. The Board remains of the opinion that it is in the best interests of the Group and its shareholders to preserve financial flexibility, facilitating future investments and other growth opportunities. The payment of dividends remains under review.

## CAPITAL EXPENDITURE

During the period, gross capital expenditure amounted to £159.2m (FY18: £213.4m), which includes £48.2m on properties (FY18: £140.0m).

## STRATEGIC INVESTMENTS

Strategic investments are an integral part of the Group's overall strategy as discussed within the Chief Executive's Report and Business Review on pages 12 to 27.

The Group continues to hold various other interests, none of which represent more than 5% of the voting power of the investee.

The fair value of the contracts for difference and options are recognised in Derivative Financial Assets or Liabilities on the Group Balance Sheet, with the movement in fair value recorded in the Income Statement.

## ACQUISITIONS

During the year, the Group completed the acquisition of the group of department stores operating as Frasers and House of Fraser. During the year, the Group also acquired Evans Cycles the UK's leading specialist bike shop.

## RELATED PARTIES

MM Prop Consultancy Limited, a company owned and controlled by Michael Murray (domestic partner of Anna Ashley, daughter of Mike Ashley), continues to provide property consultancy services to the Group. MM Prop Consultancy Limited is primarily tasked with finding and negotiating the acquisition of new sites in the UK, Europe and rest of the world for both our larger format stores and our combined retail and gym units but it also provides advice to the Company's in-house property team in relation to existing sites in the UK, Europe and rest of the world.

In the year properties are assessed and those that are considered by the Group's independent Non-Executive Directors to have been completed and be eligible for review at the year end are assessed and valued by an independent valuer who confirms the value created by MM Prop Consultancy Limited. The Group's independent Non-Executive Directors then review and agree the value created and have full discretion to approve a payment to MM Prop Consultancy Limited of up to 25% of the value created, as at 28 April 2019 25% has been used (2018: 20%). There is a current pipeline of properties that may be eligible to be assessed both positively and negatively by the Group's Non-Executive Directors in future years.

In the current year £5.35m has been accrued (FY18 - £5.0m provided but £5.2m eventually paid in FY19) as payable to MM Prop Consultancy Limited and agreed by the independent Non-Executive Directors.

## CASH FLOW AND NET DEBT

Net debt decreased by £18.6m from £397.1m at 29 April 2018 to £378.5m at 28 April 2019. Based largely on the increased use of the Revolving Credit Facility during the year, interest on bank loans and overdrafts increased to £14.5m (FY18: £9.5m).

The analysis of debt at 28 April 2019 was as follows:

	28 April 2019 (£'m)	29 April 2018 (£'m)
Cash and cash equivalents	448.0	360.0
Borrowings	(826.5)	(757.1)
<b>Net debt</b>	<b>(378.5)</b>	<b>(397.1)</b>

The Group's Working Capital Facility is at £913.5m (FY18: £913.5m) available until November 2021 and is not secured against any of the Group's assets. During the year we enacted an extension option for a further year to November 2022 for £847.5m.

The Group continues to operate well within its banking covenants and the Board remains comfortable with the Group's available headroom. Note, due to timing of payroll and supplier payments, net debt at 30 April 2019 was approx. £435m (FY18: approx. £485.0m).

## CASH FLOW

Total movement is as follows:

	52 weeks ended 28 April 2019 (£'m)	52 weeks ended 29 April 2018 (£'m)
Underlying EBITDA	287.8	306.1
Realised profit on forward foreign exchange contracts	22.1	24.0
Taxes paid	(40.0)	(45.2)
Movement in inventory	(14.5)	(119.6)
Working capital and other	17.9	160.9
Underlying free cash flow after working capital	273.3	326.2
Invested in:		
Purchase of own shares	(7.3)	(155.4)
Acquisitions	(98.7)	(3.1)
Purchase of listed investments	(57.8)	(287.1)
Net proceeds from investments	54.9	20.9
Net capital expenditure	(139.6)	(144.4)
Exchange movement on cash balances	3.2	4.1
Investment income	3.4	34.4
Finance costs and other financing activities	(12.8)	(10.6)
<b>Increase in net debt</b>	<b>18.6</b>	<b>(215.0)</b>

Jon Kempster

**Chief Financial Officer**

26 July 2019

## NON-FINANCIAL INFORMATION

The table below sets out where the information required by sections 414CA and 414CB of the Companies Act 2006 can be found in this Annual Report.

Requirement	Location	Relevant Policies
Environmental Matters	PROTECTING OUR ENVIRONMENT – pages 37 to 38	
Employees	HUMAN RESOURCES – page 33 STAFF INVOLVEMENT – page 50	Staff Handbook Employee Data Privacy Statement Acceptable Use Policy
Social Matters	COMMUNITY INVOLVEMENT – page 37	
Human Rights	SUPPLY CHAIN – page 37 MODERN SLAVERY ACT 2015 – page 35	Anti-Slavery and Human Trafficking Policy
Anti-Corruption and Anti-Bribery	ANTI-CORRUPTION AND ANTI-BRIBERY – page 39 WHISTLE-BLOWING – page 39	Staff Handbook Anti-Bribery Policy Whistle-blowing Policy Code of Conduct / Supply Policy
Business Model	BUSINESS MODEL – page 8	
Principal Risks and Business Activity	RISKS AND UNCERTAINTIES RELATING TO THE GROUP'S BUSINESS – pages 40 to 45 VIABILITY STATEMENT – page 75	Risks Register Customer Data Privacy Policy Data Retention Policy
Non-Financial Key Performance Indicators	KEY PERFORMANCE INDICATORS – page 20	

Further information is provided within the Group's Corporate Social Responsibility Report on pages 33 to 39.

# CORPORATE SOCIAL RESPONSIBILITY

Corporate Responsibility is central to our vision to be a leading international sports and lifestyle retailer. Our established Corporate Responsibility framework focuses on five key areas: Human Resources, Health and Safety, Customers, the Community and the Environment.

## HUMAN RESOURCES (HR)

The Group employs and engages approx. 29,400 people, and our people are what make the Sports Direct Group such a success.

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

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

The Group has several policies and systems in place to ensure staff welfare is monitored and maintained. In support of these policies and systems, communication with our people occurs via Group news emails, letters, staff portal / staff app and the intranet, as well as through briefings by direct managers and through the Group's training programmes. Our HR department is also represented at the meetings of the Health and Safety Committee for the Shirebrook campus, and is consulted and kept abreast of any issues, comments or suggestions through the 'Your Company, Your Voice' portal for both Shirebrook and Retail.

### Academy House

Sports Direct opened its new London Office on Oxford Street in June 2018. The new development has allowed the Company to expand its pool of talent. The 22,000 sq. ft. office was designed by globally renowned interior design studio PENSON, and the new collaborative working environment has allowed the Group to bolster its Lifestyle eCommerce, Marketing and Buying functions with over 15 new appointments in key positions in each of these areas in FY19.

## RETENTION

We like to train and retain our staff to ensure that valuable knowledge remains within the Group.

During FY19, 23% of our UK salaried staff left the Group, which is the same number as FY18.

Store Manager stability within Sports Direct is currently sitting at 88%, this is an increase of 4% on the FY18 figure. Assistant Manager and Footwear Manager stability currently sit at 80% and 86% respectively, a decrease from FY18 of 3% across both positions.

## SALARIED STAFF TURNOVER SINCE FY15

- FY15 - 19%
- FY16 - 22%
- FY17 - 17%
- FY18 - 23%
- FY19 - 23%

## DIVERSITY AND INCLUSION

Diversity within the Group is essential, and we believe this plays an important role in a successful business. At all times we try to ensure that our people meet the diversity, cultures and values of our varied customer base. We endeavour to provide equality of opportunity and will not tolerate discrimination on grounds of gender identity, sexual orientation, race, nationality, religion, age, disability or any other grounds.

People who have a first language other than English have an important role to play at Sports Direct and it is our aim to be inclusive. We offer the opportunity to improve the skills to participate and be successful at work, and as citizens by providing free English language lessons to support people who have a first language other than English. Since introducing the lessons in January 2017 over 1,500 staff have attended. Five levels are available for each member of the team to work through including Business English which all nationalities attend including British. A selection of those who attended the classes have used their new-found skills to secure new roles within various Head Office positions such as Customer Service, Buying, Health and Safety and the Translation Team. A number of course attendees have secured promotion into supervisory and management positions within the warehouse.

## CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Our senior leadership team is currently comprised of approx. 35% females. Three of our senior operating executive positions: Head of Communications, Head of HR and UK Group Financial Controller are held by females. As positions become available the necessary level of consideration will be given to ensuring diversity within the team. Approx. 50% of our overall workforce is female. We aim to ensure that both male and female candidates are provided with equal opportunities to apply for and work in all positions across the Group.

## BREAKDOWN OF GENDER DIVERSITY

	Male	Female
Directors	5	2
Other senior managers	589	232
All UK workforce	5,600	8,577

## GENDER PAY GAP

Our Gender Pay Gap Report for 2018 was published in April 2019. We are pleased to report that there was no average gender pay gap across the Group compared to 6.3% in 2017. We attribute this change to a pay banding review and realignment of all our people. We recognise there is a difference in total earnings between female and male and we are continuing to explore and implement methods that will establish enhanced processes and training tools for our employees and engaged workers to achieve maximum earning potential through our various bonus and commission schemes.

For information on diversity on the Board please see the Nomination Committee Report on page 63.

## TALENT AND CAPABILITY DEVELOPMENT

### Apprenticeships

The Apprenticeship Levy was introduced in April 2017. During FY19 we employed a number of apprentices across the Group studying towards accredited qualifications on subjects ranging from Data Analysis, Team Leader, Accounting, Project Management and Operations.

### Placement Years

We offer an opportunity for undergraduates to spend a year gaining valuable work experience during their time at University. Year placements offer the chance to:

- Advance skills like team working, project management and organisational skills.
- Learn about implementing roles with real responsibility and challenges which increase the likelihood of successful employment after University by gaining the skills graduate employers are looking for.

## STAFF TRAINING AND DEVELOPMENT

Our Shirebrook campus training centre provides a dedicated, state of the art facility, to help inspire, stimulate, and motivate our staff. The centre features six specialised training environments incorporating inspiration from running, football and women's training. It is supported by our brand partners Nike and Puma, who have their own individual environment, offering an unrivalled training experience that inspires and stimulates all who visit.

We are committed to offering a varied portfolio of training courses for our teams, the majority of which are hosted in our own facilities. The portfolio continues to grow, as it has year on year, with three main areas receiving more emphasis; Our 'Home Grown' Talent Management programme, Customer Service Training and Management Induction.

The Group particularly focusses on developing staff who show high-potential across all fascias. The 'Home Grown' programme assists Sports Direct to have the right employee in the right position at the right time. It also helps retain talented and key staff members, providing opportunities to perform better and progress within the Group. This commitment to 'Home Grown' talent allows our staff to develop and advance into more senior roles, which plays a fundamental part in the Groups' future success.

Year on year the Training and Development portfolio continues to strengthen and grow. During the year training has continued across the following areas:

- Customer Service Training
- E-Learning
- Management Training
- Brand and Product Training
- Re-Fresh Programme
- Footwear Masterclass
- Apprenticeships
- Placement Years
- Free English Lessons (Adult ESOL)

Training ensures that our teams have the knowledge they need to perform at the highest level, which is paramount to the continued success of the Group. Training therefore remains an area in which we continually invest and look forward to developing in the year ahead.

## **MODERN SLAVERY ACT 2015 (MSA)**

The Company aims to respect all people and is committed to equal treatment. We have long recognised the reality that modern slavery is an on-going challenge which virtually all organisations, especially those dealing in consumer goods, will continue to face. We remain committed to addressing this risk. Ultimately, we strive to ensure that no slavery or human trafficking takes place within our business or supply chain. We have policies in place aimed at proactively identifying and mitigating the risks. These policies aim to send a clear message that we will not tolerate this kind of behaviour.

We have a range of tools in place including videos and literature to educate staff about their rights and a number of alternative channels (including an internal telephone hotline and physical comments boxes on site) for reporting any concerns (on an anonymous basis if the individual making the report wishes). We continue to review and develop our staff training, monitoring processes and evaluation of outcomes and work with relevant employment agencies, and other relevant bodies including the GLAA and the police.

If we find, or suspect, that any organisations or individuals are participating in modern slavery we will take immediate action so that our standards and values are maintained. Accordingly, we have a policy of reporting any suspicious activity to the police (which has historically assisted in successful convictions).

Our section 54 MSA statement can be found on our website [www.sportsdirectplc.com](http://www.sportsdirectplc.com).

## **HEALTH AND SAFETY**

As the Group continues to grow there has been increased focus on creating a consistent method of implementing Health and Safety measures and evaluating the Group's safety performance. Policies are implemented, in conjunction with legal standards, to protect our staff and customers. During FY19, the Head of Health and Safety and the team have continued to review its Health and Safety policies and procedures incorporating recent acquisitions. The development of the bespoke online Accident / Incident reporting system has resulted in improved accident reporting / investigation and accident trend analysis. Significant improvement in compliance has been achieved through a series of audits and inspections.

The Group's Reporting of Injuries, Disease and Dangerous Occurrences Report (RIDDOR) rate has further reduced in FY19 when compared to FY18. This has been achieved by accuracy of the reporting process. Improved communication and handling of incidents along with a more robust investigation process has also assisted. The majority of reported incidents were relatively minor injuries which resulted in employees being absent from work for less than seven days.

All RIDDOR incidents are recorded and are reportable to the Local Authority. The Health and Safety team meet the Derbyshire authority with responsibility for Shirebrook on a quarterly basis and work closely with other authorities when required. All accidents and incidents are investigated in a timely manner and warehouse RIDDOR incidents are reviewed during these meetings.

In relation to the UK workforce, the number of accidents recorded involving the warehouse workforce as at April 2019 was up when compared to April 2018. Significant automation projects have been underway over the last year which could have had an impact on accidents due to increased inventory movements and available temporary space alongside other relevant factors.

In the previous year the most frequent type of incidents involved the use of stillages and cages. The newly formatted induction handbook and training review has had a positive impact on this. Going forward, improved supervisor training and selection will support the momentum of the Group's standards and performance.

## CORPORATE SOCIAL RESPONSIBILITY CONTINUED

The number of accidents recorded involving the store, office and distribution workforce in the UK decreased in FY19 compared with FY18. A decrease was to be anticipated as we now have a direct comparison in FY19 of reported accidents through the online system. Reporting is now more accurate and timely, allowing us to take any necessary actions and secure evidence more efficiently.

The Company is a corporate member of the British Safety Council as well as a registered training centre. We attend a quarterly Retail Health and Safety forum facilitated by ORIS, this promotes the sharing of ideas and solutions with like-minded professionals.

The Company continues to support its Wellbeing Officer based in the warehouse and Head Office to promote physical and mental health programmes within the workplace and link with local community projects.

During FY19 there were no fire, local authority or environmental enforcement actions or prosecutions and no work-related fatalities.

House of Fraser and Evans Cycles statistics are not included within this Report as they are recent acquisitions. Details will be included in next year's Report.

## HEALTH AND SAFETY TRAINING

We take reasonable steps to train staff within the Group to the appropriate standards applicable in each requisite country. Shirebrook Head Office is now a registered training centre for First Aid and Health and Safety, with Qualsafe and the British Safety Council respectively.

Training courses are regularly offered and staff are encouraged to learn essential Health and Safety techniques. A revised staff induction, refresher training and Handbook are on-going within our stores, along with revised task based Risk Assessments and Safe Systems of Work. New and homegrown managers also receive further training from the Health and Safety team during their training at the Shirebrook Head Office. Existing store management teams will receive further bespoke Health and Safety training throughout FY20.

The warehouse teams have also undertaken similar reviews and implemented improved documentation and standards. Supervisors and section leaders within the warehouse have received training in Supervising Health and Safety Level Two validated by Qualsafe, whilst the managers and some of the supervisors have gone on to also receive training in Supervising Safely Level 3 Validated by the British Safety Council. All contractors are now required to complete a site induction before they will be given access to complete any works within the Shirebrook Campus or Head Office.

The team at Head Office is always on hand to visit and assist stores with Health and Safety issues, assess incidents and report relevant matters to RIDDOR. All potentially serious incidents are escalated to the senior team and any other relevant parties by the Head of Health and Safety, with a weekly follow up meeting. All audits, inspections and fire risk assessments have been centralised and are electronically completed so they can be retained automatically and compliance issues can be dealt with more efficiently. Our team dedicated to dealing with accident related claims and complaints continues to remain in place working to keep claims expenditure to a minimum. The accident / incident reporting continues to assist the team in being more proactive investigating incidents and building claims defensibility where necessary. This allows direct follow up and initiation of the investigation process and evidence gathering i.e. CCTV, witness statements, service records etc.

Accidents involving staff or customers are reported to the Board regularly, as are any legal claims that arise from these.

## CUSTOMERS

As our business evolves, we are investing more time and focus on ensuring all areas within our Group are aligned and engaged in delivering the best possible service. From spending time in one of our stores speaking with our product specialists all the way through to helping customers with online order enquiries or gym memberships, our teams are committed to helping our customers.

We are continuing to listen to on-going customer feedback, developing both our online website and mobile Apps along with offering more ways upon which to contact our teams through investments in technology – making it easier and faster to get the right help when our customers need it.

We are coaching, supporting and developing our teams to ensure we have the right people and processes in place to help – recognising when things do go wrong, we will make every effort to put things right.

Our commitment to Customer Service is supported through a series of initiatives and is a continuous process, welcoming input across all areas within our retail stores, warehousing, Head Office and our websites.

## SUPPLY CHAIN

We are committed to responsible business practices in our business and supply chain.

We recognise the potential risks associated with an international supply chain such as ours and we continue to take steps to assess and try to control these risks.

One way in which we do so is through our continuing policy of using two key “gateway” suppliers based in Singapore and South Korea for Group branded products. The Group recognises the value in building long-term relationships with its suppliers and has worked closely with its two key suppliers for a number of years, over which time the suppliers have demonstrated that they share the Group’s values in upholding responsible business practices. Our longstanding relationship with these key suppliers enables the Group to have an increased level of visibility and control over its supply chain. We also work with many household name third party brand owners who have their own published approach to supply chain management which we monitor.

We have a zero tolerance approach to modern slavery and human trafficking and aim to ensure as far as possible that our suppliers comply with these values. This includes notifying our key suppliers of our Anti-Slavery and Human Trafficking Policy, which sets out the high standards expected of our suppliers.

Our key suppliers are also required to provide warranties that their businesses (including any persons associated with them) have not been convicted of, or been the subject of any investigation by a governmental, administrative or regulatory body regarding any offence involving slavery or human trafficking.

Our key suppliers are also required (amongst other things) to comply with auditing obligations and to provide annual reports setting out the steps they have taken to ensure that slavery and human trafficking are not taking place in their businesses or supply chains.

We also work with a number of household name third party brand suppliers who have their own published approach to supply chain management, which we monitor.

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

We continue with our policy of supporting ethically sourced fur products in our retail stores.

## COMMUNITY INVOLVEMENT

The Group engages at various levels with the local communities in which we operate, and in relation to our Shirebrook campus we continue to actively work with Shirebrook Forward NG20 working group, which aims to help Shirebrook retain its breadth of services, local support functions and community spirit. Our 500 seat auditorium is utilised throughout the year for local community events. Local community organisations such as county and local council groups make use of the facility free of charge. The Group supported a number of local charities and organisations through the year primarily through the donation of sporting equipment and clothing and sponsorship by our brands.

## PROTECTING OUR ENVIRONMENT

We are consistently pro-active in ensuring we make a positive contribution to the environment. Our goal is to foster partnerships that will enhance our local economy using environmental improvements that create cleaner, safer neighbourhoods. This happens in a number of different ways.

Our trucks are back loaded with recyclable waste when they are making deliveries to our stores. This is supported by an onsite recycling centre which ensures we facilitate the recycling of approx. 95% of our cardboard.

We are currently a Triple A producer of waste KLN's (Cardboard) which means that we produce clean, high density bales, of a constant quality and quantity loaded correctly into either of two permanent stand trailers for reprocessing both in the UK and European mills. The result of these measures is that on average, Sports Direct recycles approx. 1,000 tonnes of cardboard each month. This is done in conjunction with reputable service providers.

### Plastic

The recycling of plastic has transformed into a totally separate baling operation using four HSM v press balers handling plastic only. Currently the plastic we produce on site is of a high grade.

### Metal

We recycle our metal through a partnership with two local companies. They supply 40 yard bins located at the south end of the warehouse which we load with scrap metal that is generated from either Shirebrook or our retail stores. We are now actively sub-sorting different grades where possible to facilitate a faster more efficient process.

### Recycled and sustainable products

We sell products that are made with recycled materials, most notably certain football shirts. We also sell third party branded footwear and apparel that contain recycled materials.

**Transport**

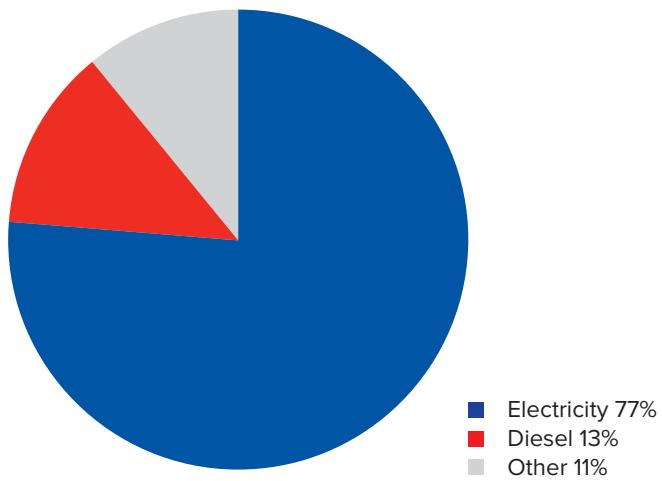
The Group's fleet has all been replaced with environmentally friendly trucks meeting Euro 6 standard.

**Energy efficiency**

We have engaged the services of a number of leading consultancies to independently survey and review our sites which has resulted in a number of findings into how we can reduce our energy consumption across our property portfolio. We now have the vast majority of our sites upgraded to smart meters which send live and accurate data into a monitoring and alerts system. This has allowed us to trial over a selected number of stores a monitoring and bureau service, which has resulted in a 10.3% reduction in energy used over a 6 month trial period vs the same period the year prior. We are also actively reviewing the business case for other energy saving initiatives including solar PV installations on sites, battery storage opportunities and EV charging stations at appropriate stores and Head Office.

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

We are continuously aiming to reduce our carbon footprint. During the year we have reviewed our use of shipping containers to increase our efficiency of use, we now move approx. 8,000 shipping containers per annum down from approx. 9,500. The single most significant element is electricity, which takes up 81% of the footprint. The carbon footprint spread across all UK sites is detailed in the chart below:

**CARBON FOOTPRINT ANALYSIS 1 APRIL 2018 - 31 MARCH 2019**

The growth of our Company has increased the number of our stores and therefore the absolute GHG emissions. Our chosen intensity ratio of electricity-related emissions per £m revenue has decreased by 10% due to the reduced CRC factors and efficiencies.

**GREENHOUSE GAS (GHG) EMISSIONS REPORTING**

Reporting period <sup>(1)</sup>	1 April 2018 - 31 March 2019
Baseline year <sup>(2)</sup>	FY15
Consolidation approach	Operational control
Boundary summary	All entities and facilities either owned or under operational control were included. Emissions from air conditioning and refrigeration units are excluded due to the cost of data collection. These are expected to be a negligible % of scope 1 emissions.
Consistency with Financial Statements	Other than the emissions declared for the period 1 April 2018 – 31 March 2019 to be in line with the CRC Energy Efficiency Scheme, there are no inconsistencies with Financial Statements.
Emission factor data source	DEFRA (May 2013)
Assessment methodology	The Greenhouse Gas Protocol and ISO 14064-1 (2006). We have used the 2016 UK Government's GHG conversion factors.
Materiality threshold	Materiality was set at Group level at 5%, with all facilities estimated to contribute >0.5% of total emissions included.
Intensity ratio	Emissions per £m revenue

(1) The emissions declared are for the period 1 April 2018 – 31 March 2019 to be in line with the CRC Energy Efficiency Scheme.

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

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

CO2 equivalent factors are used which ensures we have reported on all of the emission sources required under the Companies Act 2006 Regulations.

Year	2019	2018
Scope 1 CO2e emissions	13,826	13,754
Scope 2 CO2e emissions	96,334	102,827
Total Scope 1 and Scope 2 CO2e emissions (Tonnes)	110,160	116,581
CO2e Emissions (Tonnes / £m)	29.8	34.7
CO2e Emissions vs Turnover Index (2015: 100)	64.6	75.3

## WASTE REDUCTION

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

### THIS YEAR WE RECYCLED:

- 6,577 units of electrical equipment (2018: 6,278 units)
- 25 tonnes of waste paper (2018: 120 tonnes)
- 11,915 tonnes of cardboard (2018: 12,931 tonnes)
- 487 tonnes of metal (2018: 360 tonnes)
- 891 tonnes of plastic (2018: 826 tonnes)

All stores now use biodegradable carrier bags and provide the option of a “bag for life”. This is actively promoted instore through high levels of staff engagement.

We remain committed to minimising waste and improving energy efficiency across our stores and will continue to explore new ways in which to do this.

## ANTI-CORRUPTION AND ANTI-BRIBERY

The Group has an Anti-Bribery and Corruption Policy in place, which was originally created following the introduction of the UK Bribery Act. As a result of the Act, all policies and procedures were reviewed to ensure that they complied with the Act and measures are in place to prevent staff being offered and / or accepting bribes. We have a zero tolerance approach to bribery and corruption at Sports Direct, and encourage our people to speak up if they have concerns that bribery or fraud is taking place.

## WHISTLE-BLOWING

There is an approved Whistle-Blowing Policy within the Group, which was reviewed and updated by the Board in September 2017. The Policy was established to be utilised by our people who wish to raise any issues or concerns relating to the Group's activities, and all matters are discussed on a confidential basis.

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

## **INTERNAL CONTROLS AND RISK MANAGEMENT**

The Board has a responsibility to govern the Group in the interest of its shareholders. An experienced executive team of Directors and senior management highlight risks as and when they become apparent. The team then in turn assists the Board in mitigating risk and / or designing and implementing controls to minimise the Group's exposure.

## **THE GROUP'S APPROACH TO RISK**

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

1. Risks are identified
2. Risks are evaluated
3. Action is taken to manage, mitigate and monitor the risks
4. Practices are reviewed to limit the risk

Management are responsible for the identification, analysis, evaluation and mitigation of the significant risks applicable to their areas of business. The teams meet regularly to discuss the identified risks, and how these should be reviewed and monitored.

The Board ensures that the appropriate arrangements are in place under which staff can raise concerns about possible financial or other impropriety, which are then appropriately investigated. The Board is assisted by the Audit Committee in fulfilling its overview responsibilities, reviewing the reporting of financial and non-financial information to shareholders and the audit process, and satisfying itself that appropriate systems of internal control and risk management are in place and are serving to identify and manage risk.

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

The Group's system of internal control and risk management and its effectiveness is monitored and reviewed by the Board, the Audit Committee and senior management. The Board believes that the Group has maintained an effective embedded system of internal control and has complied with the FRC's Risk Guidance throughout the year, and up to the date of approval of the Annual Report and Accounts.

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

## **RISK POLICIES AND PROCEDURES**

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

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

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

## KEY RISKS

### Control Environment

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

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

## CONTROL PROCEDURES

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

## FINANCIAL REPORTING PROCESS

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

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

## PRINCIPAL RISKS AFFECTING THE GROUP

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

### • KEY SUPPLIERS AND THIRD PARTY BRAND RELATIONSHIPS

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

Risk: A failure to replace any of its major manufacturers or suppliers on commercially reasonable terms could have an adverse effect on the Group's business, operating profit or overall financial condition. It may mean that customers shop elsewhere if stores cannot supply the required product.

Mitigation: The Group follows policies of forging long-term relationships with suppliers and of utilising two leading supply chain companies to procure much of the Group's own branded goods. This close relationship brings a better understanding of the supplier's resources enabling the Group to react quickly to changes in the international supply market. Lengthy contracts are often used by the Group to ensure that key manufacturers are aware of our commitment to them. The elevation strategy is forging stronger relationships with key Brand partners as we perfect our merchandising of their products in our new generation stores. However, relationships with some key brands remain challenging where we feel we are not given full access to the product the stores deserve as quickly as we would like.

### • MARKET FORCES

The Group operates in a highly competitive retail industry and currently competes at international, national and local levels with a wide variety of retailers.

Risk: A severe recession or downturn in the markets we operate in, especially the UK, could impact revenue and profits of the Group. In the last financial year, retail has seen a number of insolvencies and CVAs from large retailers such as Debenhams and Arcadia.

Mitigation: The Group is part way through an elevation strategy that focuses on providing the customer with an enhanced shopping experience across the Group fascias, namely SPORTSDIRECT.com, USC, Flannels and House of Fraser. The Group has a strong property portfolio and continues to strengthen this by relocating and improving stores to enhance the customer experience and adapt to market conditions. A number of key brands are owned by the Group, providing an internal level of control and certainty on margins. There is also significant investment and focus on innovating our e-commerce offering. The elevation strategy provides a resilience to the Business and places it in a good position to weather any periods of weak demand.

**• TREASURY AND FINANCIAL RISK**

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

a. Risk: The Group is exposed to foreign exchange risk arising from various currency exposures and a strengthening of the US Dollar or a weakening of the Pound making goods more expensive. There is also a potential exposure in relation to the Euro forward sales contracts and written option arrangements that the Group is party to. Adverse movements on the Sterling / Euro exchange rate could impact Group profitability. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency, as exchange rates move. This could significantly reduce profitability.

Mitigation: The Group seeks to mitigate the foreign exchange fluctuations by hedging via forward foreign currency contracts which are designated as cash flow hedges. Forecast Sterling / Euro requirements are currently hedged up to the end of FY21 at rates of between 1.09 and 1.14. The Sterling / Dollar exchange requirement is fully hedged up to the end of FY20 at rates from 1.41 to 1.4301. The Group also holds assets overseas in local currency, and these assets are revalued in accordance with currency movements. This currency risk is not hedged.

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

Mitigation: The Group is cash generative and maintains appropriate debt levels to mitigate interest rate risk and at year end has debt levels of less than 1.5x underlying EBITDA. Post year end, interest rate hedging using swaps was taken out.

**• BREXIT**

The Group operates internationally and specifically throughout mainland Europe. The Group fulfils European internet sales currently from the Shirebrook operation. We maintain inventory across the Europe wide retail operation as if it is one holding and as such regularly move inventory between stores in different European countries. We have also benefitted operationally from the availability of mainland European staff who work in our warehouse and store network.

Risk: The UK is due to leave the EU in October 2019 and a transition period is then expected to last until December 2020. A period of heightened economic uncertainty could reduce consumer confidence, holding back spending decisions and tightening financial conditions by creating extra risk thus impacting on the cost of finance and reducing its availability. The terms of the eventual Brexit may influence the cost of labour, the ability to move goods as easily as we currently can and thus impose operational challenges and costs which we will have to manage.

Mitigation: While we are unable to fully protect the Group from what is potentially a completely new economic landscape, we have some elements which help to protect us with a network of warehouses across Mainland Europe which can assist in providing the most efficient inventory management once the customs and duty landscape is fully understood. We have been investing in some partial automation for the Shirebrook warehouse operations to make efficiencies and improve productivity on internet fulfilment orders and help mitigate any potential staffing shortfall after Brexit. Brexit is regularly discussed at Board meetings.

**• SUPPLY CHAIN**

The Group operates internationally so is reliant on the successful distribution of goods from when they are distributed by the manufacturer to when they are sold in the stores. The Group is reliant on manufacturers based overseas as the majority of the Group's products are sourced from outside the UK.

Risk: The Group is subject to the risks associated with international trade and transport as well as those relating to exposure to different legal and other standards. Particular risks include worker strikes, failure to meet minimum code of conduct standards, and transport delays for products which could all cause substantial difficulties. Disasters in or around the factories of our suppliers could bring negative media attention to the Group.

Mitigation: The Group requires all suppliers to sign up to the Group's Code of Conduct / Supply Policy which enables the Group to monitor and benchmark the performance of the supplier. Many risks relating to the supply chain, reliance on non-UK suppliers, and to the reputation of the Group's brands, are managed and mitigated by the implementation of these policies. Strong service level agreements and maintaining relationships with all parties involved in the supply chain also mitigate these risks.

#### • CREDIT AND LIQUIDITY RISK

The Group, primarily the Group Wholesale & Licensing division, provides credit to some of its customers. Funding and liquidity for the Group's operations are provided through bank loans, overdrafts and shareholders' funds.

Risk: The Group could have a credit risk if customers were unable to make payments for products purchased on credit. The Group's objective is to maintain sufficient funding and liquidity for its requirements, but the availability of adequate cash resources from bank facilities and achieving continuity of funding in the current financial climate could be a risk to the Group in future years. The purchase of strategic acquisitions and investments to strengthen and compliment the Group may be hindered. Relationships with suppliers could break down if we are unable to pay them in line with our contractual obligations.

Mitigation: The Group's key suppliers also face credit risks and as such the Group regularly assesses the viability of its suppliers and ensures there are plans to source from alternative businesses should key suppliers fail. Rigorous procedures are in place to mitigate this credit risk. The Group has a credit policy in place and the exposure to risk is monitored on an on-going basis. Investment of cash surplus, borrowings and derivative investments are made through banks and companies which have credit ratings and investment criteria approved by the Board. The Group refinanced its main credit facility in November 2017 and is operating comfortably within it. The credit facility is available until November 2022.

#### • PROFESSIONAL ADVISORS

The Group has grown to a size and complexity that requires the expertise of specialist legal, tax and audit advisors.

Risk: Not retaining a sufficient standard of advisor could lead to tax, legal or regulatory failings of the Group.

Mitigation: The Group has a number of law firms on their panel with key experience in their relevant discipline and experience of acting for FTSE 350 companies. A relationship with and retention of a top 4 auditor is a goal for the Group in the next tender. Deloitte carry out the tax work for the Group and therefore cannot carry out audit work at the same time. As discussed in the Chief Executive's Report and Business Review, KPMG, EY and PWC have indicated there are currently barriers to engaging with us but we believe these are not insurmountable.

#### • TAXATION

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

Risk: The Group is subject to varying degrees of tax risk in relation to its international trading activities, both in the UK and overseas. These include duty and VAT in relation to its overseas supply chain (both internal and external) and sales taxes in relation to online sales made to overseas customers from the UK. The Group is also subject to transfer pricing regulations relating to trading relationships and transactions between Group companies. Tax regimes differ country by country and the Group's overseas subsidiaries are subject to local tax compliance requirements and tax enquiries from the local tax authorities.

Mitigation: Group level tax risks are monitored by the Group finance function, with support from external tax advisors as required. On-going compliance with local tax regulations is maintained through a combination of local finance teams, central oversight from the Group finance function, and the use of external tax advisors in key jurisdictions. The Group takes a proactive approach to engaging with the tax authorities across its business. Key tax risks are monitored and discussed at Board level, with appropriate actions agreed and implemented.

#### • SUCCESSION PLANNING

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

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

Mitigation: Our departments work together to develop their understanding of each department and of the Group. Senior managers work at ground level to help to assess the strengths within their teams and to offer development opportunities where appropriate. This can be of assistance when considering the suitability of internal candidates for vacancies. Our structured talent management programmes, and specialist masterclasses, encourage internal progression within the Group. Executive development is important to us and we aim to promote internally rather than recruit external individuals who are unknown to the Group.

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

**• OPERATIONAL**

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

Risk: Any disruption to the Head Office, National Distribution Centre or the fleet of vehicles might significantly impact the Group's ability to manage its operations, distribute products to its stores and maintain its supply chain. Any long-term interruption of the Group's IT systems would have a significant impact on the Group's operation, particularly in the Sports Retail divisions. Terrorist attacks, armed conflicts, government actions or adverse weather affecting the road networks within the UK could result in a significant reduction in consumer confidence, which would in turn have an adverse effect on sales in stores.

Mitigation: The Group has a strong business continuity plan that is regularly reviewed to address operational risks. The Head Office and National Distribution Centre has been extended so that there is additional room for storage and workers, for future business needs and in case of disaster. The Board is confident that as far as it is practical, the risks and uncertainties that face the Group are being monitored and managed and that, where required, appropriate action is being taken.

**• CYBER FAILURES AND ATTACKS**

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

Risk: Reputational implications if the attack is reported to the media, including a loss of sales whilst the site is down, and longer-term loss of sales through the deterioration of customer confidence. Loss of competitive advantage against market competitors and the new GDPR (General Data Protection Regulation) regulations will enable overseeing bodies to enforce sizeable sanctions and penalties.

Mitigation: The Group has a strategy and processes in place which relate to our IT security posture. The recent establishment of a Group IT Security Officer role and on-going work with internal and external parties, enable us to continuously monitor our systems to ensure that they are sufficiently strong to deal with ever increasing cyber risks. We have invested and continue to invest in systems to protect our sites, data and customers. This investment spans several new security initiatives, including; new security tools, external penetration testing and employee IT security awareness training. Recent implementation of the GDPR which seeks to create a harmonised data protection law framework across the EU and aims to give back to data subjects control of their personal data, whilst imposing strict rules on those hosting and processing this data anywhere in the world, has been an opportunity to review and enhance in some cases the way in which we use and store data. The Group's IT is independently audited by outside agencies on an annual basis to challenge and test our defences. Our existing strategies are under constant review to ensure we are protecting ourselves and fully utilising new technologies where those technologies could assist.

**• HEALTH AND SAFETY**

Health and Safety is key across all areas of the Group. Policies are implemented, in conjunction with legal standards, to protect our staff and customers. These have been subject to a detailed review and updated where necessary.

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

Mitigation: We take reasonable steps to train all relevant employees within the Group to the appropriate standards applicable in each country. Shirebrook Head Office is now a registered training centre for First Aid and Health and Safety, with Qualsafe and the British Safety Council respectively. We have recruited a Health and Safety Training Officer and additional Health and Safety Officer based within Head Office. The Regional Health and Safety Officers have received additional training and education regarding delivery of Fire Risk Assessments and Evac Chair training. Training courses are regularly offered, and staff are encouraged to learn essential Health and Safety techniques. A revised staff induction, refresher training and handbook has been introduced within our stores, along with revised task based risk assessments and Safe Systems of Work. The warehouse teams have also undertaken similar reviews and implemented improved documentation and standards.

The team at our Head Office is always on hand to visit and assist stores with Health and Safety issues, assess incidents and report relevant matters to the Health and Safety Executive via the Reporting of Injuries, Disease and Dangerous Occurrences Report (RIDDOR). We have a team of employees dedicated solely to dealing with claims and complaints. The introduction of a bespoke online Accident / Incident reporting system in November 2016 has assisted the team to become more proactive investigating incidents and building claims defensibility where necessary. Accidents involving staff or customers are reported to the Board regularly, as are any legal claims that arise from these. The Board considers ways to reduce the number of claims.

#### • **LEGAL**

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

Risk: The Group currently believes that its licensees, suppliers, agents and distributors are in material compliance with employment, environmental and other laws. The violation, or allegations of a violation, of such laws or regulations, by any of the Group's licensees, suppliers, agents or distributors, could lead to adverse publicity and a decline in public demand for the Group's products, or require the Group to incur expenditure or make changes to its supply chain and other business arrangements to ensure compliance. The Group may need to resort to litigation in the future to enforce its intellectual property rights and any litigation could result in substantial costs and a diversion of resources. Third parties may try to challenge the ownership of or counterfeit the Group's intellectual property.

Mitigation: The Group has an in-house legal team who have knowledge of a variety of legal areas that apply to the Group. This in-house expertise is vital in mitigating such issues. The legal team work closely with external advisors to assist with, and gain knowledge on, matters outside their areas of expertise.

The Group's legal advisors actively monitor trade mark applications by other companies, as well as the inventory of rival retailers, to ensure that our rights are not infringed and where these are infringed, to take appropriate action. The legal team carefully draft contractual agreements to ensure that documentation is clear and legally binding. Standard templates and key points are shared so that processes are streamlined and legal spend is reduced.

#### • **SALES**

The Group's retail businesses are subject to seasonal peaks.

Risk: Prolonged unseasonal weather conditions or temporary severe weather during peak trading seasons could have a material adverse effect on the Group's businesses. The Group is dependent upon the store portfolio and consumers' spending habits.

Mitigation: Although unable to mitigate environmental conditions, the Group monitors inventory levels through sales forecasting to manage peaks in demand and we have years of trading profiles which assist in this regard. Our team keep ahead of the trends, conducting market research on our customers and monitoring our competitors. Sophisticated ordering systems ensure that items which sell well in particular areas will be restocked. Our relationships with suppliers ensures that we are able to source key items at short notice, should this be required.

The pages 5 to 45 comprising the Strategic Report was authorised by the board on 26 July 2019 and signed off on its behalf by:

Mike Ashley

**Chief Executive**  
26 July 2019

## THE BOARD

### DAVID DALY

#### **Non-Executive Chair, Chair of the Nomination Committee**

Appointed: 2 October 2017

Committees: Nomination and Remuneration Committees

Previous roles: David has held a number of positions during a 30 year international career with Nike, where his primary focus was the business of football. He started in a sales role in 1986 later becoming sales director for Nike UK / Ireland. He retired in 2015 as a Senior Director for Nike's Club and Federation business where he was responsible for global merchandising business for all of Nike's leading Football Clubs.

Present roles: David is a Non-Executive Director of Fulham Football Club.

Key skills and experiences: David has strong international experience in marketing and merchandising in the sports industry.

### MIKE ASHLEY

#### **Chief Executive**

Appointed: 1982 (founder)

Previous roles: Mike established the business of the Group on leaving school in 1982 and was the sole owner until the Group's listing in March 2007. He was Executive Deputy Chair prior to being appointed Chief Executive in September 2016.

Key skills and experiences: Mike was the founder of the Group and has the necessary skills for formulating the vision and commercial strategy of the Group. With over 30 years in the sports retail business with Sports Direct he is invaluable to the Group.

### JON KEMPSTER

#### **Chief Financial Officer**

Appointed: 11 September 2017

Previous roles: Jon has been a listed plc Finance Director for most of his career. He was previously Finance Director of Wincanton plc, Delta plc, Low & Bonar plc, Linden plc, fii plc and of Utilitywise plc.

Present roles: Jon is a Non-Executive Director of Redcentric plc, an AIM listed IT managed services provider and a Trustee of the Delta Pension Plan.

Key skills and experiences: Jon is a Chartered Accountant and has extensive experience working in listed company environments.

### RICHARD BOTTOMLEY OBE

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

Appointed: 1 October 2018

Committees: Audit and Nomination Committees

Previous roles: Richard has over 25 years' experience working with listed companies during his time as a senior partner at KPMG, and continues to be a member of the Audit Committee Institute. Until recently Richard was a Non-Executive Director of Newcastle Building Society where he chaired the Audit Committee.

Present roles: Richard is Chair of Trustees of the Greggs plc 1978 Retirement and Death Benefits Scheme. He is also a Non-Executive Director of MSL Property Care Services Ltd, Marsden Packaging Limited and Jessgrove Limited.

Key skills and strengths: Richard has strong experience in corporate governance, corporate finance and strategy.

### DAVID BRAYSHAW

#### **Independent Non-Executive Director, Chair of the Remuneration Committee**

Appointed: 8 December 2016

Committees: Audit, Nomination and Remuneration Committees

Previous roles: David is a very experienced senior investment and commercial banker. He has over 30 years' experience with organisations such as Barclays Capital, HSBC, Citigroup and Pilkington plc.

Key skills and experience: David graduated from Oxford in 1975 with a Masters of Arts in Chemistry. He has spent a long career in the field of corporate financing for a number of major financial institutions, and completed time as the Group Treasurer of Pilkington plc.

**NICOLA FRAMPTON****Independent Non-Executive Director**

Appointed: 1 October 2018

Committees: Audit and Remuneration Committees

Previous roles: Nicola has spent most of her career in the professional services industry, most recently as a director at Deloitte.

Present roles: Nicola is a senior executive at William Hill, where she is Managing Director of the UK Retail division. She has been with William Hill since April 2010, joining as Director of Corporate Risk working closely with their Board, Exco and operational management. Nicola was appointed to her current role in June 2014 during which time she has led and implemented a number of major innovation and transformation projects. Nicola is also the executive sponsor of their 30% club initiative to increase the number of women in senior leadership positions throughout the business.

Key skills and experience: Nicola has extensive experience in risk management, assurance and corporate governance across a wide range of industries.

**CALLY PRICE****Non-Executive Workforce Director and Workers' Representative**

Appointed: 1 January 2019

Previous roles: Cally began her career with Sports Direct as a casual sales assistant in our Aberdare store in 2007.

Present roles: Company's Workers' Representative succeeding Alex Balacki from 1 May 2019.

Key skills and strengths: With over ten years' experience with Sports Direct Cally is ideally placed to help ensure that the voice of the Group's entire workforce is front and centre of the Board's discussions and decision-making.

## **DIRECTORS' REPORT**

The Directors of Sports Direct International plc present their Annual Report and Accounts for the period ended 28 April 2019.

### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Chief Executive's Report and Business Review on pages 12 to 27 provides a detailed review of the Group's current activities and potential future developments together with factors likely to affect future development, performance and conditions. There is also a table of the principal risks and uncertainties likely to affect the Group on pages 40 to 45. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Financial Review on pages 28 to 31. The Corporate Social Responsibility section on pages 33 to 39 reports on environmental matters, including the impact of the Group's businesses on the environment, the Group's workforce, and on community issues.

The principal activities of the Group during the period were:

- retailing of sports and leisure clothing, footwear and equipment, lifestyle and luxury apparel;
- retailing through department stores, shops and online;
- wholesale distribution and sale of sports and leisure clothing, footwear and equipment, lifestyle and luxury;
- apparel under Group-owned or licensed brands; and
- licensing of Group Brands.

Further information on the Group's principal activities is set out in the front of this document and in the Chief Executive's Report and Business Review on pages 12 to 27.

### **RESULTS FOR THE PERIOD AND DIVIDENDS**

Revenue for the 52 weeks ended 28 April 2019 was £3,701.9m and profit before tax was £179.2m compared with £3,359.5m and £61.1m (restated from £77.5m) in the prior period. The trading results for the period and the Group's financial position as at the end of the year are shown in the attached Financial Statements and discussed further in the Chief Executive's Report and Business Review and in the Financial Review on pages 12 to 27 and 28 to 31 respectively.

The Board has decided not to propose a dividend in relation to FY19. The Board remains of the opinion that it is in the best interests of the Group and its shareholders to preserve financial flexibility, facilitating future investments and other growth opportunities. The payment of dividends remains under review.

### **SHARE CAPITAL AND CONTROL**

As at 26 July 2019, there are 640,602,369 ordinary shares of 10p in issue and fully paid, of which 107,207,752 were held in treasury. As at the period end there were 104,194,194 ordinary shares held in treasury.

Further information regarding the Group's issued share capital can be found on page 129 of the Financial Statements.

Details of our Share Schemes are also set out on page 129.

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

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

The Directors were authorised to allot shares in the capital of the Group up to an aggregate nominal amount of £17,898,977 (being approximately one third of the then issued share capital) for the period expiring at 11 September 2019, the date of the 2019 AGM.

In line with guidance from the Association of British Insurers the Company was also granted authority to issue a further third of the issued share capital to a nominal amount of £35,797,955 in connection with a rights issue.

An authority to allot shares up to a maximum nominal value of £2,684,846.60 (being approximately 5% of the then issued share capital) as if statutory pre-emption rights did not apply, was also approved. In addition, the Directors were granted a further authority to allot up to a maximum nominal value of £2,684,846.60 (being approximately 5% of the then issued capital) as if statutory pre-emption rights did not apply when such allotment was for the purposes of financing (or refinancing, if the power is used within six months of the original transaction) a transaction which the Board determined to be an acquisition or other capital investment of a kind contemplated by the Pre-emption Group's Statement of Principles on disapplying pre-emption rights.

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

The Group was authorised to make market purchase of ordinary shares of 10p each in the Company of up to a maximum aggregate number of 80,491,701 representing 14.99% of the Company's issued ordinary share capital at the 2018 AGM. The above authority expires at the close of the next AGM of the Company.

During the period to 28 April 2019 the Company has purchased 561,145 ordinary shares at a cost of £1,663,458.93 (excluding purchasing costs) and representing 0.09% of the issued share capital. The maximum number of shares held in treasury by the Company as at 28 April 2019 is 104,194,194 representing 16.27% of the issued share capital. No shares have been disposed of by the Company.

As at 26 July 2019 the Company has purchased 3,013,558 additional ordinary shares and no shares have been disposed of by the Company to this date.

## SHAREHOLDERS

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

As a controlling shareholder Mike Ashley has entered into a written and legally binding Relationship Agreement with the Company. This agreement ensures that the controlling shareholder complies with the independence provisions set out in Listing Rule 6.1.4D. Under the terms of the Agreement Mike Ashley undertook that, for so long as he is entitled to exercise, or to control the exercise of, 15% or more of the rights to vote at general meetings of the Company, he will;

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

The Company has complied with this Agreement's independence provisions during the period and, as far as the Company is aware, the controlling shareholder and his associates have also complied with them.

As at 28 April 2019, the Company had been advised that the following parties had an interest in 3% or more of the issued share capital of the Company pursuant to Rule 5 of the Disclosure Guidance and Transparency Rules (DTR);

	Number of shares held	Percentage of issued Ordinary share capital with voting rights held	Nature of holding
Mike Ashley <sup>(1)</sup>	330,000,000	61.0%	Indirect
Phoenix Asset Management Partners Limited <sup>(2)</sup>	32,260,700	6.0%	Direct
Odey Asset Management LLP <sup>(3)</sup>	28,694,940	5.3%	Direct

(1) Mike Ashley holds the shares through two companies, namely MASH Beta Limited and MASH Holdings Limited, which hold 303,507,460 ordinary shares (56.1% of the issued ordinary share capital of the Company) and 26,492,540 ordinary shares (4.9% of the issued ordinary share capital of the Company) respectively.

(2) These figures are as at 14 March 2019 being the last date on which the Company was notified of a change in the percentage of shares.

(3) These figures are as at 14 December 2018, being the last date on which the Company was notified of a change in the percentage of shares.

Between 28 April 2019 and 26 July 2019 (being the latest practicable date prior to the publication of this Report) the Company has been advised that the following party had an interest in 3% or more of the issued share capital of the Company pursuant to Rule 5 of the DTRs.

	Number of shares held	Percentage of issued ordinary share capital with voting rights held	Nature of holding
Coltrane Master Fund, L.P.P. <sup>(4)</sup>	17,604,800	3.29%	Indirect

(4) Coltrane Master Fund L.P.P. has an interest in 17,604,800 shares through an equity contract for difference. This figure is correct as at 15 July 2019 being the last date on which the Company was notified of a change in the percentage of shares.

## **ARTICLES OF ASSOCIATION**

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders. Subject to applicable law and the Company's Articles of Association, the Directors may exercise all powers of the Company.

## **TAKEOVERS**

The Directors do not believe that there are any significant contracts that may change in the event of a successful takeover of the Company. Details of the impact of any successful takeover of the Group on the Directors' bonus and Share Schemes are set out in the Director's Remuneration Report on pages 65 to 73.

## **SHARE SCHEMES**

Details of the Executive Share Scheme is set out in the Directors' Remuneration Report on pages 65 to 73.

## **STAFF INVOLVEMENT**

The Group currently has approx. 29,400 strong workforce in its stores, offices and warehouses.

The workforce is notified of announcements and major changes in the Business via Company news emails and our intranet, as well as information being transmitted through line managers. The Company has elected a Workers' Representative who attends all Board meetings and provides feedback from employees to the Board. The Company also has the "Your Company, Your Voice" scheme which enables staff to raise issues of concern via suggestion boxes. The contributions are read by senior management and the Workers' Representative who provides the Board with an overview and replies to staff if appropriate. A selection of questions received and answers given by management are displayed in communal areas for staff. During the year a series of presentations were made by senior management to staff at our Shirebrook campus to keep staff appraised of developments within the Group. Topics covered included, property, the elevation strategy and finance.

Training programmes and induction courses provide the workforce with opportunities to keep up to date with the latest developments of the Group. Our employee conferences offer attendees an opportunity to mix with teams with which they wouldn't ordinarily mix, to learn about the Group's aspirations, and to keep up to date with the latest changes in the Group.

Further information on relationships with our people can be found in the Corporate Social Responsibility section on pages 33 to 39 and on pages 8 to 10 of the Our Business section.

## **DIVERSITY AND EQUAL OPPORTUNITIES**

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

Applications for employment by disabled persons are given full and fair consideration for all vacancies and are assessed in accordance with their particular skills and abilities.

The Group endeavours to meet its responsibilities towards the training and employment of disabled people, and to ensure that training, career development and promotion opportunities are available to all.

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

Further information on our approach to diversity can be found in the Corporate Social Responsibility section on pages 33 to 39.

## **RESEARCH AND DEVELOPMENT**

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

## **CHARITABLE AND POLITICAL DONATIONS**

During the year, the Group made charitable donations of £210k (2018: £66k) in the UK. No political donations were made (2018: nil).

## **DIRECTORS**

Details of current Directors, dates of appointment, their roles, responsibilities and significant external commitments are set out on pages 46 to 47. Nicola Frampton and Richard Bottomley OBE joined the Board as Non-Executive Directors with effect from 1 October 2018. Cally Price joined the Board as a Non-Executive Workforce Director with effect from 1 January 2019. Simon Bentley resigned as a Senior Independent Director and Non-Executive Director, and Dr Keith Hellawell resigned as Chair and Non-Executive Director on 12 September 2018.

Although the Company's Articles of Association require retirement by rotation of one third of Directors each year, the Group complies with the 2016 UK Corporate Governance Code and at each AGM all of the Directors will retire and stand for reappointment.

Information on service contracts and details of the interests of the Directors and their persons closely associated (PCAs) in the share capital of the Company at 28 April 2019 and at the date of this Report is shown in the Directors' Remuneration Report on pages 65 to 73.

Copies of the service contracts of Executive Directors and of the appointment letters of the Chair and Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM.

No Director has a directorship in common or other significant links with any other Director.

## **DIRECTORS' CONFLICTS OF INTEREST**

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

The Company has entered into a Relationship Agreement with Chief Executive Mike Ashley, whose wholly-owned companies, MASH Holdings Limited and MASH Beta Limited, currently hold approximately 4.9% and 56.1% respectively of the issued share capital of the Company (excluding treasury shares) as at 26 July 2019. This agreement is described in the Directors' Report on page 49.

## **DIRECTORS' INDEMNITIES**

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

## **SPORTS DIRECT EMPLOYEE BENEFIT TRUST**

We note that the Trustees of the Sports Direct Employee Benefit Trust have waived their right to receive dividends on the ordinary shares comprised in the trust fund. No dividends were paid by the Company for the period ended 28 April 2019.

## DISCLOSURES REQUIRED UNDER UK LISTING RULE 9.8.4

The information required by Listing Rule 9.8.4 is set out in the table below:

Applicable sub-paragraph within LR 9.8.4	Disclosure provided
(1) Interest capitalised by the Group	N/A
(2) Publication of unaudited financial information	N/A
(3) Requirement deleted from the Listing Rules	-
(4) Details of long-term incentive schemes only involving a Director	N/A
(5) Waiver of emoluments by a Director	N/A
(6) Waiver of future emoluments by a Director	N/A
(7) Non pro-rata allotments for cash (issuer)	N/A
(8) Non pro-rata allotments for cash (major subsidiaries)	N/A
(9) Parent participation in a placing by a listed subsidiary	N/A
(10) Contracts of significance	N/A
(11) Provision of services by a controlling shareholder	Page 68
(12) Shareholder waivers of dividends	Page 51
(13) Shareholder waivers of future dividends	N/A
(14) Agreements with controlling shareholders	Page 49

## GREENHOUSE GAS EMISSIONS

See pages 38 to 39.

## ANNUAL GENERAL MEETING

The 2019 AGM will be held on 11 September 2019 at Academy House, 36 Poland St, London, W1F 7LU. The meeting will commence at 11:00am. The Board encourages shareholders to attend and participate in the meeting.

## GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Report and Business Review on pages 12 to 27.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 28 to 31. In addition, the Financial Statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group is profitable, highly cash generative and has considerable financial resources. The Group is able to operate comfortably within its banking facilities and covenants, which run until November 2022, and is well placed to take advantage of strategic opportunities as they arise.

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

The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, and its exposure to foreign currency movements in respect of future purchases in US Dollars, and the forward contracts and written options entered into to sell Euros, show that the Group should be able to operate within the level of the current facility.

Having thoroughly reviewed the Group's performance and having made suitable enquiries, the Directors are confident that the Group has adequate resources to remain in operational existence for the foreseeable future. On this basis, the Directors continue to adopt the going concern basis for the preparation of the Annual Report and Financial Statements.

## ACCOUNTABILITY AND AUDIT

A statement by the Auditor can be found on pages 86 to 87 detailing their reporting responsibilities. The Directors fulfil their responsibilities and these are set out in the responsibility statement on page 74.

**AUDITOR**

Grant Thornton UK LLP will be proposed for reappointment at the AGM. In accordance with section 489(4) of the Companies Act 2006, resolutions to determine remuneration are to be agreed at the AGM.

**POST BALANCE SHEET EVENTS**

See note 39 of the Annual Accounts.

By Order of the Board

Tom Piper

**Company Secretary**  
26 July 2019

# CORPORATE GOVERNANCE REPORT

## CHAIR'S INTRODUCTION

We measure our performance not only financially, but against the 2016 UK Corporate Governance Code (the "2016 Code"), and I am satisfied that during the year we have complied fully. Whilst we are not required to report on the 2018 UK Corporate Governance Code (the "2018 Code") until next year, we have regard for it and aim to follow it wherever possible. We have demonstrated our commitment to the early integration of the 2018 Code by appointing Cally Price as a Non-Executive Workforce Director and Workers' Representative. Cally has received training and support to assist her in her new role of Director, and has the on-going assistance of the company secretarial team. She enjoys all of the powers of our other Non-Executive Directors and her on the ground knowledge and experience have proven to be valuable assets to the Board.

Although the retail environment continues to be difficult, our unique culture and ethos has enabled us to continue to perform strongly in the circumstances. Looking to the future, the board will continue to work effectively and responsibly in order to drive long-term results and stakeholder value.

David Daly

Chair

26 July 2019

## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Group complied throughout the year under review with the provisions set out in the 2016 UK Corporate Governance Code (the "Code") which is the version of the Code that applies to FY19, as noted in the Audit Committee Report, we are commencing with the appointment of a Head of Internal Audit. A copy of the Code is available at [www.frc.org.uk](http://www.frc.org.uk). The sections below detail how the Group has complied with the Code.

Disclosures in relation to DTR 7.2.6 (share capital) and DTR 7.2.8 (diversity) are set out on pages 48 and 50.

## A LEADERSHIP

### A1 THE ROLE OF THE BOARD

The Board is responsible for overseeing the long-term success of the Group and for setting and overseeing the execution of the Business strategy in accordance with our stated aims of delivering value for customers, people and shareholders.

The Board has a formal schedule of regular meetings where it approves major decisions, and utilises its expertise to advise and influence the Business. The Board will meet on other occasions as and when the Business demands. During FY19 the Board met eleven times. The Board is also available to advise on other issues which arise day to day.

A detailed agenda is established for each scheduled meeting, and appropriate documentation is provided to Directors in advance of the meeting. Regular Board meetings provide an agenda that will include reports from the Chief Executive, reports on the performance of the Business and current trading, and specific proposals where the approval of the Board is sought. The Board will monitor and question performance and review anticipated results. Areas discussed include strategic investments, the elevation strategy, capital expenditure, Brexit and treasury. The Board and committees have also received updates throughout the year on topical matters such as the 2018 UK Corporate Governance Code and new accounting standards. The Board receives reports from the Workers' Representative who is in attendance at all scheduled Board meetings.

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

There are three Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. The committees are governed by terms of reference which provide details of matters delegated to each committee. The terms of reference are available on the Company's website.

## MATTERS RESERVED FOR THE BOARD

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

- Setting of budgets
- Setting of the company's values and standards
- Approval of strategic aims and objectives
- Approval of acquisitions and disposals
- Appointments and removal of Board members
- Succession planning
- Overall responsibility for internal control and risk management as described on pages 40 to 45

## ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Attendance by Directors at Board and Committee meetings during the year and the total number of meetings that they could have attended are set out in the table below. All Directors attended all meetings of the Board and Committees of the Board of which they were members unless prevented from doing so by prior commitments. The meetings which took place throughout the year were a mixture of both scheduled meetings, general matters, and unscheduled meetings, for more urgent matters.

	Board Meetings: Scheduled	Board Meetings: Unscheduled	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Mike Ashley	4 / 4	4 / 7	-	-	-
Simon Bentley <sup>(1)</sup>	2 / 2	2 / 3	1 / 1	1 / 1	-
Richard Bottomley <sup>(2)</sup>	2 / 2	3 / 3	3 / 3	-	3 / 3
David Brayshaw	4 / 4	7 / 7	4 / 4	3 / 3	3 / 3
David Daly	4 / 4	7 / 7	1 / 1 <sup>(3)</sup>	3 / 3	3 / 3
Nicola Frampton <sup>(4)</sup>	2 / 2	2 / 3	3 / 3	2 / 2	-
Jon Kempster	4 / 4	6 / 7	-	-	-
Keith Hellawell <sup>(5)</sup>	2 / 2	3 / 3	-	1 / 1	-
Cally Price <sup>(6)</sup>	1 / 1	2 / 2	-	-	-

(1) Meetings attended by Simon Bentley until his resignation on 12 September 2018.

(2) Meetings attended by Richard Bottomley following his appointment on 1 October 2018.

(3) Meetings attended by David Daly were until his appointment as Chair of the Board on 12 September 2018.

(4) Meetings attended by Nicola Frampton following her appointment on 1 October 2018.

(5) Meetings attended by Keith Hellawell until his resignation on 12 September 2018.

(6) Meetings attended by Cally Price following her appointment on 1 January 2019. Alex Balacki also attended all scheduled Board meetings in his capacity as Workers' Representative.

Note: A number of Audit Committee, Remuneration Committee and Nomination Committee meetings were attended by Board members who were not members of the

Committees. The Board members concerned attended these meetings at the invitation of the Committee members.

### Directors and Officers Liability Insurance

Appropriate insurance cover is maintained by the Company in respect of its Directors and Officers.

## A2 DIVISION OF RESPONSIBILITIES

The division of responsibilities between the Non-Executive Chair and the Chief Executive is set out in writing. The Chair and Chief Executive work closely together to ensure effective decision making and the successful delivery of the Group's strategy. The responsibilities of the Chair, Chief Executive and Senior Independent Director are set out in writing and available on the Company's website.

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

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

## **A3 THE CHAIR**

The Chair leads the Board, ensuring constructive communications between Board members and that all Directors are able to play a full part in the activities of the Company. He is responsible for setting Board agendas and ensuring that Board meetings are effective and that all Directors receive accurate, timely and clear information.

The Chair officiates effective communication with shareholders and ensures that the Board understands the views of major investors, and is available to provide advice and support to members of the Executive team. Upon his appointment the Chair met the independence criteria set out in section B.1.1 of the Code.

## **A4 THE NON-EXECUTIVE DIRECTORS**

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

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

Richard Bottomley OBE is the Senior Independent Non-Executive Director. He supports the Chair and Non-Executive Directors and is available to shareholders if they have concerns.

There were a number of meetings throughout the year which were solely for Non-Executive Directors and the Chair. Meetings also took place which were attended by Non-Executive Directors without the Chair. The performance of the Chair was appraised during one of these meetings and led by the Senior Independent Non-Executive Director.

## **B EFFECTIVENESS**

### **B1 COMPOSITION OF THE BOARD**

The Board consists of the Non-Executive Chair, David Daly, the Chief Executive, Mike Ashley, the Chief Financial Officer, Jon Kempster, and three independent Non-Executive Directors and a Non-Executive Workforce Director. The names, skills and short profiles of each member of the Board, together with details of membership of Board committees are set out on pages 46 to 47. Each year the Board considers the independence of each Non-Executive Director in accordance with the Code. The most recent review did not highlight any Non-Executive Directors who lacked independence, although this excluded the Non-Executive Workforce Director and the Chair.

### **B2 APPOINTMENTS TO THE BOARD**

The Company has a Nomination Committee comprised of all the Non-Executive Directors and chaired by the Chair of the Board. The Nomination Committee is responsible for regularly reviewing the structure, size and composition (including the skills, knowledge experience and diversity) of the Board and make recommendations to the Board with regard to any changes. It is also responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies.

The work of the Nomination Committee is described on pages 63 to 64.

Non-Executive Directors (with the exception of the Chair whose agreement continues until terminated in accordance with its terms) are appointed for an initial term of three years. All directors are subject to annual re-election.

### **B3 COMMITMENT**

Non-Executive Directors are required to disclose prior appointments and other significant commitments to the Board and are required to inform the Board of any changes to or additional commitments. Details of the Non-Executive Directors' external appointments can be found on pages 46 to 47.

Before accepting new appointments, Non-Executive Directors are required to obtain approval from the Chair, and the Chair requires the approval of the whole Board. It is essential that no appointment causes a conflict of interest or impacts on the Non-Executive Directors' commitment and time spent with the Group in their existing appointment. The time specified in Non-Executive Directors' letters of appointments, to be committed to the role was reviewed by the Nomination Committee in FY19 and deemed to be appropriate.

Details of Executive Directors' service contracts, and of the Chair's and the Non-Executive Directors' appointment letters, are given on pages 68 to 69. Copies of service contracts and of appointment letters are available for inspection at the Company's registered office during normal business hours and at the AGM.

Neither of the Executive Directors hold a directorship of another FTSE 250 company.

## B4 DEVELOPMENT

All newly appointed Directors' are provided with an induction programme which is tailored to their existing skills and experience and includes warehouse and store visits, legal update on directors duties and one on ones with members of the senior management team. The Board is informed of any material changes to governance, laws and regulations affecting the Group's business.

Directors are provided with details of relevant training courses and training needs are reviewed by the Chair during the annual Board evaluation process.

## B5 INFORMATION AND SUPPORT

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

The Company Secretary has responsibility for advising the Board on corporate governance matters and during FY19 reports have been provided to the Board on the 2018 UK Corporate Governance Code and training was also provided to new Directors on Directors' duties, relevant Listing Rules obligations and the Market Abuse Regulations.

## B6 EVALUATION

The practices and processes of the Board and its committees are evaluated on a yearly basis. Following evaluations the feedback obtained is considered and the Board act on the issues which have been raised. The most recent Board evaluation in FY19 was conducted internally using a questionnaire. The Directors believe that the Board and its committees are working effectively.

The last external evaluation of the Board was undertaken in FY17 by NJMD Corporate Services Limited (NJMD). NJMD are an independent consultancy specialising in board performance evaluation and have no connection to the Company other than also undertaking the external board evaluation in 2014.

The Non-Executive Directors led by Richard Bottomley, as the Senior Independent Non-Executive Director, have reviewed the performance of the Chair taking into account the views of Executive Directors. All Directors' performance is reviewed by the Chair to ensure their performance remains effective and that they are committed to the role.

## B7 EXECUTIVE AND NON-EXECUTIVE DIRECTORS - RE-ELECTION

The Board has determined that all Directors seeking re-appointment, and recommended by the Nomination Committee, must put themselves forward for re-election at the 2019 AGM to comply with the Code. All Directors appointed by the Board during the year after consideration of the recommendations of the Nomination Committee must stand for election at the AGM following their appointment.

## C ACCOUNTABILITY

### C1 FINANCIAL AND BUSINESS REPORTING

It is the responsibility of the Directors to ensure that the accounts are prepared and submitted. Having assessed the current Annual Report, along with the accounts, the Directors confirm that, taken as a whole, they are fair, balanced and understandable. The Directors also confirm that these documents provide the necessary information in order for shareholders to assess the Group's performance, Business Model and strategy. Details of the Business Model and Strategy are contained in the Strategic Report on pages 5 to 45.

The going concern statement provided by the Directors is on page 52 of the Directors Report. The Independent Auditor's Report is set out on pages 76 to 87.

### C2 RISK MANAGEMENT AND INTERNAL CONTROL

The Board has carried out a robust assessment of the principal risks facing the Group. Details of these risks are set out on pages 40 to 45. The Board has reviewed the Company's risk management and internal control systems during FY19 and consider them to be effective.

### C3 AUDIT COMMITTEE AND AUDITORS

The Company has an Audit Committee comprised of all the independent Non-Executive Directors and Chaired by the Senior Independent Non-Executive Director. The Audit Committee Report on pages 59 to 62 details how the Group has complied with section C3 of the Code relating to Audit Committees.

## **D REMUNERATION**

The Company has a Remuneration Committee comprised of all the independent Non-Executive Directors and the Chair of the Board. David Brayshaw is the Chair. The Remuneration Report on pages 65 to 73 details how the Company has complied with section D of the Code relating to the Remuneration Committee.

## **E RELATIONS WITH SHAREHOLDERS**

### **E1 DIALOGUE WITH SHAREHOLDERS**

The Chief Executive Office, Chief Financial Officer, Deputy Chief Financial Officer, certain Non-Executive Directors and the Head of Strategic Investments met with a number of major shareholders and analysts during the year. The presentation of the interim and full year results typically includes a cross section of institutional shareholders, analysts, representatives of our banking groups, journalists and other Group advisors.

### **E2 CONSTRUCTIVE USE OF THE AGM**

Directors are available at and following general meetings when shareholders have the opportunity to ask questions on the business of the meeting. The Company Secretary, the Company's auditors and the Registrars are in attendance at general meetings to assist with any queries shareholders may have. The Notice of AGM and related papers are sent to shareholders a minimum of 20 working days before the meeting. For other general meetings the Notice and accompanying paperwork is sent out a minimum of fourteen working days in advance.

At the 2018 AGM, resolutions to appoint Dr Keith Hellawell and Simon Bentley were withdrawn prior to the meeting, following the decision of Keith and Simon to not stand for re-election.

# AUDIT COMMITTEE REPORT 2019

Dear Shareholder,

I am pleased to present the Audit Committee Report for the 52 weeks ended 28 April 2019.

The Committee has an important role to play in effective reporting to our stakeholders and ensuring high standards of quality and effectiveness in the external audit process. It is also responsible for reviewing and monitoring the effectiveness of internal control and risk management policies and systems. This Report provides an overview of:

- The membership of the Committee and how often it has met during the year;
- The main responsibilities of the Committee;
- What the Committee has done during the year;
- How the Committee has assessed the effectiveness of the external auditors, including ensuring their independence;
- The Committee's opinion on the Annual Report when viewed as a whole; and
- The Board's view of the Committee's own effectiveness and what is planned for 2020.

In last year's Audit Committee Report, Simon Bentley mentioned that we were part way through the process of undertaking an audit tender. This was following an announcement from Grant Thornton of their intention to withdraw from new tenders in relation to audits of FTSE 350 companies due to the "competitive landscape", adding that it would continue with this policy until it saw a "shift in the competitive landscape that would level the playing field for competing in this market". I was appointed as a Non-Executive Director and Audit Committee Chair on 1 October 2018 which was followed by senior management changes at Grant Thornton. After reviewing where we were in the audit tender process we decided to put the process on hold until Grant Thornton had appointed a new CEO and reassess our options.

After a number of meetings with David Dunckley, the new CEO of Grant Thornton, we have decided to continue with Grant Thornton as our auditor and it is our intention to ask our shareholders to approve their reappointment for a further year at the AGM. We are pleased that Grant Thornton have agreed to remain as our auditor which makes sound commercial sense during these increasingly challenging times for UK retail. As noted in the Chief Executive's Report and Business Review, we have been in discussions with the Big 4 accountancy firms which have thrown up barriers including conflicts of interest and regulatory requirements relating to the separation of the tax and audit function.

We have operated through the year without any formal Internal Audit function. As you will read further on in my Report we gain a significant amount of comfort from the operation of our Retail Support Unit. We do however recognise as the Group expands and grows we require an Internal Audit function to provide additional comfort on the operation of our internal controls and reporting regime. We will commence with the appointment of a Head of Internal Audit, who will have the initial task to devise a plan which may in the short term require some third party assistance in its execution, as we have done in previous years.

## MEMBERSHIP

There are currently three members of the Audit Committee, David Brayshaw, Nicola Frampton and myself as Chair. Biographies of each Committee member are set out in the Directors' profiles on pages 46 to 47 of this Annual Report. David Daly also served as a member of the Audit Committee until his appointment as Chair of the Board on 12 September 2018.

As Chair of the Committee and Senior Independent Non-Executive Director I am satisfied that the Committee's membership includes Directors with recent and relevant financial experience and competence in accounting and risk management and that the Committee as a whole has competence relevant to the retail sector in which the Group operates.

## MEETINGS

The Committee met four times during the year. Non-Committee members of the Board and the management team, including Mike Ashley and Jon Kempster, have attended Committee meetings during the year at my invitation so that they can keep the Committee informed of important developments in the Business and the risk and control environment. The attendance of members of the Executive management team at these meetings also helps to reinforce a strong culture of risk management within the Business.

Our external auditors, Grant Thornton UK LLP, attended all Committee meetings during the year. After each Committee meeting the Committee members met with Grant Thornton without any of the Non-Committee members of the Board or Executive management team present. In my capacity as Chair of the Committee, I have regular meetings with the Grant Thornton prior to every Audit Committee meeting, during the audit planning process and as the audit progresses to address issues earlier and avoid any unwanted surprises.

## THE MAIN RESPONSIBILITIES OF THE AUDIT COMMITTEE INCLUDE:

- Assisting the Board with the discharge of its responsibilities in relation to internal and external audits and controls;
- Considering and making recommendations to the Board on the reappointment of the external auditors;
- Agreeing the nature and scope of the external audit and monitoring the same;
- Monitoring the external audit, including reviewing the results of the external audit and its independence, objectivity, effectiveness, and reviewing and agreeing the external auditor's fee;
- Agreeing and monitoring the extent of the non-audit work that may be undertaken by the external auditors;
- Monitoring and making judgements and recommendations on the Group's financial reporting processes and the integrity and clarity of the Group's financial statements as well as any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgments contained in them;
- Reviewing and monitoring the effectiveness of the Group's internal financial control systems and internal control and risk management systems, including a review of the activities of the internal audit function;
- Reviewing arrangements by which staff may, in confidence, raise concerns about any improprieties in matters of financial reporting;
- Informing the Board of the outcome of the audit and explaining how the audit contributed to the integrity of the financial report and what the role of the committee was in that process; and
- Reporting to the Board on how the Committee has discharged its responsibilities during the year.

## WHAT HAS THE COMMITTEE DONE DURING THE YEAR?

During the year, and as further described below, the Committee has:

- Monitored the effectiveness of the Group's internal controls, particularly in light of the current macroeconomic climate and its likely impact on the Group;
- Assessed the effectiveness of the external audit process and considered the reappointment of Grant Thornton as external auditors for 2020;
- Reviewed Group accounting policies, presentations and the financial statements;
- Advised the Board on its interactions with the Financial Reporting Council's Corporate Reporting Review Team, as further described below; and
- Together with the Board, considered the Committee's own effectiveness.

## INTERNAL CONTROLS

As one of the fastest growing retailers, with rapidly expanding overseas and online operations, the Group has many complex operational risks to manage. Information on the Group's approach to internal control and risk management is set out in the Strategic Report on pages 5 to 45 of this Annual Report. Central to the Group's system of internal controls has been the work undertaken by its Retail Support Unit. The Retail Support Unit conducts internal audits across the Group's retail operations each year, providing internal assurance in relation to the efficacy of the Group's controls over the operational procedures and systems which generate and report trading data for the purposes of compiling the Group's financial statements.

The Committee focused on a number of significant areas of internal control during the year, including:

- Stock valuation and the calculation of associated provisions;
- Management of foreign currency exposures;
- Property investment in elevated stores formats;
- Property and the systems in place to ensure onerous lease provisions are recognised on a timely basis;
- External banking arrangements;
- The preparation and review of management accounts; and
- Monitoring and reporting procedures in relation to budget variance;

The Committee remains of the view that the Group's internal controls continue to be effective.

## EXTERNAL AUDITORS

Our current external auditors, Grant Thornton, have been in place since the listing in 2007.

To maintain the objectivity of the audit process, the external auditors are required to rotate audit partners for the Group audit every five years. Philip Westerman, has been our lead audit partner for five years and has been succeeded by Marc Summers is responsible for signing our Independent Auditors' Report in 2019. We explained in last year's Report that we had received the relevant approvals for Phil Westerman to continue as our lead audit partner for a sixth year, as we continued with our planned audit tender process. As a consequence of our decision to continue with Grant Thornton and in consultation with Grant Thornton, it was decided to make the change in the current year.

On an annual basis, the Committee considers the appointment or reappointment (as applicable) of the external auditors and their remuneration and makes recommendations to the Board. The auditors are then proposed for appointment or reappointment (as applicable) each year at the AGM.

In making its recommendations to the Board, the Committee considers a number of factors relating to the level of service provided by the external auditors and their independence. These include:

- The quality and scope of the planning of the external audit in assessing risks and how the external auditors have planned to evolve the audit plan to respond to changes in the Business;
- The quality and timeliness of reports provided to the Committee and the Board by the external auditors during the year;
- The level of understanding that the external auditors have demonstrated in relation to the Group's businesses and the retail sector;
- The objectivity of the external auditors' views on the internal controls around the Group and the robustness of challenge and findings on areas which require management judgement;
- The contents of any external reports or regulatory statements published in respect of the external auditor; and
- The nature and scope of non-audit services provided by the external auditors and the level of fees charged for these services.

The Committee has agreed that, in the future, any proposed non-audit services above a de minimis level by the external auditors will continue to require express pre-approval by the Committee to ensure that the requirements of the Revised Ethical Standard are complied with.

During the year we received a report from the FRC into the audit carried out by Grant Thornton in 2018 in which they identified areas where improvements were required in the level of seniority in the audit team, the robustness of challenge to management's judgements and the quality of audit documentation. I have had a number of meetings with the FRC and Grant Thornton and I am confident that all the issues have been addressed, a new lead audit partner is in place with a more senior audit team for the current year.

In the light of these changes and discussions with the FRC, the Committee has concluded that Grant Thornton remain effective as external auditors and has recommended to the Board that its current intention is for Grant Thornton be reappointed as the Group's external auditors for the 2020 financial year.

Non-audit fees charged by Grant Thornton for its UK services during the year were £0.1m, this being in relation to interim review fees. This compares to UK audit fees of £0.9m and other assurance fees of £0.1m. In addition, member firms of Grant Thornton's international network provided audit and non-audit services to the Group with fees for non-audit services totaling £0.2m. These non-audit services related primarily to tax compliance and advisory services. The tax services were not prohibited under FRC 5.167R as they were in respect of non-EU entities. Fees for international audit services were £0.5m. More detail on fees charged by Grant Thornton is included in note 8 to the financial statements contained on page 117 of this Annual Report.

The Committee concluded that, due to the nature of the work and the safeguards in place, the provision of non-audit work did not compromise the independence or objectivity of Grant Thornton as the Group's external auditors. The Committee was also satisfied that it was in the interests of the Group to be provided with these non-audit services from the external auditors because of Grant Thornton's deep understanding of the Business and expertise in the relevant areas.

## REVIEWED ACCOUNTING POLICIES, PRESENTATIONS AND THE FINANCIAL STATEMENTS

The Board has asked the Committee to advise it on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, Business Model and strategy.

The Committee has reviewed the process for preparing this Annual Report, in order to assess whether other information contained in this Annual Report is consistent with the Group's financial statements for the 52 weeks ended 28 April 2019. This process has included the following key elements:

- Review of new regulations and reporting requirements with external advisers to identify additional information and disclosures that may be appropriate;
- Preparation of a detailed timetable and allocation of drafting responsibility to relevant internal teams with review by an appropriate senior manager;
- Provision of an explanation of the requirement for the Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable, to those with drafting responsibility;
- Monitoring of the integrity of the financial statements and other information provided to shareholders to ensure they represented a clear and accurate assessment of the Group's financial position and performance;
- Review of significant financial reporting issues and judgements contained in the financial statements;
- Review of all sections of the Annual Report by relevant external advisers;
- Review by the senior manager working group responsible for the Annual Report process;
- Interim progress review of process and Annual Report content with the Committee; and
- Overall review of the contents of the Annual Report and substantiation of why it provides a fair, balanced and understandable view of the year under review.

The Committee has reviewed this Annual Report and Accounts and has advised the Board that it considers them, taken as a whole, to be fair, balanced and understandable.

## **FINANCIAL REPORTING**

The Committee's review of this year's interim and full year financial statements focused on the following areas of significance:

- Inventory – valuation;
- Property, legal and other provisions and accruals – existence, accuracy, completeness and presentation and disclosure;
- Related parties – completeness, valuation and presentation and disclosure;
- Accounting for foreign currency forward contracts and option arrangements – accuracy and valuation;
- Accounting for investments – accounted for as fair value through Other Comprehensive Income (OCI) – presentation and disclosure;
- Business combination accounting – House of Fraser trade and assets - accuracy and valuation;
- Revenue recognition – occurrence and accuracy; and
- Quality of systems and management override of controls.

The Audit Committee confirms that it was in compliance with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 during the financial year ended 28 April 2019.

## **REVIEW OF THE COMMITTEE'S EFFECTIVENESS**

I joined part way through the year and the effectiveness of the Committee is monitored and assessed regularly by myself as Chair.

## **KEY OBJECTIVES FOR NEXT YEAR**

The Committee's key objectives for next year are:

- Assisting Chris Wootton from September 2019 in his new role as Chief Financial Officer and continuing the improvement in the quality and depth of resources in our Finance teams;
- Appointing a Head of Internal Audit and devising a programme of work; and
- Increasing and improving the risk identification, monitoring and mitigation measures across the Group.

Richard Bottomley

**Chair of the Audit Committee and Senior Independent  
Non-Executive Director**  
26 July 2019

## NOMINATION COMMITTEE

The role of Chair of the Nomination Committee dictates that, in order to meet the needs of the Group I must ensure that the Board remains competent, diverse, well balanced and equipped to deal with any present or future issues which may arise. It is important that the Nomination Committee both support and challenge the decisions of the Executive Directors, which includes reviewing the leadership of the Group, and make recommendations regarding the appointment of new, and continuation of office of existing Directors.

Biographical details of each member are shown in the Board of Directors' profiles on pages 46 to 47.

The Nomination Committee will usually meet formally on two occasions a year, although more meetings will also take place when deemed appropriate. The Committee met formally on three occasions during FY19. A number of informal discussions also took place amongst members of the Committee. All members of the Nomination Committee are Non-Executive Directors and, with the exception of the Chair, are considered to be independent.

### THE RESPONSIBILITIES OF THE NOMINATION COMMITTEE INCLUDE:

- Reviewing the leadership needs of the Group, looking at both Executives and Non-Executives;
- Reviewing the composition, structure and size of the Board, and making recommendations to the Board of adjustments that are deemed necessary having regard to diversity, skills, knowledge and experience;
- Reviewing the time required to be spent by Non-Executive Directors;
- Identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Giving consideration to succession planning for Directors, taking into account the challenges and opportunities facing the Group and the skills and expertise therefore needed on the Board;
- Formally documenting the appointment of Directors; and
- Identifying potential candidates for senior posts, and making recommendations to the Board as and when necessary.
- The Nomination Committee also determines succession plans for the Chair and the Chief Executive who are not present at meetings when the matter is discussed. Succession plans are reviewed by the Nomination Committee at least once a year.

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

#### Board nominations

The Committee follows a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Committee has considered and recommended the re-appointment of all directors, following consideration of their effectiveness and commitment.

The structure of the Board has changed somewhat over the course of the year, and the Committee led the process of recruiting and recommending the appointment of Nicola Frampton and Richard Bottomley.

Encouraging the development of existing internal talent is beneficial to both the Group and its people, and is something which is heavily promoted within the Group. During the year the Committee has prioritised offering opportunities to individuals who perform to a consistent level. Cameron Olsen, our Head of Legal and Company Secretary, left the Group on 30 June 2019, and his position has been filled by existing team member Tom Piper, whose knowledge of the Business from his time with the Group will aid his transition into the role. On behalf of the Group, I would like to thank Cameron for his invaluable contribution, and wish him every success in the future. The Committee and I are confident that Tom will be able to continue with the good work that Cameron has left behind.

As has been noted, Jon Kempster has today announced his resignation and as a result he will not stand for re-election at the forthcoming 2019 AGM. During Jon's tenure, Chris Wootton was appointed as Deputy Chief Financial Officer. Jon has mentored Chris throughout this transition and the Committee has identified Chris as the natural successor to Jon from September 2019.

Also during the year, the Committee recommended the elevation of the position of Worker's Representative to a full Non-Executive Board position, in line with the provisions of the 2018 UK Corporate Governance Code which will apply to the Group in FY20. Cally Price, the Group's latest Worker's Representative, joined the Board as its first Non-Executive Workforce Director in January 2019. Cally brings the voice of the workforce directly into the Boardroom, and having her on the Board adds a fresh, new perspective.

#### Composition of the Board

The Committee has reviewed the composition of the Board and has concluded that it may benefit from the addition of a further Non-Executive Director with regulatory experience. We have had preliminary meetings with an agency that specialises in recruiting diverse talent for boards and will continue to monitor the Board's future needs.

**Diversity and inclusion**

During the year two new female Board Directors have been appointed, namely Nicola Frampton and Cally Price. With the intention of meeting future gender targets, we are currently liaising with Executives to discuss how increased future diversity can be achieved. Moving forward we are also looking into engaging a specialist search agency which specialises in diversity, and talks have already begun regarding this process.

The diversity within our senior leadership team remains unchanged, with females holding three key positions which equate to approximately a 35% - 65% female to male ratio, whilst across the overall workforce the ratio is approximately 50% - 50%. We were pleased that our most recent Gender Pay Gap Report showed a reduction in the median gender pay gap within our largest relevant subsidiary (Sportsdirect.com Retail Limited) to 0%, however we do not wish to become complacent in this area and will continue to explore methods to ensure there is no gender pay gap anywhere within our business.

Further details on diversity and inclusion are set out in the Corporate Social Responsibility Section on pages 33 and 34.

**Review of Terms of Reference**

The Committee has reviewed its terms of reference in FY19 and agreed to update these in line with the 2018 UK Corporate Governance Code.

David Daly

**Chair of the Nomination Committee**

26 July 2019

# DIRECTORS' REMUNERATION REPORT

Dear Shareholder

On behalf of the Board I am pleased to present the Report on Directors' remuneration for the period ended 28 April 2019. The Remuneration Committee consists solely of Non-Executive Directors who are considered independent and the Chair of the Board. The purpose of the Committee, is to assist the Board to ensure that Executive Directors and Senior Executives receive appropriate levels of pay and benefits.

## PHILOSOPHY

A key priority is to ensure that our Remuneration Policy is aligned with strategy to achieve the long-term success of the Group. The Committee ensures that it complies with the requirements of regulatory and governance bodies including, but not limited to, the UK Corporate Governance Code whilst meeting stakeholder, shareholder and workforce expectations. The Remuneration Committee and Board remain committed to a fully transparent and simple remuneration policy that is aligned with the interests of all its shareholders. In the operations of the Committee we reiterate our commitment to the following key objectives:

- Clarity;
- Simplicity;
- Predictability;
- Proportionality; and
- Alignment to Culture.

We ensure that in our operations we identify and mitigate reputational risks arising from our remuneration arrangements and behavioural risks related to incentive targets.

## TOTAL REMUNERATION

The Committee considers that the current remuneration arrangements promote the long-term success of the Company within an appropriate risk framework and are suitably aligned to the Company's objective of delivering long-term sustainable growth in Total Shareholder Returns.

## REMUNERATION POLICY CHANGES

The Company's current Remuneration Policy was submitted to Shareholders and approved at the 2018 AGM on 12 September 2018 with over 98% of the votes cast in favour of it and a similar level of support for the FY18 Directors' Remuneration Report.

Our Business Model has not changed, and we believe that the structure of the existing Remuneration Policy continues to be the right one for the Company and its shareholders. It remains aligned to the Company's annual and long-term performance, to shareholder experience and to the Company's strategy, objectives and Business Model.

We believe the minor changes approved last year continue to ensure that the Remuneration Policy remains fit for purpose and supports the long-term success of the Business.

## RESPONSIBILITIES OF THE COMMITTEE

- Determining the Company's policy on Executive remuneration, including the design of bonus schemes and targets, Share Schemes when appropriate, together with payments under them;
- Determining the level of remuneration of the Chair and each of the Executive Directors;
- Setting the remuneration for the first layer of management below the board level, including the Company Secretary;
- Monitoring the remuneration of senior management and making recommendations in that respect;
- Agreeing any compensation for loss of office of any Executive Director; and
- Ensuring that the Company's Remuneration Policy remains fit for purpose and takes note of the continuing enhancements proposed by regulatory bodies. We have examined the changes introduced by the new 2018 UK Corporate Governance Code in this regard and will adopt those that we believe are appropriate to our business throughout FY20.

## WHAT HAS THE COMMITTEE DONE DURING THE YEAR?

- Reviewed and approved Company's Terms of Reference;
- Reviewed and approved the Company's Remuneration Policy;
- Reviewed the Company's Gender Pay Gap Report; and
- Reviewed and approved the Directors' Remuneration Report contained on pages 65 to 73.

## DIRECTORS' REMUNERATION REPORT CONTINUED

The Remuneration Committee meets several times a year, with three formal meetings and a number of ad hoc meetings held in FY19. A full report on the remuneration of Directors appears on pages 69 to 73.

## BASIC SALARIES AND BENEFITS

The base salary for Jon Kempster, the Chief Financial Officer, was set on his appointment in FY18 at the level of £150,000 and was not increased for FY19. This basic level of reward has remained the same since 2002 and is reflective of the Company philosophy that remuneration should be simple, transparent and support the long-term delivery of business strategy, high performance and shareholder return. Executives will only be rewarded for high and sustained performance.

Mike Ashley has not received any remuneration from the Company since before the Public Offering in 2007 and has declined any remuneration in his role of Chief Executive.

## INCENTIVE REMUNERATION

As referred to in the FY18 Directors' Remuneration Report, Jon Kempster was eligible to earn a bonus in respect of FY19 of up to 200% of salary. No bonus was earned in respect of the year.

Previous incentives have been strongly based upon the driving of long-term business performance through granting larger upfront awards which only vest if significant and consistent growth in line with annual published performance targets is delivered year on year. It is unlikely that this philosophy with regard to incentives will change significantly in the future, and any new Share Scheme benefiting the Executive Directors will be submitted to shareholders for approval.

## BOARD CHANGES

As discussed on page 19, Jon Kempster will retire from the Board and leave the Business with effect from the conclusion of the 2019 Annual General Meeting. Jon will receive his salary and benefits to the date of the AGM but will not receive any payments for loss of office or any payments in respect of any period following the AGM.

As discussed on page 19, Chris Wootton will be appointed as Chief Financial Officer with effect from 12th September 2019. Chris' base salary will be £150,000, the same basic level of reward that has applied for Executive Directors since 2002. The Committee has yet to determine whether Chris should be eligible to earn a bonus in respect of FY20. If he is eligible to earn such a bonus, any amount will be determined by reference to one or more performance metrics determined by the Committee and linked to the Company's strategy and / or Chris' performance in role. Any such bonus shall be of up to 200% of salary, and any bonus earned in excess of 100% of salary may be subject to deferral.

## COMMITTEE CHANGES

I would like to thank former Committee members Keith Hellawell and Simon Bentley for their contributions to the Committee in the period up to their retirement from the Board and the Committee in September 2018. I am pleased to welcome Nicola Frampton to the team, who joined the Committee upon her appointment to the Board on 1 October 2018.

## WORKFORCE REWARD

During FY19 the Committee continued to consider the possibility of introducing a new employee Share Scheme. However, due to current economic and currency uncertainty, the Committee deferred a decision, but firmly believes a new scheme will be introduced in the near future. In the event of a new Share Scheme being proposed, it will be submitted to Shareholders for approval. It is worth reminding shareholders that our UK employees (excluding the Executive Directors) who have participated in our Share Schemes have received, subsequent to any IPO bonus payments, a total of £24m since their introduction.

In addition to Share Schemes, the Company operates other bonus and incentive awards for its workforce. By way of recent example, in FY19 workers in our UK retail operations received a total of £16m in bonus and incentive awards. A significant proportion of these other bonus and incentive awards were paid to our casual retail workers. The Remuneration Committee remains committed to a transparent and simple remuneration for Executive Directors based upon reward for significant financial and high personal performance only. The Committee also remains committed to appropriately rewarding our large and loyal workforce.

David Brayshaw

**Chair of the Remuneration Committee**  
26 July 2019

## DIRECTORS' REMUNERATION POLICY

The Company's Directors' Remuneration Policy was approved by shareholders at the 2018 AGM on 12 September 2018. The full Remuneration Policy as approved by shareholders can be found on pages 117 – 124 of the 2018 Annual Report, a copy of which is available on the Group's corporate website at [www.sportsdirectplc.com](http://www.sportsdirectplc.com). The Policy is determined by the Committee.

For ease of reference, we have set out below the Future Policy Table for Executive Directors as included in the approved Remuneration Policy.

### FUTURE POLICY TABLE

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

#### ELEMENT OF REMUNERATION: BASE SALARY

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

**OPERATION:** Base salaries are normally reviewed annually and have not been increased since 2002. Mike Ashley does not currently receive a salary for his role.

**MAXIMUM:** Although salaries for Executive Directors (other than Mike Ashley, who does not currently receive a salary) have been set at £150,000 since 2002, the Company retains discretion to set salaries at a level commensurate with other companies of a similar size and complexity as the Company.

Salaries for new Executive Directors will be set in accordance with the Committee's approach to recruitment remuneration, as described on pages 121 – 122 of the 2018 Annual Report.

**PERFORMANCE MEASURES:** Not applicable.

#### ELEMENT OF REMUNERATION: BENEFITS

**PURPOSE / LINK TO STRATEGY:** With the exception of a 20% staff discount on products purchased from the Group's retail stores, which is available to Executive Directors other than Mike Ashley, no additional benefits are available to Executive Directors. The same level of staff discount is available to all staff.

**OPERATION:** The current Executive Directors do not receive any benefits other than the staff discount, which is not available for Mike Ashley. Benefits may be provided in line with market practice to recruit a new Executive Director taking into account individual circumstances. Such benefits may include relocation expenses.

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

**PERFORMANCE MEASURES:** Not applicable.

## ELEMENT OF REMUNERATION: RETIREMENT BENEFITS

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

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

**MAXIMUM:** The current maximum employer contribution to the stakeholder pension scheme is 2%, rising to 3% from April 2019. The Committee may increase employer contribution rates to reflect changes in the auto enrolment employer contribution rates. The Company retains the discretion to set retirement benefits (including pension contributions and / or a salary supplement in lieu of a pension contribution) for any Executive Directors in accordance with the Committee's approach to recruitment remuneration, as described on pages 121 – 122 of the 2018 Annual Report.

**PERFORMANCE MEASURES:** Not applicable.

## ELEMENT OF REMUNERATION: ANNUAL BONUS

**PURPOSE / LINK TO STRATEGY:** Rewards the Executive Director for performance which supports the Group's strategy and performance in role.

**OPERATION:** Executive Directors, other than Mike Ashley, may earn a bonus. Any bonus earned in excess of 100% of salary may be deferred into shares for a period of two years, unless the amount to be deferred would be less than £10,000. However, if, in the opinion of the Committee, the Executive Director's salary for the period in respect of which the bonus was earned is not commensurate with salaries paid by other companies of a similar size and complexity to the Company, the Committee may decide not to require any deferral (or to require deferral of a smaller amount). The Committee also has discretion not to require deferral if the amount to be deferred would be less than £10,000. Any bonus paid would be subject to clawback for a period of three years following its determination in the event of gross misconduct, material misstatement of the Company's financial statements or corporate failure.

**MAXIMUM:** The maximum bonus that an Executive Director may earn shall be 200% of salary in respect of any financial year.

**PERFORMANCE MEASURES:** Any bonus opportunity shall be assessed against one or more metrics determined by the Committee and linked to the Company's strategy and / or the performance of the Executive Director in role, with the weighting between the metrics determined by the Committee if relevant. Bonuses will be determined between 0% and 100% of the maximum opportunity based on the Committee's assessment of the applicable metrics.

## SERVICE CONTRACTS

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

## EXECUTIVE DIRECTORS

Details of each current service contract are set out below:

	Contract Date	Unexpired term / notice period	Proper law
Mike Ashley	11/02/2007	12 months <sup>^</sup>	England & Wales
Jon Kempster	18/07/2018	6 months	England & Wales

<sup>^</sup>The Company may terminate Mike Ashley's service contract by giving 6 months' notice if he is unable to perform his duties for over 120 days in any consecutive 12 months.

## NON-EXECUTIVE DIRECTORS

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

Non-Executive Directors do not and are not entitled to participate in any bonus or Share Scheme.

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

Details of the letters of appointment are set out below.

	Position	Date of letter of appointment
David Daly	Non-Executive Chair	11 July 2017
David Brayshaw	Non-Executive Director	8 December 2016
Nicola Frampton	Non-Executive Director	1 October 2018
Richard Bottomley	Non-Executive Director	1 October 2018
Cally Price	Non-Executive Director	15 April 2019

## ANNUAL REPORT ON REMUNERATION

This part of the Directors' Remuneration Report sets out the actual payments made by the Company to its Directors with respect to the period ended 28 April 2019 and how our Directors' Remuneration Policy will be applied in the year commencing 29 April 2019.

### SINGLE FIGURE TABLE (AUDITED)

The aggregate remuneration provided to individuals who have served as Directors in the period ended 28 April 2019 is set out below, along with the aggregate remuneration provided to individuals who have served as Directors during the prior financial year.

Director	Salaries and fees		Other benefits		Bonus		Long-term incentives		Pension		Total	
	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>EXECUTIVE</b>												
Mike Ashley	-	-	-	-	-	-	-	-	-	-	-	-
Jon Kempster <sup>(1)</sup>	150	84	-	-	-	-	-	-	1	-	151	84
<b>NON-EXECUTIVE</b>												
David Daly <sup>(2)</sup>	78	25	-	-	-	-	-	-	1	-	79	25
David Brayshaw	50	50	-	-	-	-	-	-	1	-	51	50
Nicola Frampton <sup>(3)</sup>	25	N/A	-	-	-	-	-	-	-	-	25	N/A
Richard Bottomley <sup>(4)</sup>	25	N/A	-	-	-	-	-	-	-	-	25	N/A
Cally Price <sup>(5)</sup>	3	N/A	-	-	-	-	-	-	-	-	3	N/A
Keith Hellawell <sup>(6)</sup>	70	150	-	-	-	-	-	-	-	-	70	150
Simon Bentley <sup>(7)</sup>	23	50	-	-	-	-	-	-	-	-	23	50
Dave Singleton <sup>(8)</sup>	N/A	22	-	-	-	-	-	-	-	-	N/A	22

(1) Jon Kempster's remuneration for FY18 as set out in the above table is his remuneration for the period from the date of his appointment to the end of FY18.

(2) David Daly's remuneration for FY18 as set out in the above table is his remuneration for the period from the date of his appointment to the end of FY18. His remuneration for FY19 takes into account his increase in remuneration for his appointment to Chair of the Board.

(3) Nicola Frampton's remuneration for FY19 as set out in the above table is her remuneration for the period from the date of her appointment to the end of FY19.

(4) Richard Bottomley's remuneration for FY19 as set out in the above table is his remuneration for the period from the date of his appointment to the end of FY19.

(5) Cally Price's remuneration for FY19 as set out in the above table is her remuneration as a Non-Executive Director for the period from the date of her appointment to the end of FY19 and does not include her salary as Store Manager.

(6) Keith Hellawell's remuneration for FY19 as set out in the above table is his remuneration for the period from 29 April 2018 until 12 September 2018 when he ceased to be a Non-Executive Director. No payment was made to Keith following his resignation.

(7) Simon Bentley's remuneration for FY19 as set out in the above table is his remuneration for the period from 29 April 2018 until 12 September 2018 when he ceased to be a Non-Executive Director. No payment was made to Simon following his resignation.

(8) Dave Singleton's remuneration for FY18 as set out in the above table is his remuneration for the period from 30 April 2017 until 6 September 2017 when he ceased to be a Non-Executive Director. No payment was made to Dave following his resignation.

## **NOTES TO THE SINGLE FIGURE TABLE AND IMPLEMENTATION OF POLICY IN THE YEAR ENDING 26 APRIL 2020**

### **BASE SALARY AND FEES**

Base salaries are normally reviewed annually. In the review in FY18 the Committee decided not to alter Jon Kempster's salary, which is in line with salaries for the Group's Executive Directors (other than Mike Ashley) since 2002. Base salaries are set at a level well below the lower quartile for a business of the size and complexity of the Group.

Mike Ashley does not receive a salary for his role.

Fees for Non-Executive Directors are normally reviewed annually. In the review in FY18 fees were not increased and had not previously been increased since 2007. The Company decided not to increase the fees for Non-Executive Directors for FY19, but will give this further consideration throughout FY20.

### **ANNUAL BONUS SCHEME**

#### **FY19**

As discussed in the FY18 Directors' Remuneration Report, Jon Kempster was eligible to earn a bonus in respect of FY19 of up to 200% of salary. The bonus was subject to performance metrics linked to the Company's strategy and Jon's performance in role, with the metrics set such that a stretch level of performance was required for any bonus to be earned. The Committee reviewed performance against the metrics and concluded that, notwithstanding performance achieved in the year, no bonus was earned.

Mike Ashley was not eligible to earn a bonus in respect of FY19.

#### **FY20**

The Committee has yet to determine whether Chris Wootton should be eligible to earn a bonus in respect of FY20. If he is eligible to earn such a bonus, any amount earned shall be determined by reference to one or more performance metrics determined by the Committee and linked to the Company's strategy and / or Chris' performance in role. Any such bonus shall be of up to 200% of salary, and any bonus earned in excess of 100% of salary may be subject to deferral.

Mike Ashley will not be eligible to earn a bonus in respect of FY20. The Committee is yet to determine whether Jon Kempster will receive a bonus in respect of FY20.

### **LONG-TERM INCENTIVES**

The Company does not currently operate any long-term incentives for Executive Directors. The Committee continues to actively consider the introduction of a new Share Scheme to replace the 2015 Share Scheme which lapsed in FY16, and intends to consult with shareholders on the terms of the new scheme once details have been further developed.

### **DIRECTORATE CHANGES**

No payments for loss of office or payments to former Directors were made in FY19. Keith Hellawell and Simon Bentley resigned as Directors with effect from 12 September 2018. Neither Keith nor Simon received any payment for loss of office during the period ended 28 April 2019 or will receive any such payment in the future.

### **SHAREHOLDING GUIDELINES AND TOTAL SHAREHOLDINGS OF DIRECTORS**

The Board believes it is important that Executive Directors have a significant holding in the capital of the Company. In FY14 the Committee reassessed the shareholding guidelines for Executive Directors and determined that the Executive Directors must hold a minimum shareholding of 50,000 shares while employed by the Company.

The beneficial interests of the Directors who served during the year and of their Persons Closely Associated in both cases at the beginning of the financial year, or at the date of appointment if later, and at the end of the financial year, or at the date of resignation if earlier, in the share capital of the Company are shown below:

	Ordinary Shares 28 April 2019 or if earlier the date of resignation	Ordinary Shares 29 April 2018 or if later the date of appointment
<b>Directors as at 28 April 2019</b>		
Mike Ashley	330,000,000	330,000,000
Jon Kempster	-	-
Dave Daly	11,007	11,007
Nicola Frampton	-	N/A <sup>(1)</sup>
David Brayshaw	10,276	10,276
Richard Bottomley	-	N/A <sup>(2)</sup>
Cally Price	-	N/A <sup>(3)</sup>
<b>Former Directors</b>		
Keith Hellawell <sup>(4)</sup>	50,000	50,000
Simon Bentley <sup>(5)</sup>	10,000	10,000

(1) Nicola Frampton was appointed as a Director on 1 October 2018.

(2) Richard Bottomley was appointed as a Director on 1 October 2018.

(3) Cally Price was appointed as a Director on 1 January 2019.

(4) Keith Hellawell resigned with effect from 12 September 2018. At that time these shares were held in the name of Keith Hellawell, as well as his wife.

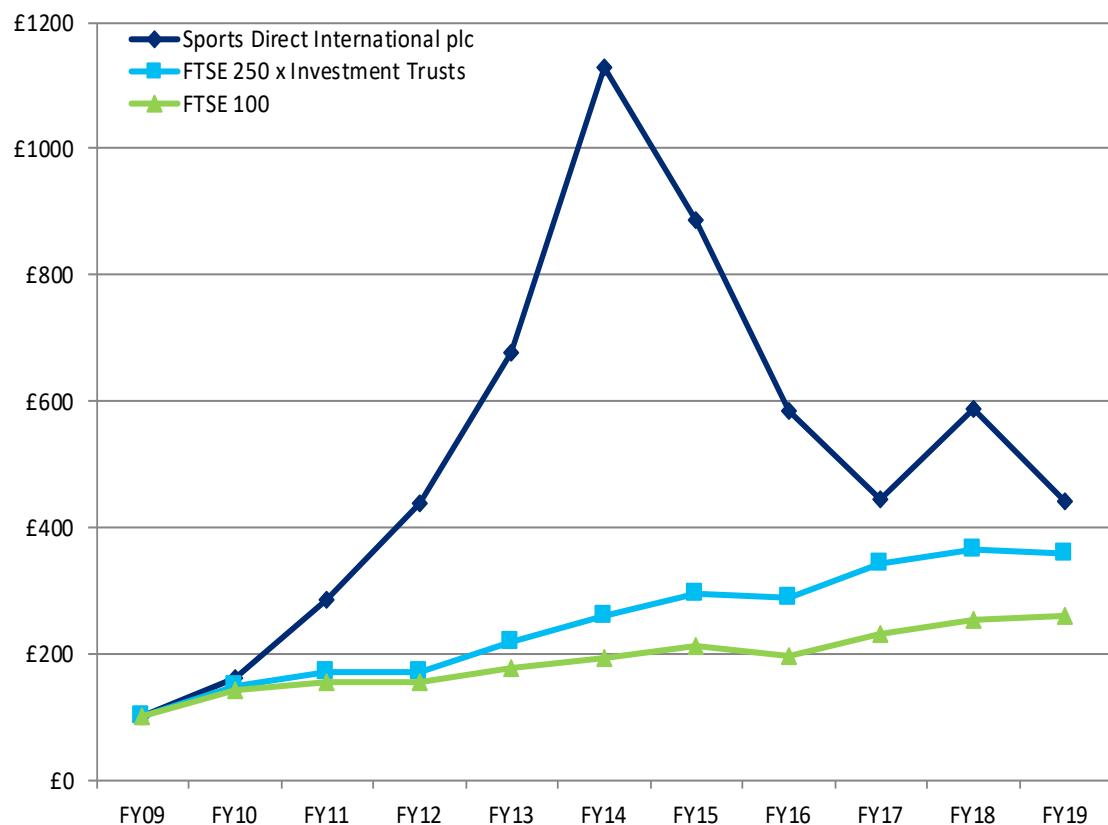
(5) Simon Bentley resigned with effect from 12 September 2018.

There has been no change to the interests reported above between 28 April 2019 and 26 July 2019. The Company did not receive any notifications under DTR 5 between 28 April 2019 and 26 July 2019.

Neither Jon Kempster nor Mike Ashley currently participate in any Share Scheme arrangement. Therefore, there are no outstanding Share Scheme interests held by any Director of the Company.

## PERFORMANCE GRAPH AND TABLE

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



## DIRECTORS' REMUNERATION REPORT CONTINUED

The Committee considered these as appropriate indices against which to compare the Company's performance. They are widely accepted as national measures and include the companies that investors are likely to consider alternative investments. The table below shows details of the total remuneration and performance-related pay for the Company's Chief Executive over the last ten financial years.

	Total remuneration	Executive Share Scheme as a % of maximum opportunity
FY19	Nil	N/A
FY18	Nil	N/A
FY17 – Mike Ashley <sup>(1)</sup>	Nil	N/A
FY17 – Dave Forsey <sup>(2)</sup>	£62,500	N/A
FY16	£150,000	N/A
FY15	£150,000 <sup>(3)</sup>	0% <sup>(3)</sup>
FY14	£150,000	N/A
FY13	£150,000	N/A
FY12	£150,000	N/A
FY11	£6,620,000 <sup>(4)</sup>	100%
FY10	£150,000	N/A

(1) Mike Ashley was appointed as CEO with effect from 22 September 2016.

(2) Dave Forsey resigned with effect from 22 September 2016. His total remuneration is his remuneration earned in the period from 25 April 2016 until the date his resignation took effect.

(3) The figures for FY15 reflect Dave Forsey's decision on 6 June 2016 to forego an award over 1m shares which would otherwise have been due to vest on 6 September 2017.

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

## CEO PAY INCREASE IN RELATION TO ALL EMPLOYEES

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in pay for the Company's Chief Executive compared to the average increase between the same periods for the Group's UK Head Office employees, which the Committee believes is the most appropriate comparator group. The percentages shown relate to the amounts for FY19 as compared to the amounts for FY18.

Element of remuneration	Chief Executive / % change	UK Head Office employee average / % change
Salary	0% (Mike Ashley does not receive a salary)	3.5%
Taxable benefits	0% (no taxable benefits were provided to Mike Ashley in either year)	10.5%
Annual bonus	0% (no annual bonus arrangement was operated for Mike Ashley in either year)	(5.3)%

## RELATIVE IMPORTANCE OF SPEND ON PAY

The table below sets out the Group's distributions to shareholders by way of dividends and share buybacks, investment (calculated as set out below) and total Group-wide expenditure on pay for all staff (as reported in the audited Financial Statements for FY19 and FY18) and the Company's share price (calculated as at the close of business on the last day of FY19 and FY18).

	FY19	FY18	% CHANGE
Distributions to shareholders by way of dividend and share buyback	£ 1,663,459	£114,146,336	(98.54)%
Investment*	£264,152,000	£431,650,000	(38.8)%
Group-wide expenditure on pay for all employees	£454,363,000	£393,357,000	15.5%
Share price (pence)	304.2 <sup>**</sup>	405.8 <sup>**</sup>	(25.04)%

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

\*\*For these purposes, the share price for FY19 and the share price for FY18 is calculated at the close of business on 26 April 2019 and 27 April 2018 respectively, being the last dealing days prior to the year ends.

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

### MEMBERSHIP

During FY19 the Committee consisted of David Brayshaw, David Daly, Richard Bottomley (with effect from 1 October 2018), Nicola Frampton (with effect from 1 October 2018), Simon Bentley (until his retirement on 12 September 2018), and Keith Hellawell (until his retirement on 12 September 2018).

All members of the Committee are independent Non-Executive Directors apart from Keith Hellawell who was Non-Executive Chair of the Board until his retirement, and David Daly who was appointed as Non-Executive Chair of the Company with effect from 12 September 2018 at which point he ceased to be independent.

The role and main responsibilities of the Committee are detailed in the Corporate Governance Report on page 65. Attendance at the meetings held during the year is detailed on page 55.

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

### ADVISERS TO THE COMMITTEE

Mike Ashley, the Chief Executive, and Jon Kempster, the Chief Financial Officer, have advised or materially assisted the Committee throughout FY19 when requested. Executive Directors are not present during, nor do they take part in, discussions in respect of matters relating directly to their own remuneration.

### SHAREHOLDER VOTING

The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Report for the year ended 29 April 2018 at the 2018 AGM and the resolution to approve the Directors' Remuneration Policy at the 2018 AGM.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Directors' Remuneration Report for the year ended 29 April 2018	448,941,190	99.76	1,067,570	0.24	450,008,760	80,491
Directors' Remuneration Policy	442,947,085	98.41	7,134,022	1.59	450,081,107	8,143

David Brayshaw

**Chair of the Remuneration Committee**  
26 July 2019

# **DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Annual Report, the Remuneration Report and the Company and Group Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors have elected to prepare the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP) including FRS 102.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing the Financial Statements the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements, and the Remuneration Report, comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

- a. the Annual Report, including the Strategic Report, prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit of the Company and of the undertakings included in the consolidation taken as a whole; and
- b. the Management Report includes a fair review of the development and performance of the Business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

On behalf of the Board

Jon Kempster

**Chief Financial Officer**  
26 July 2019

# VIABILITY STATEMENT

The UK Corporate Governance Code requires the Board to express its view of the long-term viability of the Group and assess the Company's prospects, capital management and key risks.

Accordingly, the Board has carried out a thorough and robust assessment of the risks, including stress testing its resilience to threats to its Business Model, future performance, liquidity and the risks identified in the Risk and Uncertainties section of this Report, which can be found on pages 40 to 44 together with the steps the Company has taken to mitigate them. In addition, the Board regularly reviews the financing position of the Group and its projected funding position and requirements.

The Board chose to review these over a three year period being the period covered by the Group's working capital facility, as this best reflects the budgeting and planning process of the Group and the expected timescales for strategy implementation.

In relation to each viability related risk the Board has:

## MARKET FORCES

- tested the Business Model's resilience to changes in the Retail market and responses to variability in sales and margins

## TREASURY AND FINANCIAL RISK

- reviewed the Revolving Credit Facility and its suitability for the Group's cash flow cycle and liquidity requirements
- reviewed the Group hedging strategy

## BREXIT

- reviewed the proposal for post-Brexit operations and adaptions to the Business Model

## SUPPLY CHAIN

- reviewed the arrangements with key suppliers

Viability has been assessed by performing sensitivity analysis and stress testing. This comprised a review by the Board into a number of scenarios in which the Group's cash flow forecasts were stress tested to determine how much the Group's trade would need to be effected in order to breach the Group's covenants. These scenarios included:

1. decrease in sales of 10%, margin remains consistent
2. decrease in sales and margin of 10%
3. maximum breakpoint, being breach of covenants

In assessing viability, the Group also reviewed the impact of recent acquisitions including House of Fraser, Evans Cycles and Sofa.com. As mentioned in the Chief Executive's Report and Business Review on pages 12 to 27, our acquisition of House of Fraser has led to significant uncertainty as to the future profitability of the Group, albeit we do not believe that this impacts the viability of the assessment of the Group.

The Group's working capital facility is at £913.5m (FY18: £913.5m) available until November 2021 and is not secured against any of the Group's assets. During the year the Group enacted an extension option for a further year to November 2022 for £847.5m.

The Group has consistently created a strong free cash flow from underlying trading and has an appropriate hedging strategy to meet currency risks.

Based on the Board's assessment, the Directors have a reasonable expectation that the Group will be able to continue operating and be able to meet its liabilities as they fall due, to the end of the extended Revolving Credit Facility, assuming no fundamental changes in its relationship with key suppliers.

The Viability Statement was approved by the Board on 26 July 2019, and signed on its behalf by:

Jon Kempster

**Chief Financial Officer**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPORTS DIRECT INTERNATIONAL PLC

## OPINION

### Our Opinion On The Financial Statements Is Unmodified

We have audited the financial statements of Sports Direct International plc (the 'parent company') and its subsidiaries (the 'Group') for the 52 week period ended 28 April 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity, the parent company balance sheet, the parent company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

#### In Our Opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 April 2019 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

#### Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions Relating To Principal Risks, Going Concern And Viability Statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 41 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, set out on page 74 of the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement, set out on page 52 of the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, set out on page 75 of the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## Overview Of Our Audit Approach

- Overall materiality: £11.55m, which represents 3.4% of the Group's underlying EBITDA<sup>(1)</sup> (earnings before interest, tax, depreciation and amortisation) excluding the results of House of Fraser for the year.
- The following key audit matters, along with relevant assertions, were identified for the Group:
  - Inventory – valuation;
  - Property, legal and other provisions and accruals – existence, accuracy, completeness and presentation & disclosure;
  - Related parties – completeness, valuation and presentation & disclosure;
  - Accounting for foreign currency forward contracts and option arrangements – accuracy and valuation;
  - Accounting for investments – accounted for as fair value through Other Comprehensive Income (OCI) - presentation & disclosure;
  - Business combination accounting – House of Fraser trade and assets - accuracy and valuation; and
  - Revenue recognition - occurrence and accuracy.

Full scope audit procedures have been performed on the financial statements of Sports Direct International plc, and on the financial information of the main trading companies within the UK Sports Retail segment, namely Sportsdirect.com Retail Limited and Wareshop 2 Limited. We have also performed full scope audit procedures on House of Fraser Limited since the date of acquisition.

Targeted audit procedures have been performed over the financial information of components in the Premium Lifestyle segment (which includes Cruise Clothing Limited, The Flannels Group Limited and Van Mildert (Lifestyle) Limited), Republic.com Retail Limited which is held within the UK Sports Retail segment, International Brand Management Limited in the Wholesale & Licensing segment and Sports Direct International Holdings Limited within the European Sports Retail segment.

We engaged Grant Thornton member firms to perform targeted procedures on overseas components in Austria, Belgium, Estonia, Ireland and the United States of America and have made visits to these locations.

Analytical audit procedures have been performed on all other entities across the Group.

<sup>1</sup> Underlying EBITDA excludes realised foreign exchange gains/losses in selling and administration costs, exceptional costs, profit/loss on disposal of subsidiaries, strategic investments and properties. Underlying EBITDA also excludes share scheme charges.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud). These matters included those that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p><b>Inventory - valuation</b></p> <p>The carrying value of inventory is stated net of provisions for shrinkage, spoilage and expected future sales below cost.</p> <p>Management's methodology is primarily forward-looking and involves calculating provisioning levels by applying discounting factors against year end stock amounts which have been categorised by current performance and season. The discounting factors applied are based on forecast product discounting curves and known current loss making products.</p> <p>The level of stock has increased over the 52-week period, largely as a result of the acquisition of House of Fraser.</p> <p>The inventory provision involves complex calculations and judgement applied by management in assessing the amount of provision required to record inventory at the lower of cost and net realisable value.</p> <p>We therefore identified the carrying value of inventory as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>This key audit matter is unchanged from the prior period.</p>	<p><b>Our audit work included, but was not restricted to:</b></p> <p><b>Management's forward-looking inventory provisioning model</b></p> <ul style="list-style-type: none"> <li>Testing the mathematical and allocation accuracy of the inventory provision models by re-performing the calculations using underlying inventory records and applying management's forecast product discounting curves;</li> <li>Corroborating that forecast product discounting curves applied in the inventory provision models are in use in the business through inquiry and discussion with the merchandising team; and</li> <li>Considering management's qualitative assessment of factors impacting on inventory provisioning levels through discussions with management and comparison with retail and macro economic market research.</li> </ul> <p><b>Auditor's point estimate for the inventory provision</b></p> <ul style="list-style-type: none"> <li>As management's forward-looking inventory provisioning model was not calculated using empirical stock loss data, we developed our own point estimate using sampled items from two years of stock loss data. We then estimated cost to sell and the impact of any known qualitative business and market factors to calculate our own point estimate and evaluated whether management's inventory provision was within an acceptable range.</li> <li>The Group's accounting policy on inventories is shown in note 1 to the financial statements and related disclosures are included in note 21. The Audit Committee identified the carrying value of inventory as a significant issue in its report on page X, where the Audit Committee also described the action that it has taken to address this issue.</li> </ul> <p><b>Key observations</b></p> <p>Based on our audit work, which included developing our own historic-based point estimate to evaluate management's assessment, we did not identify any material misstatement in the inventory provisions calculated by management using their forward-looking methodology.</p>

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p><b>Property, legal and other provisions and accruals – existence, accuracy, completeness and presentation &amp; disclosure</b></p> <p>Provisions are made for items where the Group has identified a present legal or constructive obligation arising as a result of a past event, if it is probable that an outflow of resources will result and the amount of such outflow can be reliably estimated.</p> <p>The Group has a significant property provision at the period end, which has continued to increase in the period, primarily as a result of changes in assumptions used in calculating the onerous lease and dilapidations provision.</p> <p>Property related judgements and estimates are continually evaluated and are based on historical experience, external advice and other factors including expected future events.</p> <p>In addition to property provisions there are a number of ongoing trade-related, legal, tax and other commercial cases against the Group.</p> <p>Significant management judgement is required to determine whether a provision is required and to estimate the amount that should be recorded.</p> <p>Judgement is also applied in the assessment of whether to classify such items as a provision or an accrual.</p> <p>We therefore identified property, legal, other provisions and accruals as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>This is a new key audit matter in the current period.</p>	<p><b>Our audit work included, but was not restricted to:</b></p> <ul style="list-style-type: none"> <li>Evaluating whether the assumptions and calculations supporting key provisions in respect of dilapidations and onerous leases across the Group adequately reflect the circumstances of the business and that the recognition criteria of IAS 37- Provisions, Contingent Liabilities and Contingent Assets, have been met;</li> <li>Considering the appropriateness of changes to assumptions and overall level of provisioning with reference to corroborative evidence obtained from management and third parties;</li> <li>Checking lease agreements for a sample of properties to confirm the contractual obligations within;</li> <li>Obtaining management's judgements and assessment and obtaining corroborative evidence from third parties in relation to material and relevant ongoing legal, tax and other matters;</li> <li>Discussing provisions and assumptions with key management outside of the finance team including independent legal advisors and the internal UK property team;</li> <li>Considering the appropriateness of management's classification and presentation of obligations as either provisions or accruals, by reference to the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets and IFRS 9 – Financial Instruments; and</li> <li>Checking the completeness and accuracy of disclosures around provisions, including the key judgements and estimates underlying significant provisions in line with IAS 37- Provisions, Contingent Liabilities and Contingent Assets and IAS 1 - Presentation of Financial Statements.</li> </ul> <p>The Group's accounting policy on property, legal and other provisions and accruals is shown in note 1 to the financial statements and related disclosures are included in note 38. The Audit Committee identified property, legal and other provisions and accruals as a significant issue in its report on page 59, where the Audit Committee also described the action that it has taken to address this issue.</p> <p><b>Key observations</b></p> <p>Following our challenges, material prior and current year reclassifications have been processed by management, adjusting balances between accruals, provisions and other debtors (reimbursement asset). Please refer to note 1 for further details.</p>

Key Audit Matter – Group and Parent	How the matter was addressed in the audit – Group and Parent
<p><b>Related parties – completeness, valuation and presentation &amp; disclosure</b></p> <p>The objective of IAS 24 - Related Party Disclosures is to ensure the financial statements draw attention to the possibility that the financial position and financial performance of the Group and parent company may have been affected by the existence of related party transactions. Such transactions are considered material for qualitative reasons, rather than because of their size.</p> <p>The Group enters into significant transactions with related parties and there is a risk that these will not all be identified for disclosure in the financial statements.</p> <p>Additionally, the Group has a significant loan balance due from Four (Holdings) Limited, and judgement is exercised in the assessment of the valuation of this loan.</p> <p>Given the above, we have identified completeness, valuation and presentation &amp; disclosure of related party transactions as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>This key audit matter is unchanged from the prior period.</p>	<p><b>Our audit work included, but was not restricted to:</b></p> <ul style="list-style-type: none"> <li>Updating our knowledge of related party relationships through enquiries of management, review of board meeting minutes and searches of company information databases;</li> <li>Obtaining management's related party paper including workings for disclosures in the annual report;</li> <li>Performing searches for related party transactions on the Group's accounting records using data interrogation software and comparing to those identified by the Group and parent company;</li> <li>Obtaining supporting documentation for specific related party transactions;</li> <li>Checking disclosures of related party and commercial arrangement transactions and balances in the financial statements to assess their completeness and accuracy;</li> <li>Obtaining management's assessment of the valuation of the Four (Holdings) Limited loan, by obtaining and challenging management's fair value calculations with reference to the requirements of IFRS 9, corroborating to market data where relevant and performing sensitivity analysis on this assessment; and</li> <li>Checking the disclosures made in note 37 to ensure that the gross balance and the provision have been disclosed in accordance with IAS 24 – Related Party Disclosures.</li> </ul> <p>The Group and parent company related party undertakings disclosures are included in note 36. The Audit Committee identified related party undertakings as a significant issue in its report on page 62, where the Audit Committee also described the action that it has taken to address this issue.</p> <p><b>Key observations</b></p> <p>Following our challenges, management have reversed a material current year related party accrual.</p>

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p><b>Accounting for foreign currency forward contracts and option arrangements – accuracy and valuation</b></p> <p>The Group has a number of forward currency contracts and option arrangements that are classified as derivative financial instruments and are accounted for under IFRS 9 - Financial instruments. This is the first period the Group has applied IFRS 9 – Financial Instruments.</p> <p>The Group applies hedge accounting for all forward currency contracts. The criteria for hedge accounting is complex and requires various judgements to be made.</p> <p>We have identified accounting for forward currency contracts as a significant risk for the current period audit due to:</p> <ul style="list-style-type: none"> <li>the quantum of instruments entered into in the current and prior periods and the total number of open contracts at the period end; and</li> <li>the potential impact of the fair value movements in the instruments on the consolidated income statement and consolidated statement of other comprehensive income and material asset and liabilities at the balance sheet date.</li> </ul> <p>The long-term nature of these instruments could have a material impact on the future results of the Group.</p> <p>We therefore identified accounting for foreign currency forward contracts, accuracy and valuation, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>This key audit matter is unchanged from the prior period.</p>	<p><b>Our audit work included, but was not restricted to:</b></p> <ul style="list-style-type: none"> <li>Understanding the Group's strategy for entering into derivatives and the ongoing distinct separate management of these derivatives as opposed to management as single net written derivatives;</li> <li>Obtaining the documentary evidence supporting management's distinct hedging strategies and risk management objectives;</li> <li>Obtaining details of all foreign exchange instruments entered into at the period end and checking the allocation accuracy of valuation movements in the consolidated income and consolidated statement of other comprehensive income;</li> <li>Testing the calculations prepared by management to confirm the hedging arrangements remained effective in accordance with the requirement of IFRS 9 – Financial Instruments;</li> <li>Recalculating the fair value of a sample of foreign currency forward contracts and option arrangements by using our internal valuations team and comparing our results to valuations provided by management's experts;</li> <li>Challenging management's highly probable assessment of their hedge items with reference to forecasts on hedged items to actual results for the period ended April 2019;</li> <li>Consulting with our internal technical specialists to support our challenges in relation to the separability of derivatives, hedge effectiveness of certain derivatives and the impact on derivatives of the transition to IFRS 9 – Financial Instruments; and</li> <li>Considering the adequacy and accuracy of the disclosures within the financial statements pertaining to the judgement as to whether the derivative agreements are net written or not.</li> </ul> <p>The Group's accounting policy on accounting for foreign currency forward contracts and option arrangements is shown in note 1 to the financial statements and related disclosures are included in note 30. The Audit Committee identified accounting for foreign currency forward contracts and option arrangements as a significant issue in its report on page 62, where the Audit Committee also described the action that it has taken to address this issue.</p> <p><b>Key observations</b></p> <p>Following our challenge, a material adjustment was made to account for hedging ineffectiveness in relation to certain derivative instruments.</p>

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p><b>Accounting for investments – accounted for as fair value through Other Comprehensive Income (OCI) – presentation and disclosure</b></p> <p>The Group has several investments where the shareholding is more than 20% but less than 50% of the share capital of the investee. Some of these holdings have increased during the period, but still remain within this range. Under IAS 28: Investments in Associates and Joint Ventures it is presumed that significant influence exists where the shareholding exceeds 20%, and therefore this would require the investments to be accounted for as associates unless it can be clearly demonstrated that this is not the case. For four such investments, the Group had rebutted the presumption that the Group has significant influence.</p> <p>Accounting for Investments involves judgement in assessing whether significant influence exists and this judgement potentially has a significant impact on the financial statements. We therefore identified this as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>This key audit matter is unchanged from the prior period</p>	<p><b>Our audit work included, but was not restricted to:</b></p> <ul style="list-style-type: none"> <li>Assessing the accounting for associated undertakings and investments against the relevant accounting standards including IAS 28 – Investments in Associates and Joint Ventures and IFRS 9 – Financial Instruments;</li> <li>Obtaining and challenging management's paper setting out the requirements of IAS 28 – Investments in Associates and Joint Ventures and their supporting documentation evidencing that the group does not have significant influence over the four investments where the shareholding is greater than 20%;</li> <li>Obtaining and examining certain agreements between the Group and the investees to corroborate management's assertion that significant influence does not in fact exist;</li> <li>Examining correspondence between the Group and investee, where applicable, to corroborate management's assertions;</li> <li>Examining press announcements from investees and media articles relating to the relationships between the Group and investees to support management's assertions;</li> <li>Meetings and discussions with the Group's Head of Strategic Investments, to understand further the Group's interaction with the four key investments where the shareholding is greater than 20%; and</li> <li>Reviewing and challenging the disclosures of judgements applied by management on the application of standards within the financial statements.</li> </ul> <p>The Group's accounting policy on accounting for associates, investments shown in note 1 to the financial statements and related disclosures are included in note 19. The Audit Committee identified accounting for associates, investments and options as a significant issue in its report on page 62, where the Audit Committee also described the action that it has taken to address this issue.</p> <p><b>Key observations</b></p> <p>Following our challenge, management accounted for one of investments discussed above as an associate.</p> <p>As a result of the audit procedures performed, we have concluded that investments accounted for at fair value through OCI have been appropriately accounted for in accordance with the requirements of IFRS 9 – Financial Instruments.</p>

Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p><b>Business combination accounting – House of Fraser trade and assets – accuracy and valuation</b></p> <p>In August 2018, the Group acquired the trade and assets of House of Fraser out of administration.</p> <p>The acquisition of House of Fraser is significant in size and is accounted for in accordance with IFRS 3: Business Combinations. Additionally, judgement is applied by management in assessing the fair value of the assets and liabilities acquired, including any identified intangibles, in accordance with IFRS 13: Fair Value Measurement.</p> <p>We therefore identified business combination accounting as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>This risk relating to business combination accounting of House of Fraser is new in the period. In the prior period, the risk relating to acquisition accounting of Bob's and Eastern Mountain Stores was identified as a key audit matter.</p>	<p><b>Our audit work included, but was not restricted to:</b></p> <ul style="list-style-type: none"> <li>Obtaining and assessing management's accounting paper in relation to the acquisition of House of Fraser to ensure that the acquisition entries and any fair value adjustments and identification of intangible assets and also any related deferred tax accounting are appropriate and in accordance with IFRS 3 Business Combinations;</li> <li>Obtaining the asset purchase agreement and agreeing consideration paid to bank statements;</li> <li>Considering and challenging the assumptions underpinning the fair value of assets and liabilities acquired, specifically in relation to fair value uplift of inventory acquired and assessment and identification of intangible and tangible assets acquired;</li> <li>Obtaining the independent valuation of the brand of House of Fraser which was commission by management and utilising our internal valuation specialists to ensure that it has been calculated in accordance with IFRS 13 - Fair Value Measurement;</li> <li>Obtaining and evaluating the systems and controls in place in relation to stock takes at store level and testing a sample of inventories acquired by attending stock counts at the stores and national distribution centres after the date of acquisition and performing roll-back procedures; and</li> <li>Considering whether the disclosures in the financial statements in relation to the acquisition accounting entries were compliant with IFRS 3, Business Combinations.</li> </ul> <p>The Group's accounting policy on business combinations is shown in note 1 to the financial statements and related disclosures are included in note 31. The Audit Committee identified this as a significant issue in its report on page 62, where the Audit Committee also described the action that it has taken to address this issue.</p> <p><b>Key observations</b></p> <p>As a result of our audit procedures we have concluded that the acquisition and all material fair value adjustments have been recognised appropriately in accordance with IFRS 3 and IFRS 13.</p>

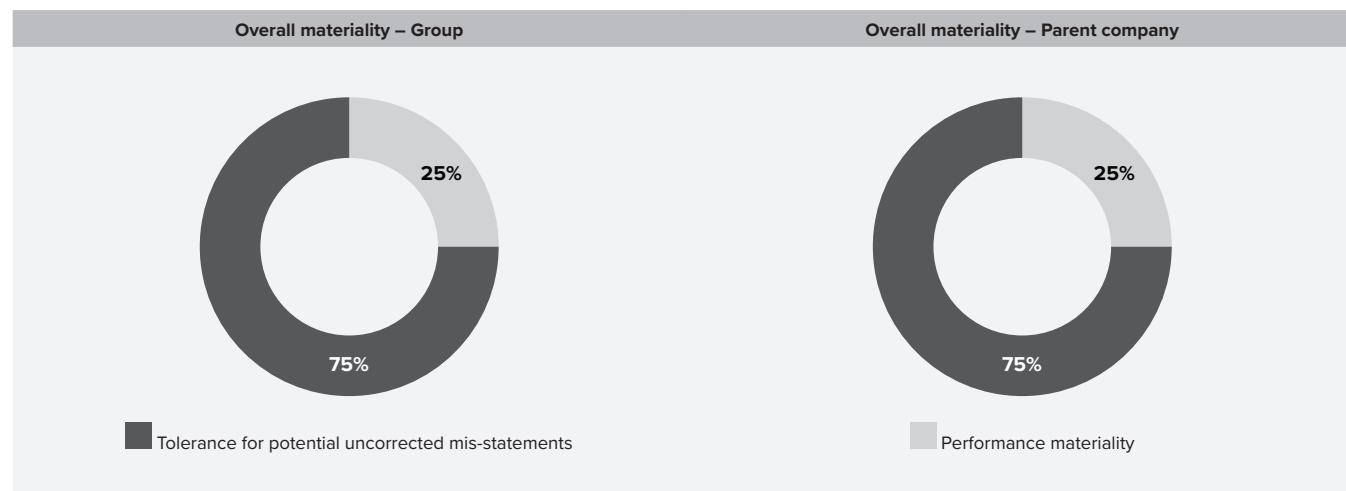
Key Audit Matter – Group	How the matter was addressed in the audit – Group
<p><b>Revenue recognition – occurrence and accuracy</b></p> <p>Revenue is recognised in accordance with the Group's accounting policy and International Financial Reporting Standard IFRS 15 - Revenue from Contracts with Customers. This is the first year the Group has applied IFRS 15 - Revenue from Contracts with Customers.</p> <p>The majority of Group revenue is recorded through Electronic Point of Sale (EPOS) transactions, and internet sales. Key to the appropriate recognition of this revenue is the capture of the EPOS data and the Group operates controls to ensure the accuracy of this data as it is transferred into the accounting system. Other material sources of revenue are from wholesale sales and from licensing agreements for brands owned by the Group.</p> <p>Under International Standard on Auditing (ISA) (UK) 240 there is a presumption that there are risks of fraud in revenue recognition. The revenue recorded by the Group is also one of the key determinants of Group underlying EBITDA, which is the primary financial Key Performance Indicator (KPI) for the Group.</p> <p>Therefore, we identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>This key audit matter is unchanged from the prior period albeit there is an additional risk in the occurrence and accuracy of revenue due to the transition to IFRS 15 - Revenue from Contracts with Customers.</p>	<p><b>Our audit work included, but was not restricted to:</b></p> <ul style="list-style-type: none"> <li>• Determining whether revenue recorded in the accounting system has been recognised in accordance with the Group's accounting policies. This included obtaining and challenging management's paper assessing the impact of the Group's transition to IFRS 15 - Revenue from Contracts with Customers;</li> <li>• Assessing the design effectiveness and observing the controls in place at a store level around cashing up tills;</li> <li>• Testing the operating effectiveness of key controls around the weekly reconciliation from EPOS to the accounting system;</li> <li>• Testing the operating effectiveness of daily cash reconciliations from store to bank and the monthly controls around the bank reconciliation process;</li> <li>• Substantively testing a sample of revenue transactions back to cash receipt;</li> <li>• Analytically reviewing sales trends by week to identify trends and variances that would require further substantive testing; and</li> <li>• Testing that licensing and wholesale sales are recognised appropriately by confirming a sample of transactions to underlying arrangements (licensing), proof of delivery (wholesale) and subsequent cash receipts.</li> </ul> <p>The Group's accounting policy on revenue is shown in note 1 to the financial statements and related disclosures are included in note 4. The Audit Committee identified revenue as a significant issue in its report on page 62, where the Audit Committee also described the action that it has taken to address this issue.</p> <p><b>Key observations</b></p> <p>Based on our audit work we did not identify any material instances of revenue not being recognised in accordance with the stated accounting policies.</p>

## OUR APPLICATION OF MATERIALITY

Materiality measure	Group	Parent company
Financial statements as a whole	<p>£11.55m which is 3.4% of the Group's underlying EBITDA, excluding the results of House of Fraser. Underlying EBITDA excludes realised foreign exchange gains/losses in selling and administration costs, exceptional costs, profit/loss on disposal of subsidiaries, strategic investments and properties. Underlying EBITDA also excludes share scheme charges. This benchmark is considered the most appropriate because underlying EBITDA is the measure against which the performance of the Group is measured both internally and externally. House of Fraser results have been excluded due to the significant costs incurred post acquisition to recover a business that was in administration, significantly impacting Group underlying EBITDA.</p> <p>Materiality for the current period is higher than the level that we determined for the 52-week period ended 29 April 2018 to reflect increased underlying EBITDA in the current period. The measurement percentage of 3.4% is consistent with the prior period.</p>	<p>£8.66m which is 2% of the company's total assets, capped at 75% of Group materiality. This benchmark is considered the most appropriate because the parent company is a holding company with minimal transactional activity.</p> <p>Materiality for the current period is higher than the level that we determined for the 52-week period ended 29 April 2018 as it has been capped at 75% of Group materiality and so reflects increased underlying EBITDA in the current period as a result of stronger performance.</p>

Performance materiality used to drive the extent of our testing	75% of financial statements materiality.	75% of financial statement materiality.
Specific materiality	We also determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We also determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£577,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£433,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

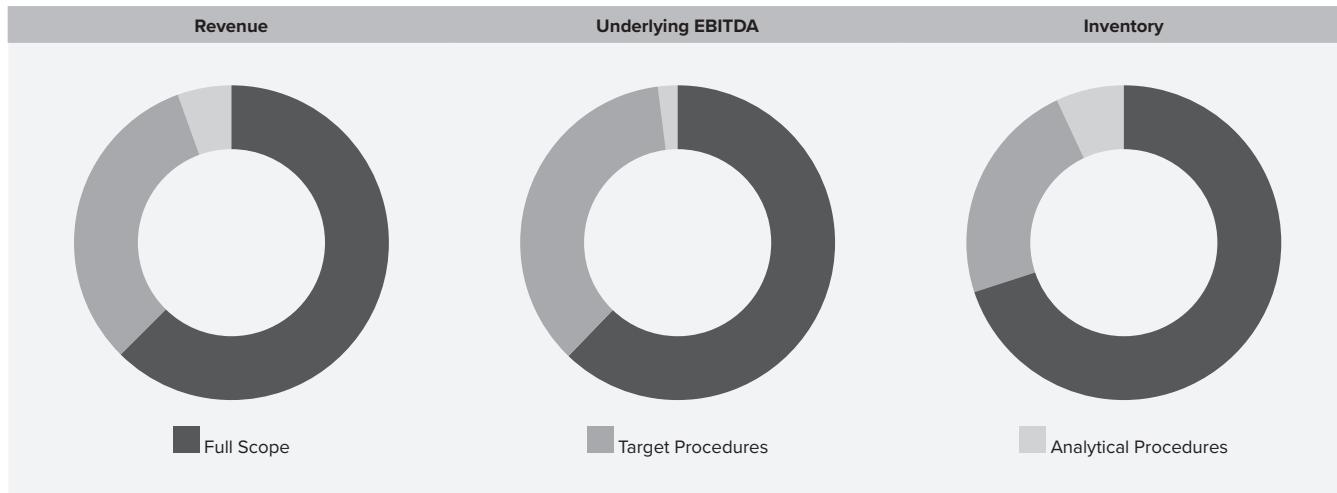
The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

- Continuing to evolve our audit approach, which resulted in advanced audit procedures during the interim review (period 6) and January 2019 (period 9). Our procedures focused on understanding and appraising the Group's control environment, including IT general controls, audit work in respect of the acquisition of House of Fraser in the year, the testing of available-for-sale financial assets, and an assessment of the accounting for forward currency contracts;
- Increasing the seniority of our audit team with the addition of 2 further responsible individuals and a further 3 managers;
- Evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. This included significance as a percentage of the Group's revenue, underlying EBITDA and inventory;
- For those components that were evaluated as significant, or likely to include significant risks, either a full-scope or targeted approach was taken based on their relative materiality to the Group, and our assessment of the audit risk. For significant components requiring a full-scope approach, we evaluated controls over the financial reporting systems identified as part of our risk assessment and addressed critical accounting matters. Substantive testing was performed on significant classes of transactions and balances, and other material balances, determined during the Group scoping exercise;
- Full scope audit procedures have been performed on the financial statements of Sports Direct International plc, and on the financial information of the main trading companies with the UK Sports Retail segment, Sportsdirect.com Retail Limited and Wareshop 2 Limited. We have also performed full scope audit procedures on House of Fraser Limited since the date of acquisition. The operations that were subject to full-scope audit procedures made up 62% of consolidated revenues, 63% of underlying EBITDA and 70% of inventory;
- Targeted audit procedures have been performed over the financial information of components in the Premium Lifestyle segment (which includes Cruise Clothing Limited, The Flannels Group Limited and Van Mildert (Lifestyle) Limited), Republic.com Retail Limited which is held within the UK Sports Retail segment, International Brand Management Limited in the Wholesale & Licensing segment and Sports Direct International Holdings Limited within the European Sports Retail segment;
- Engaged Grant Thornton members firms in Austria, Belgium, Estonia, Ireland and the United States of America to perform targeted audit procedures and the group team performed site visits to all of the aforementioned locations, which included a review of the work performed by the component auditors. We determined the level of involvement we needed to have in their audit work at those reporting units to be able to conclude whether sufficient, appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Detailed audit instructions were issued to the component auditors where a targeted audit approach had been identified. The audit instructions detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported back to the Group audit team. We were involved in the planning of the audit work for overseas components and communicated with all component auditors throughout the planning, fieldwork and concluding stages of their audit work;
- The operations that were subject to targeted audit procedures made up 32% of consolidated revenues, 35% of underlying EBITDA and 23% of inventory; and
- The remaining operations of the Group were subject to analytical procedures over the balance sheet and income statements of the relevant entities with a focus on applicable risks identified above. This made up 6% of consolidated revenues, 2% of underlying EBITDA and 7% of inventory.



**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the Group and industry in which they operate. We determined that the following laws and regulations were most significant: FRS 102 in respect of the parent company, IFRS in respect of group, Companies Act 2006, UK Corporate governance code, listing rules, and disclosure and transparency rules,
- We understood how the parent company and the Group is complying with those legal and regulatory frameworks by making inquiries to the management, those responsible for legal and compliance procedures, the Group's key external legal advisors and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the parent company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team and component auditors included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud in revenue recognition and cash handling in UK stores;
  - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - testing the operating effectiveness of manual controls that are designed to detect fraud, specifically in relation to EPOS and web revenue in the UK;
  - challenging assumptions and judgments made by management in its significant accounting estimates;
  - identifying and testing a sample of unusual manual journal entries;
  - assessing the extent of compliance with the relevant laws and regulations, as part of our procedures on the related financial statement item.
- We communicated relevant laws and regulations identified at Group level and the presumed significant risk of fraud in revenue recognition to the component auditors. Any instances of non-compliance with laws and regulations were communicated by/to components and considered in our audit approach.

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 75 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 74 – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 62 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 54 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

## **Our Opinions On Other Matters Prescribed By The Companies Act 2006 Are Unmodified**

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

## **In Our Opinion, Based On The Work Undertaken In The Course Of The Audit:**

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

## **Matters On Which We Are Required To Report Under The Companies Act 2006**

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

### **Matters On Which We Are Required To Report By Exception**

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

### **Responsibilities Of Directors For The Financial Statements**

As explained more fully in the directors' responsibilities statement set out on page 74, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities For The Audit Of The Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Other Matters Which We Are Required To Address**

Following the recommendation of the audit committee, we were appointed by the board of directors on 10 February 2007 to audit the financial statements for the period ended 29 April 2007 and subsequent financial periods.

The period of total uninterrupted engagement is 13 years, covering the 52-week period ended 29 April 2007 to the 52-week period ended 28 April 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

### **Use Of Our Report**

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.

Marc Summers BSc (Hons) FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
26 July 2019

# CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 28 April 2019

	Note	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 Restated* (£m)
<b>Revenue</b>	1, 4	3,701.9	3,359.5
Cost of sales		(2,118.4)	(2,024.4)
<b>Gross profit</b>		1,583.5	1,335.1
Selling, distribution and administrative expenses		(1,413.8)	(1,172.6)
Other operating income	5	23.4	26.5
Exceptional items	6	(41.0)	(4.8)
Profit on sale of properties	7	8.4	16.3
<b>Operating profit</b>	4, 8	160.5	200.5
Investment income	10	15.0	25.8
Investment costs	11	(8.3)	(119.0)
Finance income	12	40.0	3.4
Finance costs	13	(19.4)	(40.9)
Share of loss of associated undertakings	19	(8.6)	(8.7)
<b>Profit before taxation</b>		179.2	61.1
Taxation	14	(63.2)	(37.9)
<b>Profit for the period</b>	4	116.0	23.2
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Group		112.0	20.1
Non-controlling interests		4.0	3.1
<b>Profit for the period</b>	4	116.0	23.2
<b>EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS</b>			
		<b>Pence per share</b>	<b>Pence per share Restated</b>
Basic earnings per share	15	21.6	3.8
Diluted earnings per share	15	21.5	3.8

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

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

\*See note 1 for details of a prior period restatement.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 28 April 2019

	Note	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 Restated* (£m)
Profit for the period	4	116.0	23.2
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>			
Fair value adjustment in respect of long-term financial assets	20	(158.0)	-
<b>ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>			
Exchange differences on translation of foreign operations		(10.3)	1.3
Exchange differences on hedged contracts – recognised in the period	26,30	91.5	(49.9)
Exchange differences on hedged contracts – ineffectiveness	26,30	(4.5)	-
Exchange differences on hedged contracts – reclassified and reported in sales	26,30	19.7	15.6
Exchange differences on hedged contracts – reclassified and reported in cost of sales	26,30	14.5	0.6
Exchange differences on hedged contracts – taxation taken to reserves	26,30	(22.7)	6.9
Fair value adjustment in respect of available-for-sale financial assets – recognised in the period	20	-	(26.1)
Fair value adjustment in respect of available-for-sale financial assets – reclassified to Income Statement		-	47.9
<b>OTHER COMPREHENSIVE INCOME / (COST) FOR THE PERIOD, NET OF TAX</b>		<b>88.2</b>	<b>(3.7)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>			
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Group		42.2	16.4
Non-controlling interest		4.0	3.1
		<b>46.2</b>	<b>19.5</b>

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

\*See note 1 for details of a prior period restatement.

# CONSOLIDATED BALANCE SHEET

At 28 April 2019

	Note	28 April 2019 (£m)	29 April 2018 Restated* (£m)	30 April 2017 Restated* (£m)
<b>ASSETS – NON-CURRENT</b>				
Property, plant and equipment	16	823.2	862.0	842.0
Investment properties	17	22.2	23.7	23.1
Intangible assets	18	153.0	181.3	185.7
Investments in associated undertakings	19	11.0	6.2	26.4
Long-term / available-for-sale financial assets	20	84.6	249.8	63.9
Deferred tax assets	28	23.7	24.8	33.7
		<b>1,117.7</b>	<b>1,347.8</b>	<b>1,174.8</b>
<b>ASSETS – CURRENT</b>				
Assets held for sale	21	68.0	-	-
Inventories	22	978.4	873.4	674.2
Trade and other receivables	23	432.5	292.7	389.3
Derivative financial assets	30	104.2	17.1	43.0
Cash and cash equivalents	24	448.0	360.0	204.7
		<b>2,031.1</b>	<b>1,543.2</b>	<b>1,311.2</b>
<b>TOTAL ASSETS</b>		<b>3,148.8</b>	<b>2,891.0</b>	<b>2,486.0</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	25	64.1	64.1	64.1
Share premium	26	874.3	874.3	874.3
Treasury shares reserve		(281.7)	(290.0)	(329.5)
Permanent contribution to capital	26	0.1	0.1	0.1
Capital redemption reserve	26	8.0	8.0	8.0
Foreign currency translation reserve		68.1	78.4	77.1
Reverse combination reserve	26	(987.3)	(987.3)	(987.3)
Own share reserve		(67.2)	(69.0)	(33.7)
Hedging reserve	26	46.7	(51.9)	(25.1)
Retained earnings		1,521.5	1,567.6	1,574.9
<b>Issued capital and reserves attributable to owners of the parent</b>		<b>1,246.6</b>	<b>1,194.3</b>	<b>1,222.9</b>
Non-controlling interests		5.8	1.7	(0.6)
<b>TOTAL EQUITY</b>		<b>1,252.4</b>	<b>1,196.0</b>	<b>1,222.3</b>
<b>LIABILITIES – NON-CURRENT</b>				
Borrowings	27	826.5	757.1	317.3
Retirement benefit obligations		1.9	1.9	3.4
Deferred tax liabilities	28	29.0	12.0	34.7
Provisions	29	440.5	215.4	169.5
		<b>1,297.9</b>	<b>986.4</b>	<b>524.9</b>
<b>LIABILITIES – CURRENT</b>				
Derivative financial liabilities	30	16.3	93.1	75.2
Trade and other payables	31	541.1	606.0	582.8
Borrowings	27	-	-	69.5
Current tax liabilities		41.1	9.5	11.3
		<b>598.5</b>	<b>708.6</b>	<b>738.8</b>
<b>TOTAL LIABILITIES</b>		<b>1,896.6</b>	<b>1,695.0</b>	<b>1,263.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,148.8</b>	<b>2,891.0</b>	<b>2,486.0</b>

The accompanying accounting policies and notes form part of these Financial Statements. The Financial Statements were approved by the Board on 26 July 2019 and were signed on its behalf by:

**Jon Kempster**  
**Chief Financial Officer**  
Company number: 06035106

\*See note 1 for details of a prior period restatement.

# CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 28 April 2019

	Note	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>			
Income taxes paid		(40.0)	(45.1)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>273.4</b>	<b>326.2</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds on disposal of property, plant and equipment		20.8	69.0
Proceeds on disposal of listed investments		54.9	20.9
(Purchase of) / cash acquired through subsidiaries	32	(98.7)	8.2
Purchase of property, plant and equipment	16	(158.5)	(204.2)
Purchase of investment properties	17	(0.7)	(5.0)
Purchase of intangible assets	18	(1.1)	(4.1)
Purchase of listed investments		(57.9)	(287.1)
Investment income received		3.4	34.2
Finance income received		0.3	3.4
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(237.5)</b>	<b>(364.7)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Exercise of option over non-controlling interests		-	(11.3)
Finance costs paid		(13.0)	(14.0)
Borrowings drawn down	27	464.4	782.9
Borrowings repaid	27	(395.0)	(343.0)
Purchase of own shares		(7.3)	(155.4)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>49.1</b>	<b>259.2</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS INCLUDING OVERDRAFTS</b>		<b>84.9</b>	<b>220.7</b>
Exchange movement on cash balances		3.1	4.1
<b>CASH AND CASH EQUIVALENTS INCLUDING OVERDRAFTS AT BEGINNING OF PERIOD</b>		<b>360.0</b>	<b>135.2</b>
<b>CASH AND CASH EQUIVALENTS INCLUDING OVERDRAFTS AT THE PERIOD END</b>	24	<b>448.0</b>	<b>360.0</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 28 April 2019

	Treasury shares (£m)	Foreign currency translation (£m)	Own share reserve (£m)	Retained earnings (£m)	Other (£m)	Total attributable to owners of parent (£m)	Non-controlling Interests (£m)	Total (£m)
<b>At 30 April 2017</b>	<b>(329.5)</b>	<b>77.1</b>	<b>(33.7)</b>	<b>1,591.0</b>	<b>(65.9)</b>	<b>1,239.0</b>	<b>(0.7)</b>	<b>1,238.3</b>
Prior year adjustments	-	-	-	(16.1)	-	(16.1)	0.1	(16.0)
<b>At 30 April 2017 (restated)*</b>	<b>(329.5)</b>	<b>77.1</b>	<b>(33.7)</b>	<b>1,574.9</b>	<b>(65.9)</b>	<b>1,222.9</b>	<b>(0.6)</b>	<b>1,222.3</b>
Credit to equity for share-based payment	-	-	57.3	(57.3)	-	-	-	-
Current tax on share scheme vesting	-	-	-	4.8	-	4.8	-	4.8
Deferred tax on share schemes	-	-	-	(7.9)	-	(7.9)	-	(7.9)
Transfer of shares from Treasury to Own Share reserve	29.9	-	(51.0)	21.1	-	-	-	-
Purchase of own shares	(113.9)	-	(41.6)	-	-	(155.5)	-	(155.5)
Reversal of FY17 fair valuation of share buyback contractual obligation	163.5	-	-	-	-	163.5	-	163.5
Fair valuation of share buyback contractual obligation	(40.0)	-	-	-	-	(40.0)	-	(40.0)
Non-controlling interests - acquisitions	-	-	-	(10.0)	-	(10.0)	(0.8)	(10.8)
<b>Transactions with owners</b>	<b>39.5</b>	<b>-</b>	<b>(35.3)</b>	<b>(49.3)</b>	<b>-</b>	<b>(45.1)</b>	<b>(0.8)</b>	<b>(45.9)</b>
Profit for the financial period				20.1	-	20.1	3.1	23.2
<b>OTHER COMPREHENSIVE INCOME</b>								
Cash flow hedges - recognised in the period	-	-	-	-	(49.8)	(49.8)	-	(49.8)
Cash flow hedges - reclassified and reported in sales	-	-	-	-	15.6	15.6	-	15.6
Cash flow hedges - reclassified and reported in cost of sales	-	-	-	-	0.6	0.6	-	0.6
Cash flow hedges - taxation	-	-	-	-	6.9	6.9	-	6.9
Fair value adjustment in respect of available-for-sale financial assets - recognised	-	-	-	(26.1)	-	(26.1)	-	(26.1)
Fair value adjustment in respect of available-for-sale financial assets – reclassified to P&L	-	-	-	47.9	-	47.9	-	47.9
Translation differences - Group	-	1.3	-	-	-	1.3	-	1.3
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1.3</b>	<b>-</b>	<b>41.9</b>	<b>(26.7)</b>	<b>16.5</b>	<b>3.1</b>	<b>19.6</b>
<b>At 29 April 2018 (Restated)*</b>	<b>(290.0)</b>	<b>78.4</b>	<b>(69.0)</b>	<b>1,567.5</b>	<b>(92.6)</b>	<b>1,194.3</b>	<b>1.7</b>	<b>1,196.0</b>
Exercise of share options	-	-	7.4	-	-	7.4	-	7.4
Purchase of own shares	(1.7)	-	(5.6)	-	-	(7.3)	-	(7.3)
Reversal of FY18 fair valuation of share buyback contractual obligation	40.0	-	-	-	-	40.0	-	40.0
Fair valuation of share buyback contractual obligation	(30.0)	-	-	-	-	(30.0)	-	(30.0)
Non-controlling interests - acquisitions	-	-	-	-	-	-	0.1	0.1
<b>Transactions with owners</b>	<b>8.3</b>	<b>-</b>	<b>1.8</b>	<b>-</b>	<b>-</b>	<b>10.1</b>	<b>0.1</b>	<b>10.2</b>
Profit for the financial period	-	-	-	112.0	-	112.0	4.0	116.0
<b>OTHER COMPREHENSIVE INCOME</b>								
Cash flow hedges - recognised in the period	-	-	-	-	91.5	91.5	-	91.5
Cash flow hedges – ineffectiveness	-	-	-	-	(4.5)	(4.5)	-	(4.5)
Cash flow hedges - reclassified and reported in sales	-	-	-	-	19.7	19.7	-	19.7
Cash flow hedges - reclassified and reported in cost of sales	-	-	-	-	14.5	14.5	-	14.5
Cash flow hedges - taxation	-	-	-	-	(22.7)	(22.7)	-	(22.7)
Fair value adjustment in respect of long term financial assets - recognised	-	-	-	(158.0)	-	(158.0)	-	(158.0)
Translation differences - Group	-	(10.3)	-	-	-	(10.3)	-	(10.3)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(10.3)</b>	<b>-</b>	<b>(46.0)</b>	<b>98.5</b>	<b>42.2</b>	<b>4.0</b>	<b>46.2</b>
<b>At 28 April 2019</b>	<b>(281.7)</b>	<b>68.1</b>	<b>(67.2)</b>	<b>1,521.5</b>	<b>5.9</b>	<b>1,246.6</b>	<b>5.8</b>	<b>1,252.4</b>

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

The share premium account is used to record the excess proceeds over nominal value on the issue of shares. The permanent contribution to capital relates to a cash payment of £50,000 to the Company on 8 February 2007 under a deed of capital contribution. The capital redemption reserve arose on the redemption of the Company's redeemable preference shares of 10p each at par on 2 March 2007. The own shares and treasury reserves represent the cost of shares in Sports Direct International plc purchased in the market and held by Sports Direct International plc Employee Benefit Trust to satisfy options under the Group's share scheme.

The Company announced on 26 April 2019 that it has instructed Liberum Capital Limited in relation to an irrevocable non-discretionary share buyback programme to purchase the Company's shares during the closed period commencing on 29 April 2019 and ending on 18 July 2019. In line with IAS32 Financial Instruments: Presentation the Company recognised the full redemption amount of £30.0m which is considered to be immaterially different to the present value at period end. If the contract expires without full delivery, the amount of the financial liability attributable to the undelivered shares is reclassified to equity reversing the original recognition. As at 26 July 2019, 3,013,558 shares have been repurchased under the closed period share buyback programme.

\*See note 1 for details of a prior period restatement.

# NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 28 April 2019

## 1. ACCOUNTING POLICIES

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

### Basis Of Preparation

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

In FY19 the Group has adopted new guidance for the recognition of revenue from contracts with customers. Further, the Group has adopted new guidance for accounting for financial instruments. This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The period ended 30 April 2017 and 29 April 2018 financial statements have been restated following a review by management into:

### Restatement Of Deferred Tax

- Deferred tax at 30 April 2017 was understated by £16.0m due to the application of incorrect tax rates against a US brand intangible asset
- Deferred tax at 29 April 2018 was understated by £1.6m following a £14.4m release in the period due to the change in corporation tax rates to 23.1% in the US

### Restatement Of Reimbursement Asset & Accruals And Provisions

- A reimbursement asset totalling £37.2m was reclassified from accruals and provisions to trade and other receivables at 30 April 2017
- A reimbursement asset totalling £57.9m was reclassified from accruals and provisions to trade and other receivables at 29 April 2018
- A reclassification totalling £20.0m was made between accruals and provisions at 30 April 2017
- A reclassification totalling £18.0m was made between accruals and provisions at 29 April 2018

### Restatement of Property, Plant and Equipment

- A prior period adjustment has been made to correct the prior period balance sheet resulting in an impairment to Freehold Land and Buildings assets of £16.4m

The total impact as a result of these reclassifications to basic or diluted earnings per share for the period to 29 April 2018 is 0.8p, profit for the period is £(4.4)m, total comprehensive income £(4.4)m and net assets £(18.2)m.

	FY17 restatement						FY18 restatement			FY18 Restated
	FY18 Reported	Deferred Tax	Accruals - provision	Reimbursement asset	Deferred Tax	PPE	Accruals - provision	Reimbursement asset	FY18 Restated	
Property, plant and equipment	878.4	-	-	-	-	(16.4)	-	-	-	862.0
Deferred tax assets	24.9	-	-	-	(0.1)	-	-	-	-	24.8
<b>Non-current assets</b>	<b>1,364.3</b>	-	-	-	(0.1)	<b>(16.4)</b>	-	-	-	<b>1,347.8</b>
Trade and other receivables	234.8	-	-	37.2	-	-	-	-	20.7	292.7
<b>Current assets</b>	<b>1,485.3</b>	-	-	<b>37.2</b>	-	-	-	-	<b>20.7</b>	<b>1,543.2</b>
<b>TOTAL ASSETS</b>	<b>2,849.6</b>	-	-	<b>37.2</b>	(0.1)	<b>(16.4)</b>	-	-	<b>20.7</b>	<b>2,891.0</b>
Foreign currency translation reserve	76.2	-	-	-	2.2	-	-	-	-	78.4
Retained earnings	1,588.0	(16.0)	-	-	12.1	(16.4)	-	-	(0.1)	1,567.6
<b>TOTAL EQUITY</b>	<b>1,214.2</b>	<b>(16.0)</b>	-	-	<b>14.3</b>	<b>(16.4)</b>	-	-	<b>(0.1)</b>	<b>1,196.0</b>
Deferred tax liabilities	10.4	16.0	-	-	(14.4)	-	-	-	-	12.0
Provisions	156.9	-	20.0	19.3	-	-	18.0	-	1.2	215.4
<b>Non-current liabilities</b>	<b>926.3</b>	<b>16.0</b>	<b>20.0</b>	<b>19.3</b>	<b>(14.4)</b>	-	<b>18.0</b>	-	<b>1.2</b>	<b>986.4</b>
Trade and other payables	606.5	-	(20.0)	17.9	-	-	(18.0)	-	19.6	606.0
<b>Current liabilities</b>	<b>709.1</b>	-	<b>(20.0)</b>	<b>17.9</b>	-	-	<b>(18.0)</b>	-	<b>19.6</b>	<b>708.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,849.6</b>	-	-	<b>37.2</b>	(0.1)	<b>(16.4)</b>	-	-	<b>20.7</b>	<b>2,891.0</b>
Basic EPS	4.6									3.8
Diluted EPS	4.6									3.8
Underlying Basic EPS	19.9									19.1
Underlying Diluted EPS	19.8									18.9

### Consolidation

The consolidated Financial Statements consolidate the revenues, costs, assets, liabilities and cash flows of the Company and its subsidiaries, being those entities that the Group is considered to have control over. It will be considered to have control when it has power over the entity, is exposed to or has rights to variable returns from the entity and has the ability to use its power over the entity to affect the amount of the entity's returns.

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

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

## **Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

## **Acquisitions**

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

## **Goodwill**

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

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

### **Other Intangible Assets**

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

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

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

Amortisation is provided on other brands, trademarks and licences with a definite life on a straight line basis over their useful economic lives of between 5 to 15 years and is accounted for within the selling, distribution and administrative expenses category within the income statement.

### **Property, Plant And Equipment**

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

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

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

- Freehold buildings - between 4% and 10% per annum - straight line
- Leasehold improvements - 20% or over the term of the lease, whichever is shortest - straight line
- Plant and equipment - between 20% and 33% per annum - straight line

The assets' useful lives and residual values are reviewed and, if appropriate, adjusted at each balance sheet date. The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement.

Property, plant and equipment where the carrying amount is recovered principally through a sales transaction and where a sale is considered to be highly probable is stated at the lower of carrying value and fair value less costs to sell.

### **Investment Properties**

Investment properties, which are defined as property held for rental income or capital appreciation, are initially measured at cost being purchase price and directly attributable expenditure. Where the intention is to hold property as owner occupied, this is recognised as property, plant and equipment.

Subsequently investment properties are held at cost less accumulated depreciation and impairment losses. Investment properties are depreciated over between 10 and 25 years other than the land element which is not depreciated.

Fair values of the investment properties are disclosed.

### **Impairment Of Assets Other Than Goodwill And Intangible Assets With An Indefinite Life**

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

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

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

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

Equity investments are impaired when there is objective evidence of impairment which includes a significant or prolonged decline in value.

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

### **Revenue Recognition**

Revenue with customers is measured based on the five-step model under IFRS 15: 'Revenue from Contracts with Customers':

1. identify the contract with the customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to separate performance obligations in the contract; and
5. recognise revenues when (or as) each performance obligation is satisfied.

Revenue is measured at the fair value of the consideration received, or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. Goods supplied provides customers with a right of return within a specified period and this gives rise to variable consideration under IFRS 15. The right of return asset is recognised within inventory, with the refund liability due to customers on return of their goods recognised within trade and other payables.

In the case of goods sold through retail stores, revenue is recognised when we have satisfied the performance obligation of transferring the goods to the customer at the point of sale, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale. Retail sales are usually in cash, by debit card or by credit card.

In the case of goods sold on the internet, revenue is recognised when we have satisfied the performance obligation of transferring the goods to the customer, which is the point of delivery to the customer. Transactions are settled by credit card or payment card. Provisions are made for internet credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

In the case of goods sold to other businesses via wholesale channels, revenue is recognised when we have satisfied the performance obligation of transferring the goods to the customer upon delivery.

In the case of income generated from trademarks and licences, revenue is recognised on a right of access basis and is linked to sale or purchase volumes in accordance with the relevant agreements. Royalty income is not recognised until the later of the related sale being made or the performance obligation being satisfied (or partially satisfied).

In the case of gym membership fees that are received in advance, revenue is deferred and recognised in the period in which the services are provided.

In the case of revenue from third party commission on concession sales within the House of Fraser department stores this is recognised when goods are sold to the customer. As we act as the agent this is stated at the full value of the commission that the Group receives on the transaction.

For loyalty schemes, as points are earned by customers the estimated fair value of the points to the customer is deferred. The deferral is based on the estimated level of vouchers being triggered at the contractual threshold levels and based on the estimated level of redemption. The deferral is treated as a deduction from revenue.

### **Exceptional Items**

The Group presents exceptional items on the face of the income statement. These are 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 better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and assess trends in financial performance more readily.

### **Interest Income**

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

### **Foreign Currencies**

The presentational currency of the Group is sterling. The functional currency of the Company is also sterling. Foreign currency transactions are translated into sterling using the exchange rates prevailing on the dates of the transactions. Exchange differences of the Company arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

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

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

In order to mitigate its exposure to certain foreign exchange risks, the Group enters into forward contracts (see Chief Executive's Report and Business Review and the cash flow hedging accounting policy on (pages 100 to 102).

### **Assets Held For Sale**

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

### **Inventories**

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

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

### **Cash And Cash Equivalents**

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

## Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

## Financial Assets

### *Classification and initial measurement of financial assets*

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

### **Subsequent measurement of financial assets**

#### *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

#### *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The category also contains equity investments. The Group has made the irrevocable election to account for the investments at fair value through other comprehensive income (FVOCI). The previous accounting for FY18 under IAS 39 has not been restated, an adjustment was made to the FY19 opening reserves per IFRS 9.

*Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)*

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables). The Group's AFS financial assets include equity investments.

All AFS financial assets were measured at fair value. Gains and losses were recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends were recognised in profit or loss within finance income.

*Impairment of financial assets*

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

*Previous financial asset impairment under IAS 39*

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

*Trade and other receivables*

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

## Financial Liabilities

### *Classification and measurement of financial liabilities*

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

### *Derivative financial instruments and hedge accounting*

The Group applies the new hedge accounting requirements in IFRS 9 prospectively. All hedging relationships that were hedging relationships under IAS 39 at the 29 April 2018 reporting date meet the IFRS 9 criteria for hedge accounting at 30 April 2018 and are therefore regarded as continuing hedging relationships.

Derivative financial instruments are accounted for at fair value through profit and loss (FVTPL) except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

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

For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate foreign currency exchange risk arising from certain highly probable sales transactions denominated in foreign currencies.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

## **Taxation**

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

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

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in current and deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recorded in other comprehensive income or charged or credited directly to equity in which case the related deferred tax is also charged to other comprehensive income or credited directly to equity. Deferred tax assets and liabilities are not discounted.

## **Provisions**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Group provides for its legal responsibility for dilapidation costs following advice from chartered surveyors and previous experience of exit costs. The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. The capital element is depreciated over the life of the asset. The non-capital element is taken to the income statement in the first year of the lease where the cost it represents is of no lasting benefit to the Group or its landlord. 'Wear and tear' costs are expensed to the income statement. Provisions for onerous lease contracts are recognised when the Group believes the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

Other provisions include management's best estimate of restructuring, employment related costs, legal costs and other claims. See also note 23 and note 29. The Group provides for bad debts that arise on outstanding receivables balances.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

## **Leases**

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

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

Contingent rental payments, above standard payments, are conditional on the Group's operating performance derived from the lease item, (e.g. turnover levels). These are expensed in the period in which they are incurred. Rental income from operating leases where the Group acts as a lessor is recognised on a straight-line basis over the term of the relevant lease.

### **Treasury Shares**

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

### **Employee Benefit Trust**

An Employee Benefit Trust has been established for the purposes of satisfying certain share-based awards. The Group has 'de-facto' control over the special purpose entity. This Trust is fully consolidated within the accounts. The cost of shares acquired by the Sports Direct Employee Benefit Trust is recognised within 'Own Share reserve' in equity.

### **Share-Based Payments**

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

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

Fair value is based on the market share price on the grant date. The expected staff numbers used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

For cash-settled share-based payment transactions, the Group measures the services received and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in the Income Statement for the period.

The credit for the share based payment charge does not equal the charge per the income statement as it excludes amounts recognised in the balance sheet in relation to the expected national insurance contributions for the shares.

### **Equity Instruments**

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

### **Dividends**

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

### **Materiality**

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

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

The Board has applied a typical materiality threshold of 5% of the underlying EBITDA, the Group's primary profit measure, in order to calculate materiality levels. For the Financial period ended 28 April 2019, the current period underlying EBITDA of £339.4m (excluding House of Fraser) gives a materiality level for FY19 of £17.0m.

## **New Accounting Standards, Interpretations And Amendments Adopted By The Group**

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not effective. The Group applies for the first time the following new standards, with no significant impact on its consolidated results or financial position:

- Annual Improvements to IFRSs 2014-2016 Cycle
- Amendments to IAS 40 "Investment Property"
- IFRS 9 "Financial instruments"
- IFRS 15 "Revenue from contracts with customers"
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

### **IFRS 15**

IFRS 15 "Revenue from Contracts with Customers" replaces IAS 18 "Revenue" and several revenue related interpretations. The new standard establishes a five-step model to account for revenue, which is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The majority of sales are made direct either in store or online at standard prices and provisions are already held for expected levels of returns, therefore the adoption of the new standard has minimal impact on revenue.

The new Standard has been applied retrospectively without restatement. Any cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 30 April 2018. The key considerations along with the impact of adopting IFRS 15 are described below.

#### *Sale of goods*

The Group's contracts with customers for the sale of product generally include one performance obligation. The Group has concluded that revenue from the sale of product should be recognised at the point in time when control of the asset is transferred to the customer i.e. on the delivery of the product. This does not represent a change to the Group's accounting policy and therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

#### *Right of return asset*

Sales of goods provides customers with a right of return within a specified period and are therefore deemed to be variable under IFRS 15. The group has performed an assessment using the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Group will be entitled. Under the old standard, IAS 8, expected returns were estimated using a similar approach and therefore no adjustment to the value of variable consideration was required on transition to IFRS 15. The value of the right to return asset is not material to the financial statements and therefore no separate asset has been disclosed on the face of the balance sheet.

#### *Licensing income*

The nature of an entity's promise in granting a licence is a promise to provide a right to access the entity's intellectual property if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the entity will undertake activities that significantly affect the intellectual property to which the customer has rights
- the rights granted by the licence directly expose the customer to any positive or negative effects of the entity's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur

The above criteria are met with regards to the Group's licensing income and therefore the Group shall account for the promise to grant a licence as a performance obligation satisfied over time because the customer will simultaneously receive and consume the benefit from the entity's performance of providing access to its intellectual property as the performance occurs.

#### *Principal versus agent*

In the vast majority of cases, the Group was considered the principal in sales transactions under IFRS 15 and therefore recognised the full value of the sale within revenue, rather than netting off the costs in revenue, in line with the previous treatment under IAS 18.

Within House of Fraser there is commission revenue from concession suppliers. We have reviewed the principal versus agent considerations in IFRS 15 and we are satisfied that we act as the agent, therefore only recognising the commission income rather than recognising the full value of the sale within revenue, which is in line with the treatment under IAS 18.

There was no impact on total comprehensive income or retained earnings on adoption of IFRS 15.

## **IFRS 9**

IFRS 9 Financial Instruments (IASB effective date 1 January 2018) replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI); and fair value through the Income Statement. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. At application, any difference between the previous carrying amount and the fair value is recognised in the opening retained earnings for the financial year ended 29 April 2018.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Group applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

Derivative financial instruments are used to manage risks arising from currency fluctuations relating to purchasing inventory from overseas suppliers and making sales in foreign currencies. The Group does not hold or issue derivative financial instruments for trading purposes. The Group uses the derivatives to hedge highly probable forecast transactions and therefore the instruments are designated as cash flow hedges.

All hedging relationships designated under IAS 39 at 29 April 2018 met the criteria for hedge accounting under IFRS 9 at 28 April 2019 and are therefore regarded as continuing hedging relationships.

The Group has applied the modified retrospective approach for transition, including no requirement to restate comparative amounts. Comparative amounts were therefore not restated.

There was no impact on total comprehensive income or retained earnings on adoption of IFRS 9.

The Group has made the irrevocable election available under IFRS 9 to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument. The Group's decision was based on the fact that the equity instruments are held for strategic purposes rather than short term gains, therefore it is more appropriate for movements to go through other comprehensive income. The fair value of these investments are shown in note 20.

## **International Financial Reporting Standards (“Standards”) In Issue But Not Yet Effective**

At the date of authorisation of these consolidated Financial Statements, the International Accounting Standards Board (“IASB”) and International Financial Reporting Standards Committee (“IFRSC”) have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations have not been adopted early in the preparation of the consolidated Financial Statements:

## **IFRS 16**

IFRS 16 Leases will be effective for the year ending April 2020 and has not been early adopted by the Group. IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

The Group has put together a working group to ensure we take all necessary steps to comply with the requirements of IFRS 16. Significant work has been completed to date, including collection of relevant data, determination of relevant accounting policies and review of IT systems and processes.

### *Transition*

The Group is planning to adopt IFRS 16 on 29 April 2019 using the modified retrospective approach for its portfolio of leases. As a result, the lease liability will be calculated as the present value of future lease payments from the date of transition. For leases, the asset will be calculated from the lease commencement date, with the cumulative effect of adopting IFRS 16 being recognised as an adjustment to Retained Earnings at the date of initial application. Comparative information is not restated.

On 29 April 2018 the weighted average discount rate, based on incremental borrowing rates, across the Group lease portfolio was 2.0%. The discount rate for each lease is dependent on lease start date and term.

### *Impact*

The most significant lease liabilities relate to property.

The full impact on the Income Statement for the year ending 26 April 2020 is highly sensitive due to a number of judgements, including the treatment of properties where the current lease term has either already expired or is due to expire in the year ending 26 April 2020, but where the Group remains in negotiation with the landlord for potential renewal. Whilst it is likely that a new lease will be entered into in this scenario, it is subject to uncertainty as to the timing and details of such transactions and therefore it is not possible to predict the impact at this time.

In order to estimate the impact on the Group's opening Statement of Financial Position for the year ending 26 April 2020, the lease portfolio at transition date has been used, which would result in an adjustment for right-of-use assets in the region of £486m, with corresponding lease liabilities in the region of £584m.

Profit before tax for the year ending 26 April 2020 is estimated to decrease by £7.6m as rental charges are replaced by depreciation and interest. As previously stated, this is calculated based on the lease portfolio as at the transition date of 29 April 2019 and does not factor in any further assumptions.

There will be no impact on cash flows, although the presentation of the Cash Flow Statement will change significantly, with an increase in cash inflows from operating activities being offset by an increase in cash outflows from financing activities.

For current operating lease information see note 34.

## 2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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 period are:

### Key Judgements

#### Determining Related Party Relationships

Management determines whether a related party relationship exists by assessing the nature of the relationship by reference to the requirements of IAS 24, Related Party Disclosures. This is in order to determine whether significant influence exists as a result of control, shared directors or parent companies, or close family relationships. The level at which one party may be expected to influence the other is also considered for transactions involving close family relationships.

#### Control And Significant Influence Over Certain Entities

Under IAS 28 Investments in Associates and Joint Ventures if an entity holds 20% or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can clearly demonstrate that this is not the case. The Group holds greater than 20% of the voting rights of Findel Plc, Debenhams Plc and French Connection Group Plc, whereby management consider that the Group does not have significant influence over these entities for combinations of the following reasons:

- The Group does not have any representation on the board of directors of the investee other than an SDI representative having an observer role on the board of Findel Plc. Management have reviewed the terms of the observer arrangement and have concluded that this does not give them the right to participate in or influence the financial or operating decisions of Findel plc. Findel can terminate this arrangement at any time, and can determine which parts of the Board meetings the representative can be present at and what information they are given access to;
- There is no participation in decision making and strategic processes, including participation in decisions about dividends or other distributions;
- There have been no material transactions between the entity and its investee companies;
- There has been no interchange of managerial personnel;
- No non-public essential technical management information is provided to the investee

In assessing the level of control that management have over certain entities, management will consider the various aspects that allow management to influence decision making. This includes the level of share ownership, board membership, the level of investment and funding and the ability of the Group to influence operational and strategic decisions and effect its returns through the exercise of such influence.

During the year in March 2019 it was determined that the Group had significant influence over Game Digital Plc. The Group has subsequently accounted for Game Digital Plc as an associated entity in line with IAS 28 (note 19).

#### Cash Flow Hedging

The Group uses a range of forward and option contracts that are entered into at the same time, they are in contemplation with one another and have the same counterparty. A judgement is made in determining whether there is an economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction. Management are of the view that there is a substantive distinct business purpose for entering into the options and a strategy for managing the options independently of the forward contracts. The forward and options contracts are therefore not viewed as net written options and hedge accounting for the forwards is permitted.

Under IAS 39 and IFRS 9 in order to achieve cash flow hedge accounting, forecast transactions (primarily Euro denominated sales and USD denominated purchases) must be considered to be highly probable. The hedge must be expected to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk. The forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss. Management have reviewed the detailed forecasts and growth assumptions within them, and are satisfied that forecasts in which the cash flow hedge accounting has been based meet the criteria per IAS 39 in FY18 and IFRS 9 in FY19 as being highly probable forecast transactions. Should the forecast levels not pass the highly probable test, any cumulative fair value gains and losses in relation to either the entire or the ineffective portion of the hedged instrument would be taken to the Income Statement.

## Defining Operating Segments

Management determines its operating segments with reference to the Chief Operational Decision Maker's process for making key decisions over allocation of resources to the segment and in assessing a segment's performance. This is based on:

- The nature of the operation type and products sold
- The type of class of customer targeted
- Product distribution methods

Similar operations are amalgamated into operating segments for the purposes of segmental reporting. See also note 4.

## Key Estimates

### Provision For Obsolete, Slow Moving Or Defective Inventories

The Directors have applied their knowledge and experience of the retail industry in determining the level and rates of provisioning required in calculating the appropriate inventory carrying values. Specific estimates and judgements applied in relation to assessing the level of inventory provisions required are considered in relation to the following areas:

- a. Core inventory
- b. Seasonal inventory lines – specifically seasons that have now finished
- c. Third party versus own brand inventory
- d. Ageing of inventory
- e. Sports Retail or Premium Lifestyle
- f. Local economic conditions
- g. Divisional specific factors
- h. Increased cost of inventory and lower margins with the devaluation of the Pound

Inventory is categorised in order to calculate an appropriate level of provision. Key categories are:

- i. Loss making products
- ii. Clearance inventory
- iii. Slow moving inventory
- iv. Seasonal over-stock
- v. Core over-stock

Provision estimates are forward looking and are formed using a combination of factors including historical experience, management's knowledge of the industry, group discounting, sales pricing protocols and the overall assessment made by management of the risks in relation to inventory. Management use a number of internally generated reports to monitor and continually re-assess the adequacy and accuracy of the inventory provision. The additional cost of repricing inventory and handling charges in relation to relocating inventory (tunnelling) are considered in arriving at the appropriate percentage provision. The testing performed to check that the assumptions applied remain valid by management produces a range of outcomes and the provision is set within this range. Key assumptions used to create the estimates are:

- Tunnelling – Cost of handling stock for reworking, repacking and repricing
  - £3 per unit handled
  - 50p per unit for repricing
- Shrinkage – 2% of total stock lost through damage and theft
- Discounting assumptions by category:

Category Clearance % over Budget	Discounted by	Slow moving stock % over Budget	Discounted by	Seasonal over-stock % over Budget	Discounted by
25%	20%	10-20%	0%	0-20%	0%
50%	40%	20-30%	25%	20-50%	25%
75%	60%	30-40%	30%	50-100%	30%
100%	80%	>40%	40%	100-120%	40%
				>120%	60%

Total Group inventory provision at 28 April 2019 is 15.0% (2018: 15.6%). A 1% change in the total provision would impact underlying EBITDA by approx. £11.5m.

## **Property Related Provisions**

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

### **Onerous lease provision**

Provisions for onerous lease contracts are recognised when the unavoidable costs of meeting lease obligations exceed the economic benefits expected to be received over the term of the lease. Where an onerous lease has been identified, the fixed assets associated to that store are also reviewed for impairment.

Management use store EBITDA in order to determine whether an onerous lease exists, specific assumptions which involve the use of estimates to determine the appropriate level of provision include:

- a. Forecast sales and margin in stores, reflecting historic and expected future performance including the impact of the Elevation of Sports Retail strategy across the Group
  - UK forecasts are currently expecting a sales drop of -5% in FY20 and then -1% for future years and a margin impact of -2.5%
  - European forecasts are currently expecting a sales drop of -2% and a margin impact of -2%
- b. Forecast wages and direct store cost inflation
  - UK wage and operating costs inflation assumes 3% and Europe assumes 2%
  - Rent increases are expected at 16%
- c. Other
  - Discount rate 3% across the Group
  - Store profitability includes 100% contribution towards central overheads
- d. Planned store closures, relocations and re-brandings
- e. Lease obligations calculated to the end of the lease or where applicable break clause, or earlier estimate of expected exit date where this can be reliably estimated

Further information on the basis of the estimation of provisioning for dilapidations and onerous lease contracts is detailed in the provisions accounting policy and note 29.

### **Dilapidations**

The Group provides for its legal responsibility for dilapidation costs following advice from chartered surveyors and previous experience of exit costs (including strip out costs and professional fees). The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. For leases entered into post FY18 management use a reference estimate of £80,000 for large leasehold stores, £50,000 for small leasehold stores and €50,000 for European stores. Prior to FY18 managements estimates were based on categorisation of stores by size and capital works performed and price per square foot.

### **Other Provisions**

Provisions are made for items where the Group has identified a present legal or constructive obligation arising 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.

Legal and regulatory provisions relate to management's best estimates of provisions required for legal and regulatory claims and ongoing non-UK tax enquiries. Other provisions relate to management's best estimates of provisions required for restructuring, employment and commercial. Where applicable these are inclusive of any estimated penalties, interest and legal costs.

See note 29.

In relation to the non-UK tax enquiries during FY19 management have made a judgement to consider all claims collectively, applying the following estimates:

- 10% penalty
- 3% interest on the liability

### **Other Receivables And Amounts Owed By Related Parties**

Other receivables and amounts owed by related parties are stated net of provision for any impairment. Management have applied estimates in assessing the recoverability of working capital and loan advances made to investee companies. Matters considered include the relevant financial strength of the underlying investee company to repay the loans, the repayment period and underlying terms of the monies advanced, forecast performance of the underlying borrower, and where relevant, the Group's intentions for the companies to which monies have been advanced.

### **3. FINANCIAL RISK MANAGEMENT**

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

#### **Foreign Exchange Risk**

The Group is exposed to foreign exchange risk principally via:

- a. Transactional exposure from the cost of future purchases of goods for resale, where those purchases are denominated in a currency other than the functional currency of the purchasing company. Transactional exposures that could significantly impact the income statement are hedged. These exposures are hedged via forward foreign currency contracts which are designated as cash flow hedges. The notional and fair value of these contracts is shown in note 30;
- b. Transactional exposure from the sale of goods, where those sales are denominated in a currency other than the functional currency of the selling company. Transactional exposures that could significantly impact the income statement are hedged. These exposures are hedged via forward foreign currency contracts which are designated as cash flow hedges. The notional and fair value of these contracts is shown in note 30;
- c. Loans to non-UK subsidiaries. These are hedged via foreign currency transactions and borrowings in matching currencies, which are not formally designated as hedges, as gains and losses on hedges and hedged loans will naturally offset; and
- d. Exposures in respect of written options to sell Euros or buy USD as explained in the Financial Review. These are not hedged and movements in fair value could significantly impact the Income Statement in future periods. See note 30.

#### **Interest Rate Risk**

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

#### **Credit Risk**

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

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

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

#### **Liquidity Risk**

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

#### **Price Risk**

The Group is exposed to price risk in respect of its available-for-sale financial assets (in relation to listed company shares).

The price risk relates to volatility in the market, and how other comprehensive income and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased, other comprehensive income and equity would have changed. The listed securities are classified as available-for-sale so there would be no effect on profit or loss unless any decline in fair value below cost is determined to be an impairment.

The investments in listed equity securities are considered medium to long-term, strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments.

#### **Capital Management**

A description of the Group's objectives, policies and processes for managing capital are included in note 30.

## 4. SEGMENTAL ANALYSIS

Management have determined to present its segmental disclosures consistently with the presentation in the 2018 Annual Report. Management consider operationally that the UK Retail divisions (UK Sports Retail and Premium Lifestyle) are run as one business unit in terms of allocating resources, inventory management and assessing performance. House of Fraser was acquired during the reporting period and management is continually working to integrate Sports Direct policies, processes and methodology into this business. Under IFRS 8 we have not at this reporting date met the required criteria with enough certainty to aggregate these operating segments. We will continually keep this under review at subsequent reporting dates. We continue to monitor the impacts of Brexit, and the continued uncertainties this has brought relating to the political and economic environments, and market and currency volatility in the countries we operate in. European countries have been identified as operating segments and have been aggregated into a single operating segment as permitted under IFRS 8. The decision to aggregate these segments was based on the fact that they each have similar economic characteristics, similar long-term financial performance expectations, and are similar in each of the following respects:

- The nature of the products;
- The type or class of customer for the products; and
- The methods used to distribute the products.

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

1. UK Retail:
  - UK Sports Retail – includes the results of the UK retail network of sports stores and USC stores and concessions, along with related websites;
  - Premium Lifestyle – includes the results of the premium retail businesses such as Flannels, Cruise and van mildert;
  - House of Fraser Retail – includes the results of the House of Fraser stores and related websites;
2. European Retail - includes the results of the European retail network of sports stores;
3. Rest of World Retail – includes the results of US based retail activities and Asia based retail activities, along with related websites; and
4. Wholesale & Licensing – includes the results of the Group's portfolio of internationally recognised brands such as Everlast, Lonsdale and Slazenger.

It is management's current intention to run the group as four operating segments being UK Retail (including UK Sports Retail, Premium Lifestyle and House of Fraser), European Retail, Rest of World Retail and Wholesale & Licensing. Management are satisfied that the UK Sports Retail, Premium Lifestyle and House of Fraser Retail segments will meet the criteria permitted under IFRS 8 to aggregate as one segment in due course.

Information regarding the Group's reportable segments for the 52 weeks ended 29 April 2018, as well as a reconciliation of reported profit for the period to underlying EBITDA, is presented on pages 28 to 31.

Segmental information for the 52 weeks **ended 28 April 2019**:

	UK Sports Retail (£m)	Premium Lifestyle (£m)	House of Fraser Retail (£m)	European Sports Retail (£m)	Rest of World Retail (£m)	Total (£m)	Retail (£m)	Wholesale & Licensing (£m)	Eliminations (£m)	Total (£m)
Sales to external customers	2,187.3	204.8	330.6	599.8	215.9	3,538.4	163.5	-	-	3,701.9
Sales to other segments	-	-	-	-	-	-	10.5	(10.5)	-	-
<b>Revenue</b>	<b>2,187.3</b>	<b>204.8</b>	<b>330.6</b>	<b>599.8</b>	<b>215.9</b>	<b>3,538.4</b>	<b>174.0</b>	<b>(10.5)</b>	<b>160.5</b>	<b>3,701.9</b>
Gross profit	919.9	80.7	166.6	261.5	86.8	1,515.5	68.0	-	-	1,583.5
Operating profit/(loss) before foreign exchange and exceptional items	184.0	3.3	(52.2)	9.6	(5.2)	139.5	31.5	-	-	171.0
<b>Operating profit/(loss)</b>	<b>195.4</b>	<b>3.2</b>	<b>(54.6)</b>	<b>18.9</b>	<b>(6.0)</b>	<b>156.9</b>	<b>3.6</b>	<b>-</b>	<b>160.5</b>	
Other investment income										15.0
Investment costs										(8.3)
Finance income										40.0
Finance costs										(19.4)
Share of loss of associated undertakings										(8.6)
<b>Profit before taxation</b>										<b>179.2</b>
Taxation										(63.2)
<b>Profit for the period</b>										<b>116.0</b>

Other segment items included in the income statement for the 52 weeks **ended 28 April 2019**:

	UK Sports Retail (£m)	Premium Lifestyle (£m)	House of Fraser Retail (£m)	European Sports Retail (£m)	Rest of World Retail (£m)	Total (£m)	Retail (£m)	Wholesale & Licensing (£m)	Total (£m)
Depreciation	89.4	10.3	0.5	19.7	4.3	124.2	0.1	0.1	124.3
Amortisation	0.1	-	-	-	-	0.1	1.0	1.0	1.1

Information regarding segment assets and liabilities as at 28 April 2019 and capital expenditure for the 52 weeks then ended:

	UK Sports Retail (£m)	Premium Lifestyle (£m)	House of Fraser Retail (£m)	European Sports Retail (£m)	Rest of World Retail (£m)	Wholesale & Licensing (£m)	Eliminations (£m)	Total (£m)
Investments in associated undertakings	11.0	-	-	-	-	-	-	11.0
Other assets	2,787.6	35.3	41.4	373.9	125.5	314.9	(540.8)	3,137.8
Total assets	2,798.6	35.3	41.4	373.9	125.5	314.9	(540.8)	3,148.8
Total liabilities	(1,509.1)	(45.1)	(85.6)	(532.6)	(188.3)	(76.5)	540.8	(1,896.4)
Tangible asset additions	109.2	25.6	3.5	14.2	9.2	1.5	-	163.2
Intangible asset additions	1.9	-	2.1	-	-	1.1	-	5.1
Total capital expenditure	111.1	25.6	5.6	14.2	9.2	2.6	-	168.3

Segmental information for the 52 weeks **ended 29 April 2018:**

	UK Sports Retail (£m)	Premium Lifestyle (£m)	European Sports Retail (£m)	Rest of World Retail (£m)	Retail (£m)	Wholesale & Licensing (£m)	Eliminations (£m)	Total (£m)
					Total			
Sales to external customers	2,181.5	162.1	637.2	192.4	3,173.2	186.3	-	3,359.5
Sales to other segments	-	-	-	-	-	12.7	(12.7)	-
<b>Revenue</b>	<b>2,181.5</b>	<b>162.1</b>	<b>637.2</b>	<b>192.4</b>	<b>3,173.2</b>	<b>199.0</b>	<b>(12.7)</b>	<b>3,359.5</b>
 Gross profit	 890.8	 53.9	 260.1	 57.8	 1,262.6	 72.5	 -	 1,335.1
Operating profit/(loss) before foreign exchange and exceptional items	197.2	3.4	(37.0)	(25.5)	138.1	26.9	-	165.0
<b>Operating profit/(loss)</b>	<b>238.6</b>	<b>3.5</b>	<b>(35.3)</b>	<b>(27.3)</b>	<b>179.5</b>	<b>21.0</b>	<b>-</b>	<b>200.5</b>
 Other investment income								25.8
Investment costs								(119.0)
Finance income								3.4
Finance costs								(40.9)
Share of loss of associated undertakings								(8.7)
<b>Profit before taxation</b>								<b>61.1</b>
Taxation								(37.9)
<b>Profit for the period</b>								<b>23.2</b>

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

Other segment items included in the income statement for the 52 weeks **ended 29 April 2018**:

	UK Sports Retail (£m)	Premium Lifestyle (£m)	European Sports Retail (£m)	Rest of World Retail (£m)	Retail (£m)	Wholesale & Licensing (£m)	Total (£m)
Depreciation	93.3	2.8	50.5	3.2	149.8	1.2	151.0
Amortisation	2.8	-	-	-	2.8	2.0	4.8

Information regarding segment assets and liabilities as at 29 April 2018 and capital expenditure for the 52 weeks then ended:

	UK Sports Retail (£m)	Premium Lifestyle (£m)	European Sports Retail (£m)	Rest of World Retail (£m)	Wholesale & Licensing (£m)	Eliminations (£m)	Total (£m)
Investments in associated undertakings	6.2	-	-	-	-	-	6.2
Other assets	2,610.3	10.2	431.7	115.3	354.0	(636.7)	2,884.8
Total assets	2,616.5	10.2	431.7	115.3	354.0	(636.7)	2,891.0
Total liabilities	(1,445.6)	(29.2)	(601.4)	(160.3)	(95.2)	636.7	(1,695.0)
Tangible asset additions	180.7	5.9	20.5	9.9	-	-	217.0
Intangible asset additions	13.7	-	-	-	0.9	-	14.6
Total capital expenditure	194.4	5.9	20.5	9.9	0.9	-	231.6

#### Geographic Information

Segmental information for the 52 weeks **ended 28 April 2019**:

	UK (£m)	Non-UK (£m)	Eliminations (£m)	Total (£m)
Segmental revenue from external customers	2,764.2	937.7	-	3,701.9
Total capital expenditure	144.5	23.4	-	167.9
Non-current segmental assets*	703.2	306.2	-	1,009.4
Total segmental assets	2,958.2	720.9	(530.3)	3,148.8

\*Excludes deferred tax and financial instruments.

Segmental information for the 52 weeks **ended 29 April 2018**:

	UK (£m)	Non-UK (£m)	Eliminations (£m)	Total (£m)
Segmental revenue from external customers	2,408.8	950.7	-	3,359.5
Total capital expenditure	201.2	30.4	-	231.6
Non-current segmental assets*	761.2	312.0	-	1,073.2
Total segmental assets	2,764.0	746.3	(619.3)	2,891.0

\*Excludes deferred tax and financial instruments.

Material non-current segmental assets – **by a non-UK country**:

	USA (£m)	Belgium (£m)	Austria (£m)	Estonia (£m)	ROI (£m)
<b>FY19</b>	168.5	16.1	55.4	12.4	41.3
<b>FY18</b>	164.2	19.0	57.0	13.9	58.8

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

Reconciliation of operating profit to underlying EBITDA for the 52 week period **ended 28 April 2019**:

	UK Sports Retail (£m)	Premium Lifestyle (£m)	House of Fraser (£m)	European Sports Retail (£m)	Rest of World Retail (£m)	Wholesale & Licensing (£m)	Total (£m)
<b>Operating profit / (loss)</b>	<b>195.4</b>	<b>3.2</b>	<b>(54.6)</b>	<b>18.9</b>	<b>(6.0)</b>	<b>3.6</b>	<b>160.5</b>
Depreciation	89.4	10.3	0.5	19.7	4.3	0.1	124.3
Amortisation	0.1	-	-	-	-	1.0	1.1
Share of loss of associated undertakings	(8.6)	-	-	-	-	-	(8.6)
<b>Reported EBITDA</b>	<b>276.3</b>	<b>13.5</b>	<b>(54.1)</b>	<b>38.6</b>	<b>(1.7)</b>	<b>4.7</b>	<b>277.3</b>
Profit on sale of properties	-	-	-	(8.4)	-	-	(8.4)
Exceptional items	10.6	-	-	0.9	-	29.5	41.0
Realised FX (gain) / loss	(22.2)	0.2	2.5	(1.8)	0.8	(1.6)	(22.1)
<b>Underlying EBITDA</b>	<b>264.7</b>	<b>13.7</b>	<b>(51.6)</b>	<b>29.3</b>	<b>(0.9)</b>	<b>32.6</b>	<b>287.8</b>

Reconciliation of operating profit to underlying EBITDA for the 52 week period **ended 29 April 2018**:

	UK Sports Retail (£m)	Premium Lifestyle (£m)	European Sports Retail (£m)	Rest of World Retail (£m)	Wholesale & Licensing (£m)	Total (£m)
<b>Operating profit / (loss)</b>	<b>238.6</b>	<b>3.5</b>	<b>(35.3)</b>	<b>(27.3)</b>	<b>21.0</b>	<b>200.5</b>
Depreciation	93.3	2.8	50.5	3.2	1.2	151.0
Amortisation	2.8	-	-	-	2.0	4.8
Share of loss of associated undertakings	(9.2)	-	0.5	-	-	(8.7)
<b>Reported EBITDA</b>	<b>325.5</b>	<b>6.3</b>	<b>15.7</b>	<b>(24.1)</b>	<b>24.2</b>	<b>347.6</b>
Bonus share scheme	(6.0)	-	-	-	-	(6.0)
Profit on sale of properties	(16.3)	-	-	-	-	(16.3)
Exceptional items	1.8	-	(0.7)	-	3.7	4.8
Realised FX (gain) / loss	(27.1)	-	(1.0)	1.8	2.3	(24.0)
<b>Underlying EBITDA</b>	<b>277.9</b>	<b>6.3</b>	<b>14.0</b>	<b>(22.3)</b>	<b>30.2</b>	<b>306.1</b>

## 5. OTHER OPERATING INCOME

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Rent receivable	13.6	17.9
Other	9.8	8.6
	<b>23.4</b>	<b>26.5</b>

Other operating income relates to charges for aircraft, lease surrender premiums, ad hoc income and sundry charges to third parties.

## 6. EXCEPTIONAL ITEMS

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Impairments	(41.0)	(4.8)

Following the loss of a licensee during the year the majority of the impairment recognised relates to goodwill where the discounted present value of future cash flows do not support the full value of the asset.

Other impairments including those in the prior year mainly relates to a review of the business and the valuation of own brands and goodwill that are no longer considered core brands, in line with the elevation of retail management strategy.

## 7. PROFIT ON SALE OF PROPERTIES

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Profit on sale of properties	8.4	16.3

## 8. OPERATING PROFIT

Operating profit for the period is stated after charging:

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Foreign exchange gain	(22.1)	(24.1)
<b>Depreciation of property, plant and equipment:</b>		
- owned assets	122.8	148.0
- depreciation on investment properties	1.5	3.0
Amortisation of intangible assets	1.1	4.8
<b>Operating lease rentals:</b>		
- Land and buildings	243.5	163.2
- Other	1.0	0.7

## SERVICES PROVIDED BY THE GROUP'S AUDITOR

For the 52 weeks ended 28 April 2019 the remuneration of the auditors, Grant Thornton UK LLP and associated firms, was as detailed below:

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
<b>AUDIT SERVICES</b>		
Audit of the Group and company	0.9	0.8
Audit of subsidiary companies	0.5	0.4
Audit related assurance services	0.1	0.1
<b>NON-AUDIT SERVICES</b>		
Taxation compliance services	0.2	0.1

An explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors is set out in the Audit Committee Report on page 59.

## 9. PAYROLL COSTS

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

	52 weeks ended 28 April 2019	52 weeks ended 29 April 2018
Retail stores	14,744	13,730
Distribution, administration and other	4,196	3,829
	<b>18,940</b>	<b>17,559</b>

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

	52 weeks ended 28 April 2019	52 weeks ended 29 April 2018
Retail stores	23,484	22,318
Distribution, administration and other	4,047	4,164
	<b>27,531</b>	<b>26,482</b>

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

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Wages and salaries	424.4	363.4
Social security costs	26.6	27.6
Pension costs	3.4	2.4
	<b>454.4</b>	<b>393.4</b>

A share-based payment charge of nil (FY18: nil) was recognised in respect of share awards during the year. This is inclusive of the related charges for expected national insurance contributions.

Aggregate emoluments of the Directors of the Company are summarised below:

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Aggregate emoluments	0.4	0.5

Further details of Directors' remuneration are given in the Directors' Remuneration Report on pages 65 to 73.

Details of key management remuneration are given in note 37.

## 10. INVESTMENT INCOME

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Profit on disposal of available-for-sale financial assets and equity derivative financial instruments	11.6	6.9
Fair value gain on equity derivative financial instruments	-	8.5
Dividend income from investments	3.4	10.4
	<b>15.0</b>	<b>25.8</b>

The profit on disposal of available-for-sale financial assets and equity derivative financial instruments mainly relates to the sale of strategic investments.

## 11. INVESTMENT COSTS

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Loss on disposal of available-for-sale financial assets and equity derivative financial instruments	-	26.5
Fair value loss on equity derivative financial instruments	8.3	44.6
Fair value loss on available-for-sale financial assets reclassified from OCI	-	47.9
	<b>8.3</b>	<b>119.0</b>

The loss on disposal of equity derivatives in FY19 mainly relates to disposal of Iconix Brand Group Inc derivatives.

The majority of the FY18 loss on disposal of available-for-sale financial assets and equity derivative financial instruments of £26.5m relates to the loss on disposal of Iconix Brand Group Inc and Goals Soccer Centres plc.

The FY18 fair value loss on equity derivative financial instruments of £44.6m relates to Debenhams plc options and equity derivative instruments. The fair value loss of £47.9m on available-for-sale-financial assets relates to the significant movement on the Debenhams plc strategic investment between the purchase of the physical shareholding and the end of the period.

## 12. FINANCE INCOME

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Bank interest receivable	0.2	3.3
Other interest receivable	0.1	0.1
Fair value adjustment to unhedged foreign currency contracts	39.7	-
	<b>40.0</b>	<b>3.4</b>

The fair value adjustment to forward and option foreign exchange contracts relates to differences between the fair value of forward foreign currency contracts and written options that were not designated for hedge accounting from one period end to the next.

## 13. FINANCE COSTS

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Interest on bank loans and overdrafts	14.5	9.5
Other interest and finance leases	4.8	13.5
Interest on retirement benefit obligations	0.1	0.2
Fair value adjustment to unhedged foreign currency contracts	-	17.7
	<b>19.4</b>	<b>40.9</b>

The fair value adjustment to forward and option foreign exchange contracts relates to differences between the fair value of forward foreign currency contracts and written options not designated for hedge accounting from one period end to the next.

## 14. TAXATION

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 Restated (£m)
Current tax	61.5	46.8
Adjustment in respect of prior periods	6.3	3.3
	<b>67.8</b>	<b>50.1</b>
Deferred tax (see note 28)	(4.6)	(12.2)
	63.2	37.9
<b>TAX RECONCILIATION</b>		
Profit before taxation	179.2	61.1
Taxation at the standard rate of tax in the UK of 19% (2018: 19%)	34.0	11.6
<b>Tax effects of:</b>		
Non-taxable income	(0.6)	(4.4)
Expenses not deductible for tax purposes	8.6	36.6
Other tax adjustments	14.7	2.9
Adjustments in respect of prior periods - Current tax	6.3	3.3
Change in deferred tax rate	0.2	(12.1)
	<b>63.2</b>	<b>37.9</b>

The restatement in FY18 relates to the change in Deferred Tax rates in the USA and the corresponding change in the Deferred Tax Liability on Intangible Assets.

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

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

For diluted earnings per share, the weighted average number of shares, 519,468,336 (FY18: 527,793,623), is adjusted to assume conversion of all dilutive potential ordinary shares under the Group's Share Schemes, being 1,318,146 (FY18: 3,132,795), to give the diluted weighted average number of shares of 520,749,072 (FY18: 530,926,418).

### Basic And Diluted Earnings Per Share

	52 weeks ended		52 weeks ended	
	28 April 2019 Basic (£m)	28 April 2019 Diluted (£m)	29 April 2018 Basic Restated (£m)	29 April 2018 Diluted Restated (£m)
Profit for the period	112.0	112.0	20.1	20.1
Number in thousands				
Weighted average number of shares	519,468	520,749	527,794	530,926
Pence per share				
Earnings per share	21.6	21.5	3.8	3.8

### **Underlying Earnings Per Share**

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

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

	52 weeks ended		52 weeks ended	
	28 April 2019 Basic (£m)	28 April 2019 Diluted (£m)	29 April 2018 Basic Restated (£m)	29 April 2018 Diluted Restated (£m)
<b>Profit for the period</b>	<b>112.0</b>	<b>112.0</b>	<b>20.1</b>	<b>20.1</b>
Post tax adjustments to profit for the period for the following non-trading items:				
Realised profit on forward exchange contracts	(17.2)	(17.2)	(18.7)	(18.7)
Fair value adjustment to forward foreign exchange contracts	(31.0)	(31.0)	13.9	13.9
Fair value adjustment to derivative financial instruments and AFS investments	-	-	89.7	89.7
(Profit) / loss on disposal of listed investments	(6.7)	(6.7)	3.5	3.5
Profit on disposal of property	(6.5)	(6.5)	(12.9)	(12.9)
Impairment	40.9	40.9	5.0	5.0
<b>Underlying profit for the period</b>	<b>91.5</b>	<b>91.5</b>	<b>100.6</b>	<b>100.6</b>
Number in thousands				
Weighted average number of shares	519,468	520,749	527,794	530,926
Pence per share				
Underlying earnings per share	<b>17.6</b>	<b>17.6</b>	<b>19.1</b>	<b>18.9</b>

## 16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and Buildings Restated (£m)	Long-term Leasehold (£m)	Short-term leasehold improvements (£m)	Plant and equipment (£m)	Total (£m)
<b>COST</b>					
At 30 April 2017	676.8	72.0	136.1	608.6	1,493.5
Exchange differences	4.6	-	-	-	4.6
Transfers	3.6	-	-	3.8	7.4
Acquisitions	-	-	-	6.5	6.5
Additions	136.4	-	6.4	61.4	204.2
Eliminated on disposals	(51.2)	(8.4)	(2.1)	(18.5)	(80.2)
<b>At 29 April 2018</b>	<b>770.2</b>	<b>63.6</b>	<b>140.4</b>	<b>661.8</b>	<b>1,636.0</b>
Exchange differences	(1.3)	0.1	(0.2)	(3.6)	(5.0)
Transfers	7.9	(7.2)	(3.5)	3.5	0.7
Reclassification to Held for sale	(58.7)	-	(1.0)	(124.1)	(183.8)
Acquisitions	-	-	-	4.0	4.0
Additions	47.5	11.5	2.9	96.6	158.5
Eliminated on disposals	(18.3)	-	(4.9)	(14.4)	(37.6)
<b>At 28 April 2019</b>	<b>747.3</b>	<b>68.0</b>	<b>133.7</b>	<b>623.8</b>	<b>1,572.8</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>					
At 30 April 2017	(89.8)	(13.7)	(105.1)	(442.9)	(651.5)
Exchange differences	(0.7)	0.8	0.4	2.1	2.6
Transfers	(2.3)	-	-	(2.4)	(4.7)
Charge for the period (restated)	(56.2)	(4.3)	(9.6)	(77.9)	(148.0)
Eliminated on disposals	11.5	2.3	1.2	12.6	27.6
<b>At 29 April 2018 (restated)</b>	<b>(137.5)</b>	<b>(14.9)</b>	<b>(113.1)</b>	<b>(508.5)</b>	<b>(774.0)</b>
Exchange differences	0.2	-	(0.6)	6.6	6.2
Transfers	-	3.4	-	(3.4)	-
Reclassification to Held for sale	35.5		0.5	79.8	115.8
Charge for the period	(34.7)	(3.3)	(9.1)	(75.7)	(122.8)
Eliminated on disposals	3.7	0.6	4.6	16.3	25.2
<b>At 28 April 2019</b>	<b>(132.8)</b>	<b>(14.2)</b>	<b>(117.7)</b>	<b>(484.9)</b>	<b>(749.6)</b>
<b>NET BOOK VALUE</b>					
<b>At 28 April 2019</b>	<b>614.5</b>	<b>53.8</b>	<b>16.0</b>	<b>138.9</b>	<b>823.2</b>
<b>At 29 April 2018 (restated)</b>	<b>632.7</b>	<b>48.7</b>	<b>27.3</b>	<b>153.3</b>	<b>862.0</b>

## 17. INVESTMENT PROPERTIES

	Freehold Land and Buildings (£m)
<b>COST</b>	
As at 30 April 2017	46.9
Transfers	(7.4)
Acquisitions	1.3
Additions	5.0
<b>At 29 April 2018</b>	<b>45.8</b>
Transfers	(0.7)
Additions	0.7
<b>At 28 April 2019</b>	<b>45.8</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>	
At 30 April 2017	(23.8)
Transfers	4.7
Charge for the period	(3.0)
<b>At 29 April 2018</b>	<b>(22.1)</b>
Transfers	(1.5)
Charge for the period	(23.6)
<b>At 28 April 2019</b>	<b>22.2</b>
<b>NET BOOK VALUE</b>	
<b>At 28 April 2019</b>	<b>22.2</b>
<b>At 29 April 2018</b>	<b>23.7</b>

The fair values of the Group's investment properties as at 28 April 2019 were estimated as being materially in line with carrying values. The valuations were calculated by the Group's internal property team who are appropriately qualified chartered surveyors and follow the applicable valuation methodology of the Royal Institute of Chartered Surveyors.

## 18. INTANGIBLE ASSETS

	Goodwill (£m)	Trademarks and licences (£m)	Brands (£m)	Total (£m)
<b>COST</b>				
At 30 April 2017	161.3	75.5	88.6	325.4
Acquisitions	-	10.5	-	10.5
Additions	-	4.1	-	4.1
Disposals	(6.5)	(0.5)	(0.1)	(7.1)
Exchange adjustment	(5.0)	0.1	(5.7)	(10.6)
<b>At 29 April 2018</b>	<b>149.8</b>	<b>89.7</b>	<b>82.8</b>	<b>322.3</b>
Acquisitions	2.5	1.5	-	4.0
Additions	-	1.1	-	1.1
Disposals	-	(1.6)	(2.1)	(3.7)
Exchange adjustment	3.8	1.1	5.7	10.6
<b>At 28 April 2019</b>	<b>156.1</b>	<b>91.8</b>	<b>86.4</b>	<b>334.3</b>
<b>AMORTISATION AND IMPAIRMENT</b>				
At 30 April 2017	(73.4)	(66.3)	-	(139.7)
Amortisation charge	-	(4.8)	-	(4.8)
Impairment	(3.2)	(1.6)	-	(4.8)
Disposals	6.5	0.5	-	7.0
Exchange adjustment	0.6	0.7	-	1.3
<b>At 29 April 2018</b>	<b>(69.5)</b>	<b>(71.5)</b>	-	<b>(141.0)</b>
Amortisation charge	-	(1.1)	-	(1.1)
Impairment	(28.6)	(12.4)	-	(41.0)
Disposals	-	1.6	-	1.6
Exchange adjustment	(0.7)	0.9	-	0.2
<b>At 28 April 2019</b>	<b>(98.8)</b>	<b>(82.5)</b>	-	<b>(181.3)</b>
<b>NET BOOK VALUE</b>				
<b>At 28 April 2019</b>	<b>57.3</b>	<b>9.3</b>	<b>86.4</b>	<b>153.0</b>
<b>At 29 April 2018</b>	<b>80.3</b>	<b>18.2</b>	<b>82.8</b>	<b>181.3</b>

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

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

	28 April 2019		29 April 2018	
	Goodwill (£m)	Brands (£m)	Goodwill (£m)	Brands (£m)
European Sports Retail	3.8	-	5.4	-
Wholesale & Licensing (excl. Everlast)	14.3	-	14.3	1.9
Everlast	39.2	86.4	60.6	80.9
	<b>57.3</b>	<b>86.4</b>	<b>80.3</b>	<b>82.8</b>

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

Impairment is calculated by comparing the carrying amounts to the value in use derived from discounted cash flow projections for each CGU to which the intangible assets are allocated. A CGU is deemed to be an individual fascia or brand and these have been grouped together into similar classes for the purpose of formulating operating segments as reported in note 4. The recoverable amount of CGUs was £327.2m. Following the loss of a licensee in Everlast during the year an impairment of £25.3m has been recognised where the discounted present value of future cash flows do not support the full value of the asset.

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

The key assumptions, which are equally applicable to each CGU, in the cash flow projections used to support the carrying amount of goodwill and intangibles with indefinite lives as at 28 April 2019 were as follows:

	UK Sports Retail	European Retail	Wholesale & Licensing (excl. Everlast)	Everlast
Terminal sales growth	2%	2%	0%	2%
Gross margin	30%-40%	30%-40%	30%-40%	20%-30%
Capital expenditure	£0m - £0.5m	£0m - £0.5m	£0m - £0.5m	£0m - £0.5m
Discount rates (Pre-tax)	6.2%	6.2%	6.2%	13.0%

The same pre-tax discount rate is used in Sports Retail, Premium Lifestyle and Wholesale & Licensing (excl. Everlast) as these CGU's are considered to have similar risk profiles. A specific discount rate is used for Everlast as this business operates in a different market and has different characteristics.

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

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

The intangible assets that have an indefinite life are brands and trading names and are considered to have an indefinite life on the grounds of the proven longevity of the brands and trading names and the Group's commitment to maintaining those brands. All key assumptions are consistent with known external sources of information.

## 19. INVESTMENTS IN ASSOCIATED UNDERTAKINGS

The Group uses the equity method of accounting for associates and joint ventures in accordance with IAS 28. The following table shows the aggregate movement in the Group's investment in associates and joint ventures:

	Associates (£m)
At 30 April 2017	26.4
Disposals	(10.4)
Dividends paid	(1.1)
Share of loss for the period	(8.7)
<b>At 29 April 2018</b>	<b>6.2</b>
Additions	13.4
Share of loss for the period	(3.8)
Impairments	(4.8)
<b>At 28 April 2019</b>	<b>11.0</b>

The balance as at 28 April 2019 relates to the Group's 32.5% (FY18: 25.0%) interest in Four (Holdings) Limited and 29.9% in Game Digital Plc, both companies incorporated in England and Wales. The Four (Holdings) Limited principal activity is that of fashion distributors and retailers.

As at 28 April 2019 the fair value amount due from Four (Holdings) Limited £49.0m (2018: 68.9m) (note 37). As at 28 April 2019 there were nil amounts due from/to Game Digital Plc.

During the year it was determined that the Group has significant influence over Game Digital Plc. Game Digital Plc has therefore been recognised as an associate. The Game Digital Plc principal activity is that of a retailer of gaming related content, hardware and related merchandise along with in-store gaming experiences. The financial statements which have been used to apply the equity method are as at 26 January 2019, as these are the latest publicly available financial information.

The investment in associate in Four (Holdings) Limited has been impaired to nil in the year. Detailed disclosures have not been presented as the results are immaterial.

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

Game Digital Plc – per Interim published 26 Jan 2019		26 January 2019 (£m)
Non-current assets		36.4
Current assets (1)		213.7
<b>Total Assets</b>		<b>250.1</b>
Non-current liabilities		2.1
Current liabilities		138.3
<b>Total Liabilities</b>		<b>140.4</b>
<b>Net Assets</b>		<b>109.7</b>
<b>Share in associate</b>		<b>29.9%</b>
Carrying amount of investment		32.8
Fair value adjustment		(21.8)
<b>Share of associate</b>		<b>11.0</b>

(1) Includes cash and cash equivalents of £95.5m.

Management has used estimates for the share of profit for the period since Game Digital Plc became an associate of the Group. The share of profit for the period is not material so detailed profit and loss disclosures have not been presented.

The fair value of the shares held in Game Digital Plc as at 28 April 2019 totals £13.4m.

No dividends were received from either Four (Holdings) Limited or Game Digital Plc during the period ended 28 April 2019 (FY18: £1.1m).

## 20. LONG-TERM / AVAILABLE-FOR-SALE FINANCIAL ASSETS

Non-current assets	28 April 2019 (£m)	29 April 2018 (£m)
Long-term / available-for-sale financial assets	84.6	249.8

Long-term financial instruments are classified under IFRS 9 in the current year as FVOCI (2018: under IAS 39 available-for-sale investments).

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

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

	28 April 2019 (£m)	29 April 2018 (£m)
At beginning of period	249.8	63.9
Additions	57.9	234.7
Disposals	(65.0)	(22.7)
Revaluation through other comprehensive income – recognised in the period	(158.1)	(26.1)
<b>At end of period</b>	<b>84.6</b>	<b>249.8</b>

Included within long-term / available for sale financial assets at the period ended 28 April 2019 are the following direct interests held by the group:

- 36.9% (2018: 29.9%) interest in Findel plc
- 29.9% (2018: 29.7%) interest in Debenhams plc (in administration)
- 26.1% (2018: 27.0%) interest in French Connection Group plc
- 18.9% (2018: 18.9%) interest in Goals Soccer Centres plc
- 6.4% (2018: 2.4%) interest in Iconix Brand Group, Inc.
- Various other interests, none of which represent more than 5.0% of the voting power of the investee

Included within the revaluation through other comprehensive income are amounts written down due to the administration of Debenhams on 9 April 2019, the Group's holding has been fully written down to nil. Following the suspension of the Goals Soccer Centres Plc shares from trading on the AIM market on 27 March 2019, the Group's holding has been fully written down to nil.

These holdings have been assessed under IAS 28 Investments in Associates and categorised as long-term / available-for-sale financial assets, as the Group does not consider them to be associates and therefore they are not accounted for on an equity basis (see note 2).

During the year it was determined that the Group has significant influence over Game Digital Plc. Game Digital Plc has therefore been recognised as an associate during FY19 (note 19). Included within long-term / available for sale financial assets at the period ended 28 April 2019 the Group held a direct interest of 29.9% in Game Digital Plc.

During the year, JD Sports Fashion plc completed their takeover of The Finish Line Inc. and the Group disposed of their remaining economic interest and received net proceeds from the sale of the physical shares of £45.2m.

Our strategic investments allow us to develop relationships and commercial partnerships with the relevant retailers and assist in building relationships with key suppliers and brands.

## 21. ASSETS HELD FOR SALE

	28 April 2019 (£m)	29 April 2018 (£m)
Assets held for sale	68.0	-

The assets held for sale relates solely to the carrying value of the Shirebrook distribution centre which was disposed of subsequent to the year end. See note 39.

## 22. INVENTORIES

	28 April 2019 (£m)	29 April 2018 (£m)
Goods for resale	978.4	873.4

As at 28 April 2019, goods for resale include a right of return asset totalling £5.7m.

The following inventory costs have been recognised in cost of sales:

	28 April 2019 (£m)	29 April 2018 (£m)
Cost of inventories recognised as an expense	2,118.4	2,024.4

The Directors have reviewed the opening and closing provisions against inventory and have concluded that these are fairly stated. The Group has revised its estimates and assumptions for calculating inventory provisions at 28 April 2019. Overall provisions have increased from £162.2m in FY18 to £179.9m as at 28 April 2019, changes in the provision are recognised in cost of sales.

## 23. TRADE AND OTHER RECEIVABLES

	28 April 2019 (£m)	29 April 2018 Restated (£m)
Trade receivables	53.1	35.0
Deposits in respect of derivative financial instruments	26.0	57.1
Amounts owed by related parties (see note 37)	48.0	70.3
Other receivables	246.1	74.1
Prepayments	59.3	56.2
	<b>432.5</b>	<b>292.7</b>

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

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

Other receivables include payments on account and a reimbursement asset in relation to the Groups ongoing non-UK tax enquiries, for further information see note 29 and page 94.

The majority of the Group's trade receivables are held within the Wholesale & Licensing businesses, each customer's creditworthiness is assessed before payment terms are agreed.

As at 28 April 2019 under IFRS 9, the Group has applied the simplified approach to providing for expected credit losses for trade and other receivables and amounts owed by related parties, using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on a very low credit risk characteristic, representing management's view of the risk, and the days past due. The credit quality of assets neither past due nor impaired is considered to be good.

In the prior year, trade and other receivables and amounts owed by related parties were assessed based on the incurred loss model under IAS 39. Individual receivables which were known to be uncollectable were written off by reducing the carrying amount directly.

Exposure to credit risk of trade receivables:

	28 April 2019 (£m)	29 April 2018 (£m)
Current	25.8	28.3
0-30 days past due	10.4	3.3
30-60 days past due	2.9	1.2
60-90 days past due	3.8	2.2
Over 90 days past due	10.2	-
	<b>53.1</b>	<b>35.0</b>

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

The movement in loss allowance relating to trade and other receivables can be analysed as follows:

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 (£m)
Opening position	27.0	19.5
Amounts charged to the income statement	16.6	7.5
Amounts written off as uncollectable	(0.8)	-
Amounts recovered during the period	(9.0)	-
<b>Closing position</b>	<b>33.8</b>	<b>27.0</b>

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The loss allowance / charges have been determined by reference to past default experience, current / forecasted trading performance and future economic conditions.

Deposits in respect of derivative financial instruments and prepayments are not considered to be impaired.

## 24. CASH AND CASH EQUIVALENTS

	28 April 2019 (£m)	29 April 2018 (£m)
Cash in bank and in hand - Sterling	292.8	112.0
Cash in bank and in hand - US Dollars	89.0	131.8
Cash in bank and in hand - Euros	55.7	109.4
Cash in bank and in hand - Other	10.5	6.8
	<b>448.0</b>	<b>360.0</b>
Bank overdraft (see note 27)	-	-
<b>Cash and cash equivalents including overdrafts at period end</b>	<b>448.0</b>	<b>360.0</b>

## 25. SHARE CAPITAL

	28 April 2019 (£m)	29 April 2018 (£m)
<b>AUTHORISED</b>		
999,500,010 ordinary shares of 10p each	100.0	100.0
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
640,602,369 (2018: 640,602,369) ordinary shares of 10p each	64.1	64.1
<b>SHARE CAPITAL</b>		
At 29 April 2018 and 28 April 2019	64.1	64.1

The Group holds 104,194,194 shares in Treasury as at period end (FY18: 103,633,049).

### Contingent Share Awards

#### *The Executive Share Scheme*

Under the terms of the Executive Share Scheme, which was approved by Shareholders on 10 September 2010 and is a HMRC approved scheme, the Board may make share awards in respect of the ordinary shares in the Company. Awards may be made to Executives and Persons Discharging Managerial Responsibilities over a fixed number of shares subject to performance conditions. Further details are set out in the Directors' Remuneration Report on pages 115 to 128.

An award of 8,073,036 shares was granted on 10 September 2010 at a share price of 125.5 pence. 5m of these shares have since vested and 2m have since lapsed. These shares will only vest if all conditions are met. 1m shares vested on 28 February 2019 at a vesting price of 269.8 pence. No consideration is payable in respect of these awards.

#### *Share Schemes*

The 2011 Share Scheme was a four year scheme based upon achieving underlying EBITDA (before the costs of the scheme) of £215m in FY12, £250m in FY13, £260m in FY14 and £300m in FY15 coupled with the individual participating employee's satisfactory personal performance and continued employment. All of the above targets have now been met meaning that approx. 11.6m shares vested in September 2017, approx. 4m shares vested in September 2015.

Between 30 April 2018 and 28 April 2019, 811,091 shares sold by participants following exercise of awards under the Group 2011 Share Scheme were acquired by Estera Trust (Jersey) Limited, as Trustee of the Sports Direct Employee Benefit Trust (Trustee), with the acquisition being funded by a loan advanced by the Company. The shares were acquired at prices of between 237.8 and 413.5 pence per share in off-market transactions.

A share-based payment charge of £nil (FY18: nil) was recognised in respect of this cash settled award for the 52 weeks ended 28 April 2019, based on the Director's best estimate of the number of awards that will be made. The charge is calculated based on the fair value on the grant date, which is deemed to be the date on which the entity and counterparty reached a shared understanding of the scheme.

## 26. OTHER RESERVES

	Share capital (£m)	Share premium (£m)	Permanent contribution to capital (£m)	Capital redemption reserve (£m)	Reverse combination reserve (£m)	Hedging reserve (£m)	Total other Reserves (£m)
<b>At 30 April 2017</b>	<b>64.1</b>	<b>874.3</b>	<b>0.1</b>	<b>8.0</b>	<b>(987.3)</b>	<b>(25.1)</b>	<b>(65.9)</b>
Cash flow hedges							
- recognised in the period	-	-	-	-	-	(49.8)	(49.8)
- reclassified in the period and reported in sales	-	-	-	-	-	15.5	15.5
- reclassified and reported in cost of sales	-	-	-	-	-	0.6	0.6
- taxation	-	-	-	-	-	6.9	6.9
<b>At 29 April 2018</b>	<b>64.1</b>	<b>874.3</b>	<b>0.1</b>	<b>8.0</b>	<b>(987.3)</b>	<b>(51.9)</b>	<b>(92.7)</b>
Cash flow hedges							
- recognised in the period	-	-	-	-	-	91.5	91.5
- recognised in the period – ineffectiveness	-	-	-	-	-	(4.4)	(4.4)
- reclassified in the period and reported in sales	-	-	-	-	-	19.7	19.7
- reclassified and reported in cost of sales	-	-	-	-	-	14.5	14.5
- taxation	-	-	-	-	-	(22.7)	(22.7)
<b>At 28 April 2019</b>	<b>64.1</b>	<b>874.3</b>	<b>0.1</b>	<b>8.0</b>	<b>(987.3)</b>	<b>46.7</b>	<b>5.9</b>

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

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

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

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

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in the income statement only when the hedged transaction impacts the income statement.

### Other Balance Sheet Reserves

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

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

## 27. BORROWINGS

	28 April 2019 (£m)	29 April 2018 (£m)
NON-CURRENT:		
Bank and other loans	826.5	757.1

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

	28 April 2019 (£m)	29 April 2018 (£m)
Borrowings — Sterling	820.0	750.0
Borrowings — Other	6.5	7.1
	<b>826.5</b>	<b>757.1</b>

Loans are currently at a rate of interest of 1.5% over the interbank rate of the country within which the borrowing entity resides.

### Reconciliation Of Liabilities Arising From Financing Activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Non-current borrowings (£m)	Current borrowings (£m)	Total (£m)
At 30 April 2017	317.3	69.5	386.8
Cash-flows:			
- Borrowings drawn down	782.8	-	782.8
- Borrowings repaid	(343.0)	-	(343.0)
Overdraft repaid	-	(69.5)	(69.5)
<b>At 29 April 2018</b>	<b>757.1</b>	-	<b>757.1</b>
Cash-flows:			
- Borrowings drawn down	464.4	-	464.4
- Borrowings repaid	(395.0)	-	(395.0)
<b>At 28 April 2019</b>	<b>826.5</b>	-	<b>826.5</b>

The Group's Working Capital Facility is at £913.5m (FY18: £913.5m) available until November 2021 and is not secured against any of the Group's assets. During the year the Group enacted an extension option for a further year to November 2022 for £847.5m.

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

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

Net debt at 28 April 2019 was £378.5m (29 April 2018 was £397.1m).

## 28. DEFERRED TAX ASSETS AND LIABILITIES

	Accounts depreciation exceeding tax depreciation (£m)	Tax losses recoverable (£m)	Bonus share scheme (£m)	Forward currency contracts (£m)	FV of Brands (£m)	Other temporary differences (£m)	Total (£m)
At 30 April 2017 Restated	18.3	-	8.6	8.2	(34.3)	(1.8)	(1.0)
(Charged) / credited to the income statement	(2.4)	4.1	1.7	(0.4)	12.1	(2.9)	12.2
(Charged) / credited to reserves	-	-	(7.6)	-	2.2	0.1	(5.3)
Credited to hedging reserve	-	-	-	6.9	-	-	6.9
<b>At 29 April 2018 Restated</b>	<b>15.9</b>	<b>4.1</b>	<b>2.7</b>	<b>14.7</b>	<b>(20.0)</b>	<b>(4.6)</b>	<b>12.8</b>
Credited to the income statement	2.7	(0.3)	(1.4)	-	-	3.6	4.6
Charged to reserves	-	-	-	-	-	-	-
Credited to hedging reserve	-	-	-	(22.7)	-	-	(22.7)
<b>At 28 April 2019</b>	<b>18.6</b>	<b>3.8</b>	<b>1.3</b>	<b>(8.0)</b>	<b>(20.0)</b>	<b>(1.0)</b>	<b>(5.3)</b>

	28 April 2019 (£m)	29 April 2018 Restated (£m)
Deferred tax assets	23.7	24.8
Deferred tax liabilities	(29.0)	(12.0)
<b>Net deferred tax balance</b>	<b>(5.3)</b>	<b>12.8</b>

The tax rates used to measure the deferred tax assets and liabilities were either 17% or 19% depending on when the applicable asset / liability is expected to reverse, on the basis that these were the tax rates that were substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that realisation of the related tax benefit is probable on the basis of the Group's current expectations of future taxable profits.

Included within other temporary differences is a deferred tax asset in relation to the Share Scheme and a deferred tax liability recognised on other intangible assets upon acquisition.

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

## 29. PROVISIONS

	Legal and regulatory (£m)	Property related (£m)	Other (£m)	Total (£m)
At 29 April 2018 (Restated)	72.5	130.9	12.0	215.4
Amounts provided	16.6	101.9	1.0	119.5
Amounts reclassified from accruals	149.1	-	-	149.1
Amounts utilised / reversed	(4.2)	(34.3)	(5.0)	(43.5)
<b>At 28 April 2019</b>	<b>234.0</b>	<b>198.5</b>	<b>8.0</b>	<b>440.5</b>

Legal and regulatory provisions relate to management's best estimate of the potential impact of claims including legal, commercial and regulatory claims and ongoing non-UK tax enquiries.

The property related provision contains the best estimate of the present value of expenditure expected to be incurred by the Group in order to satisfy its obligations to restore its leasehold premises to the condition required under the lease agreements at the end of the lease, discounted at 3% per annum (2018: 5% per annum). The provision also contains amounts in respect of onerous lease contracts representing the net cost of fulfilling the Group's obligations over the terms of these contracts discounted at 3% per annum (2018: 5% per annum). The provision is expected to be utilised over the period to the end of each specific lease. The unwinding of the discount on provision over time passes through the income statement. Further details of managements estimates are included on page 110.

During the period, onerous lease provisions were recognised due to an ongoing management review of the Group's store profile and strategy including current and anticipated freehold acquisitions, resulting in additional provisions being made of £59.2m in the period. The balance of the charge relates to dilapidation provisions in respect of UK stores. Further details of managements estimates are included on page 110.

Other provisions relate to provisions for restructuring and employment (non-retirement related).

The prior year legal and regulatory provisions have been restated, in 2018 a reimbursement asset was incorrectly classified within provisions instead of other receivables and certain other provisions were incorrectly classified within accruals. See page 94.

Other provisions in the prior period include amounts in relation to MM Prop Consultancy Limited, a company owned and controlled by Michael Murray (domestic partner of Anna Ashley, daughter of Mike Ashley) - see note 37.

## 30. FINANCIAL INSTRUMENTS

### (a) Financial Assets And Liabilities By Category And Fair Value Hierarchy

The fair value hierarchy of financial assets and liabilities, which are principally denominated in Sterling or US Dollars, were as follows:

FINANCIAL ASSETS - 2019	Level 1 (£m)	Level 2 (£m)	Level 3 (£m)	Other (£m)	Total (£m)
Amortised cost:					
Trade and other receivables*	-	-	-	440.5	440.5
Cash and cash equivalents	-	-	-	448.0	448.0
FVOCI:					
Long Term Financial Assets (Equity Instruments)	84.6	-	-	-	84.6
Derivatives used for hedging (FV):					
Foreign forward purchase and sales contracts	-	102.3	-	-	102.3
Derivative financial assets – contracts for difference	1.9	-	-	-	1.9
	<b>1.9</b>	<b>102.3</b>	-	-	<b>104.2</b>
FINANCIAL LIABILITIES - 2019					
Amortised cost:					
Non-current borrowings	-	-	-	(826.5)	(826.5)
Trade and other payables**	-	-	-	(498.1)	(498.1)
Derivative financial liabilities (FV):					
Foreign forward and written options purchase and sales contracts – Unhedged	-	(14.5)	-	-	(14.5)
Derivative financial liabilities – contracts for difference	(1.8)	-	-	-	(1.8)
Derivative financial liabilities – equity derivatives	-	-	-	-	-
	<b>(1.8)</b>	<b>(14.5)</b>	-	-	<b>(16.3)</b>

\*Prepayments of £59.9m are not included as a financial asset.

\*\*Other taxes including social security costs of £43.0m are not included as a financial liability.

FINANCIAL ASSETS - 2018	Level 1 (£m)	Level 2 (£m)	Level 3 (£m)	Other (£m)	Total (£m)
Loans and receivables:					
Trade and other receivables*	57.1	-	-	179.4	236.5
Cash and cash equivalents	-	-	-	360.0	360.0
Available-for-sale financial assets	249.8	-	-	-	249.8
Derivative financial assets (Assets at fair value through the profit and loss):					
- Foreign forward purchase and sales contracts – Hedged	-	14.4	-	-	14.4
Derivative financial assets – contracts for difference	2.7	-	-	-	2.7
	<b>2.7</b>	<b>14.4</b>	-	-	<b>17.1</b>
FINANCIAL LIABILITIES - 2018					
Loans and payables:					
Non-current borrowings	-	-	-	(757.1)	(757.1)
Trade and other payables**	(40.0)	-	-	(507.6)	(547.6)
Derivative financial liabilities (Liabilities at fair value through the profit and loss):					
Foreign forward purchase and sales contracts – Hedged	-	(34.3)	-	-	(34.3)
Foreign forward and written options purchase and sales contracts – Unhedged	-	(53.2)	-	-	(53.2)
Derivative financial liabilities – contracts for difference	(4.3)	-	-	-	(4.3)
Derivative financial liabilities – equity derivatives	-	-	(1.3)	-	(1.3)
	<b>(4.3)</b>	<b>(87.5)</b>	<b>(1.3)</b>	-	<b>(93.1)</b>

\*Prepayments of £56.2m are not included as a financial asset.

\*\*Other taxes including social security costs of £58.4m are not included as a financial liability.

There is no difference between fair value and carrying value of the above financial instruments (FY18: £nil).

### Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Contracts for difference are classified as Level 1 as the fair value is calculated using quoted prices for listed shares and commodities at contract inception and the period end.

Foreign forward purchase and sales contracts and options are classified as Level 2 as the fair value is calculated using models based on inputs which are observable directly or indirectly at the period end (these inputs include but are not restricted to the following – maturity date, quoted forward / option prices).

Long-term financial assets / available-for-sale financial assets such as equity instruments are classified as Level 1 as the fair value is calculated using quoted prices. Other equity derivatives are calculated using a model with inputs which are directly observable and inputs which are not based on observable market data (this includes expected volatility from the shares historical prices). These are therefore classified as Level 3.

There have been no transfers between fair value hierarchy levels during the year.

The fair value of equity derivative agreements are included within the derivative financial assets balance of £1.9m and derivative financial liabilities balance of £1.8m. The derivative financial assets and derivative financial liabilities as at 28 April 2019 relate to strategic investments held of between 0.07% and 1.11% of investee share capital.

Trade receivables / payables, amounts owed by / to related parties, other receivables / payables, cash and cash equivalents and current / non-current borrowings are held at amortised cost.

The maximum exposure to credit risk as at 28 April 2019 is the carrying value of each class of asset in the Balance Sheet.

## (b) Derivatives: Foreign Currency Forward Contracts

### (b)(i) HEDGING

The most significant exposure to foreign exchange fluctuations relates to purchases made in foreign currencies, principally the US Dollar, and online sales in Euros and Australian Dollars. The Group's policy is to reduce substantially the risk associated with foreign currency spot rates by using forward fixed rate currency purchase contracts, taking into account any foreign currency cash flows. The Group does not hold or issue derivative financial instruments for trading purposes, however if derivatives, including both forwards and written options, do not qualify for hedge accounting they are accounted for as such and accordingly any gain or loss is recognised immediately in the income statement. Management are of the view that there is a substantive distinct business purpose for entering into the options and a strategy for managing the options independently of the forward contracts. The forward and options contracts are therefore not viewed as net written options and hedge accounting for the forwards is permitted.

Hedge effectiveness is determined at inception of the hedge relationship and at every reporting period end through the assessment of the hedged items and hedging instrument to determine whether there is still an economic relationship between the two.

The critical terms of the foreign currency forwards entered into exactly match the terms of the hedged item. As such the economic relationship and hedge effectiveness are based on the qualitative factors and the use of a hypothetical derivative where appropriate. Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, for example if there was a change in the timing of the forecast sales transactions from what was initially estimated or if the volume of currency in the hedged item was below expectations leading to over-hedging. Differences can arise when the initial value on the Hedging instrument is not zero.

The hedged items and the hedging instrument are denominated in the same currency and as a result the hedging ratio is always one to one.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued, and the related gain or loss is held in the equity reserve until the forecast transaction occurs. Over hedging has occurred in the period leading to ineffectiveness that has been reclassified out of the hedging reserve. This is due to changes in sales forecasts and impacts of business changes, in particular the purchase of House of Fraser.

The fair value of hedged contracts as at **28 April 2019** was:

	28 April 2019 (£m)	29 April 2018 (£m)
<b>Assets</b>		
US Dollar purchases – GBP	45.6	2.8
US Dollar purchases – EUR	15.0	0.7
Euro sales	41.3	10.3
AUD sales	0.4	0.6
<b>Total</b>	<b>102.3</b>	<b>14.4</b>
<b>Liabilities</b>		
US Dollar purchases – GBP	-	(11.9)
US Dollar purchases – EUR	-	(5.7)
Euro sales	-	(16.7)
<b>Total</b>	<b>-</b>	<b>(34.3)</b>

The details of hedged forward foreign currency purchase contracts and contracted forward rates were as follows:

		28 April 2019 (£m)		29 April 2018 (£m)
	Currency	GBP	Currency	GBP
US Dollar purchases	720.0	507.0	1,440.0	1,035.8
Contracted rates USD / GBP		1.4100 – 1.4301		1.3600 – 1.4301
US Dollar purchases	210.0	165.3	270.0	217.0
Contracted rates USD / EUR		1.210 – 1.320		1.110 – 1.320
Euro sales	(1,012.8)	(930.0)	(1,320.0)	(1,177.0)
Contracted rates EUR / GBP		0.990 – 1.140		1.069 – 1.190
AUD sales	(8.4)	(5.0)	(15.6)	(9.1)
Contracted rates AUD / GBP		1.6896		1.6896 – 1.74

The timing of the contracts is as follows:

Currency	Hedging against	Currency value	Timing	Rates
USD / GBP	USD inventory purchases	USD 720.0m	FY20	1.410 – 1.430
USD / EUR	USD inventory purchases	USD 210.0m	FY20 – FY21	1.210 – 1.320
EUR / GBP	Euro sales	EUR 1,012.8m	FY20 – FY23	0.99 – 1.140
AUD / GBP	Australian Dollar sales	AUD 8.4m	FY20	1.690

Hedge ineffectiveness may arise where the critical terms of the forecast transaction no longer meet those of the hedging instrument, for example if there was a change in the timing of the forecast sales transactions from what was initially estimated or if the volume of currency in the hedged item was below expectations leading to over-hedging.

	28 April 2019 (£m)		29 April 2018 (£m)
	Change in the fair value of the currency forward	Change in the fair value of the hedged item	Change in the fair value of the currency forward
US Dollar purchases – GBP	45.5	36.2	5.1
US Dollar purchases – EUR	14.9	14.8	9.3
Euro sales	21.9	21.2	55.4
AUD sales	0.2	0.2	(0.3)

At 28 April 2019 £935.0m of forward sales contracts and £672.3m of purchase contracts qualified for hedge accounting and the gain on fair valuation of these contracts of £91.1m has therefore been recognised in other comprehensive income.

At 28 April 2019, £nil hedged purchase contracts had a maturity at inception of greater than 12 months (FY18: £672.3m of purchase contracts) and £332.4m of hedged sales had a maturity at inception of greater than 12 months (FY18: £821.0m of sales contracts).

The movements through the Hedging reserve are:

	USD	EUR	AUD	USD/EUR	Total Hedge movement	Deferred Tax	Total Hedging Reserve
<b>As at 30 April 2017</b>	-	(31.2)	(0.1)	-	(31.3)	6.2	(25.1)
Recognised	(9.8)	(43.1)	0.3	(8.6)	(61.2)	-	(61.2)
Ineffectiveness	-	11.5	(0.1)	-	11.4	-	11.4
Reclassified in sales	-	14.8	0.2	-	15.0	-	15.0
Reclassified in inventory / cost of sales	0.6	-	-	0.5	1.1	-	1.1
Deferred Tax	-	-	-	-	-	6.9	6.9
<b>As at 29 April 2018</b>	<b>(9.2)</b>	<b>(48.0)</b>	<b>0.3</b>	<b>(8.1)</b>	<b>(65.0)</b>	<b>13.1</b>	<b>(51.9)</b>
Recognised	43.8	30.2	-	17.5	91.5	-	91.5
Ineffectiveness	(10.5)	6.1	-	-	(4.4)	-	(4.4)
Reclassified in sales	-	19.7	-	-	19.7	-	19.7
Reclassified in inventory / cost of sales	10.8	-	-	3.7	14.5	-	14.5
Deferred Tax	-	-	-	-	-	(22.7)	(22.7)
<b>As at 28 April 2019</b>	<b>34.9</b>	<b>8.0</b>	<b>0.3</b>	<b>13.1</b>	<b>56.3</b>	<b>(9.6)</b>	<b>46.7</b>

(b)(ii) The sterling principal amounts of unhedged written currency option contracts and contracted rates were as follows:

	28 April 2019 (£m)	29 April 2018 (£m)
US Dollar purchases	74.4	126.1
Contracted rates USD / EUR	1.210	1.110 – 1.210
- Euro sales	(930.0)	(1,452.2)
Contracted rates EUR / GBP	0.990 – 1.140	1.069 – 1.190
- AUD sales	(5.0)	(9.1)
Contracted rates AUD / GBP	1.6896	1.6896 – 1.74

The gain on fair value of the written options and swaps of £39.7m has been included within finance income (2018: £17.7m within finance costs).

At 28 April 2019, £nil of unhedged purchase contracts had a maturity at inception of greater than 12 months (FY18: £nil purchase contracts) and £332.4m of unhedged sales had a maturity at inception of greater than 12 months (FY18: £821.0m of sales contracts).

These contracts form part of the Treasury management activities, which incorporates the risk management strategy for areas that are not reliable enough in timing and amount to qualify for hedge accounting. This includes acquisitions, disposals of overseas subsidiaries, related working capital requirements, dividends and loan repayments from overseas subsidiaries and purchase and sale of overseas property. Written options carry additional risk as the exercise of the option lies with the purchaser. The options involve the group receiving a premium on inception in exchange for accepting that risk and the outcome is that the bank may require the group to sell Euros. However, the Group is satisfied that the use of options as a Treasury management tool is appropriate.

FY19 value excludes SWAPS of USD 50.0m (FY18: EUR 102.7m) which are required for cash management purposes only.

#### (c) Sensitivity Analysis

The Group's principal foreign currency exposures are to US Dollars and Euros. The table below illustrates the hypothetical sensitivity of the Group's reported profit and equity to a 10% increase and decrease in the US Dollar / Sterling and Euro / Sterling exchange rates at the year-end date, assuming all other variables remain unchanged. The figures have been calculated by comparing the fair values of outstanding foreign currency contracts at the current exchange rate to those if exchange rates moved as illustrated. The income statement figures include the profit effect of any relevant derivatives which are not in a designated cash flow hedge. The impact on US Dollar and Euro related hedging instruments is included in equity.

Positive figures represent an increase in profit or equity:

	Income statement		Equity	
	28 April 2019 (£m)	29 April 2018 (£m)	28 April 2019 (£m)	29 April 2018 (£m)
Sterling strengthens by 10%				
US Dollar	(12.3)	(1.0)	0.5	0.3
Euro	(12.8)	61.1	0.8	0.6
Sterling weakens by 10%				
US Dollar	15.1	1.3	(0.5)	0.3
Euro	15.7	(74.6)	(0.9)	0.6

#### Interest Rate Sensitivity Analysis

The following table illustrates the hypothetical sensitivity of the Group's reported profit and equity to a 0.5% increase or decrease in interest rates, assuming all other variables were unchanged.

The analysis has been prepared using the following assumptions:

- For floating rate assets and liabilities, the amount of asset or liability outstanding at the balance sheet date is assumed to have been outstanding for the whole year.
- Fixed rate financial instruments that are carried at amortised cost are not subject to interest rate risk for the purpose of this analysis.

Positive figures represent an increase in profit or equity:

	Income statement		Equity	
	28 April 2019 (£m)	29 April 2018 (£m)	28 April 2019 (£m)	29 April 2018 (£m)
Interest rate increase of 0.5%	(4.1)	(3.8)	(4.1)	(3.8)
Interest rate decrease of 0.5%	4.1	3.8	4.1	3.8

**(d) Liquidity Risk**

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Group's non derivative liabilities and foreign currency derivative financial instruments:

	Less than 1 year (£m)	1 to 2 years (£m)	2 to 5 years (£m)	Over 5 years (£m)	Total (£m)
<b>2019</b>					
Non derivative financial liabilities					
Bank loans and overdrafts	-	-	820.0	-	820.0
Obligations under finance leases	-	-	6.5	-	6.5
Trade and other payables	511.1	-	-	-	511.1
Share buyback	30.0	-	-	-	30.0
Derivative financial instruments*					
Cash inflows	(1,642.4)	(764.3)	(227.9)	-	(2,634.6)
Cash outflows	1,633.1	745.2	227.9	-	2,606.2
	516.3	(19.1)	826.5	-	1,323.7
<b>2018</b>					
Non derivative financial liabilities					
Bank loans and overdrafts	-	-	750.0	-	750.0
Obligations under finance leases	-	7.1	-	-	7.1
Trade and other payables	364.8	-	-	-	364.8
Share buyback	40.0	-	-	-	40.0
Derivative financial instruments*					
Cash inflows	(1,743.4)	(1,638.4)	(755.1)	-	(4,136.9)
Cash outflows	1,702.7	1,614.6	747.2	-	4,064.5
	364.1	(16.7)	742.1	-	1,089.5

\*Excludes contingent cash flows.

**Capital Management**

The capital structure of the Group consists of equity attributable to the equity holders of the parent company, comprising issued share capital, share premium, retained earnings and cash and borrowings.

It is the Group's policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the development of the business.

In respect of equity, the Board has decided that, in order to maximise flexibility in the near term with regards to a number of inorganic growth opportunities under review, not to return any cash by way of a dividend at this time.

The Board is committed to keeping this policy under review and to looking to evaluate alternative methods of returning cash to shareholders when appropriate.

The objective of the Share Scheme is to encourage employee share ownership and to link employee's remuneration to the performance of the Company. It is not designed as a means of managing capital.

In respect of cash and borrowings, the Board regularly monitors the ratio of net debt to underlying EBITDA, the working capital requirements and forecasted cash flows, however no minimum or maximum ratios are set. The ratio for net debt to Reported EBITDA, excluding charges for the Share Schemes, is 1.3 (FY18: 1.1). The objective is to keep this figure below 3.0 (FY18: 3.0).

Based on this analysis, the Board determines the appropriate return to equity holders whilst ensuring sufficient capital is retained within the Group to meet its strategic objectives, including but not limited to, acquisition opportunities.

These capital management policies have remained unchanged from the prior year.

## 31. TRADE AND OTHER PAYABLES

	28 April 2019 (£m)	29 April 2018 Restated (£m)
Trade payables	235.4	228.6
Amounts owed to related undertakings	6.0	0.7
Other taxes including social security costs	43.0	58.4
Other payables	110.3	136.2
Fair value of share buyback	30.0	40.0
Accruals	116.4	142.1
	<b>541.1</b>	<b>606.0</b>

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. See note 1 for details of prior year restatements.

Fair value of share buyback relates to the post year acquisition of own shares – see note 39.

## 32. ACQUISITIONS

- i. On 10 August 2018 the Group acquired the trade and assets of House of Fraser from the administrators of House of Fraser Limited, House of Fraser (Stores) Limited and James Beattie Limited, the House of Fraser group's main operating companies. Pursuant to the Transaction, the Group has acquired all of the stores of House of Fraser, the House of Fraser brand and all of the inventory in the business. The business was purchased out of administration for a cash consideration of £90m.
- ii. On 31 October 2018, the Group acquired the trade and assets of Evans Cycles Limited from administration for a cash consideration of £8.0m plus £0.8m of other assets.

The asset and liability values at acquisition are detailed below. We have reviewed the fair value of the assets and liabilities acquired, adjustments have been made to recognise the fair value of intangible assets. The following table summarises the provisional fair values of consideration paid for the trade and assets:

House of Fraser	Book value (£m)	Fair value adjustments (£m)	Fair value of net assets acquired (£m)
Intellectual Property	1.5	-	1.5
Intangible Assets (software & IT)	0.5	-	0.5
Property, plant and equipment	3.0	-	3.0
Inventories	70.5	12.3	82.8
Goodwill	-	2.2	2.2
	<b>75.5</b>	<b>14.5</b>	<b>90.0</b>
 Cash consideration	 90.0	 -	 90.0
 <b>Net cash outflow</b>	 <b>90.0</b>	 -	 <b>90.0</b>

Evans Cycles	Book value (£m)	Fair value adjustments (£m)	Fair value of net assets acquired (£m)
Property, plant and equipment	-	0.9	0.9
Inventories	7.9	(0.5)	7.4
Other receivables	-	0.8	0.8
Store cash	0.1	-	0.1
Creditors	-	(0.7)	(0.7)
Goodwill	-	0.3	0.3
	<b>8.0</b>	<b>0.8</b>	<b>8.8</b>
 Cash consideration	 8.0	 0.8	 8.8
Less cash acquired	(0.1)	-	(0.1)
<b>Net cash outflow</b>	<b>7.9</b>	<b>0.8</b>	<b>8.7</b>

Inventory has been shown excluding any inventory which is subject to a retention of title claim and valued under IFRS 13.

Since the date of control, the following balances have been included within the Group's Financial Statements for the period.

Acquisitions (£m)	House of Fraser (£m)	Evans Cycles (£m)	Total (£m)
Revenue	330.6	44.6	375.2
Operating loss	(54.6)	(17.8)	(72.4)
<b>Loss before tax</b>	<b>(54.6)</b>	<b>(17.8)</b>	<b>(72.4)</b>

There were no contingent liabilities acquired as a result of the above transaction.

Acquisition fees of £0.4m have been expensed relating to these acquisitions.

### 33. CASH INFLOW FROM OPERATING ACTIVITIES

	52 weeks ended 28 April 2019 (£m)	52 weeks ended 29 April 2018 Restated (£m)
Profit before taxation	179.2	61.1
Net finance (income) / costs	(20.6)	37.5
Investment (income) / costs	(6.7)	93.2
Share of losses of associated undertakings	8.6	8.7
<b>Operating profit</b>	<b>160.5</b>	<b>200.5</b>
Depreciation	124.3	151.0
Amortisation	1.1	4.8
Impairment	41.0	5.0
Profit on disposal of property, plant & equipment	(8.4)	(16.3)
Share-based payments	-	(6.0)
<b>Operating cash inflow before changes in working capital</b>	<b>318.5</b>	<b>339.0</b>
(Increase) / decrease in receivables	(139.3)	29.0
Increase in inventories	(14.5)	(119.6)
(Decrease) / increase in payables	(76.5)	77.0
Increase in provisions	225.1	45.9
<b>Cash inflows from operating activities</b>	<b>313.3</b>	<b>371.3</b>

The Cash inflow from operating activities for the 52 weeks ended 29 April 2018 has been restated to split the movement in provisions from the movement in payables.

The cash flows from operating activities have been restated in line with the prior year adjustments as noted on page 94.

## 34. OPERATING LEASE ARRANGEMENTS

As at 28 April 2019 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	28 April 2019 (£m)	29 April 2018 (£m)
<b>LAND AND BUILDINGS</b>		
Within one year	160.4	147.2
In the second to fifth years inclusive	383.7	398.2
After five years	383.3	294.5
	<b>927.4</b>	<b>839.9</b>

The leases have varying terms, escalation clauses and renewal rights. There are no clauses in relation to restrictions concerning dividends, additional debt and further leasing within our portfolio. Contingent rents are payable on certain store leases based on store revenue. For those leases that are turnover-related, the annual net lease commitment is calculated using the estimated lease liability and any changes in the rental charge are accounted for when known. Amounts of £15.8m (FY18: £5.7m) were charged to the income statement in relation to contingent rent.

The Group sub-lets certain stand-alone retail stores which are no longer operated by the Group. The property rental income earned during the 52 weeks ended 28 April 2019 was £13.6m (FY18: £18.1m).

As at 28 April 2019, the Group had contracts with sub-tenants for the following future minimum lease rentals:

	28 April 2019 (£m)	29 April 2018 (£m)
<b>LAND AND BUILDINGS</b>		
Within one year	13.7	13.8
In the second to fifth years inclusive	30.6	30.2
After five years	22.8	11.5
	<b>67.1</b>	<b>55.5</b>

## 35. CAPITAL COMMITMENTS

The Group had capital commitments of £15.0m as at 28 April 2019 (29 April 2018: £19.3m) mainly relating to warehouse development and property acquisitions.

The Group has agreed to acquire the heritable interest in 21/31 Buchanan Street, 8 & 24/28 Mitchell Street, 140/142 Argyle Street, 148/152 Argyle Street, 35/53 Buchanan Street and 34/50 Mitchell Street, Glasgow (the "Property") from Glasgow City Council.

The consideration payable for the Property is £90.0m, which will be funded from the Group's cash resources. As at the reporting date £10.0m had been paid with completion due to take place in January 2020.

## 36. CONTINGENT ASSETS AND LIABILITIES

The Group has been the subject of a tax audit in Belgium and, on 25 July 2019, received a payment notice from the Belgian tax authorities in the amount of €674 million (including 200% penalties and interest) and requesting further information in relation to, amongst other things, the tax treatment of goods being moved intra-Group throughout the EU via Belgium. The payment notice is not a formal tax assessment but a "proces verbal" whereby the Group will enter a "fiscal mediation" in order to respond to the tax authorities questions and provide them with documentation.

Accordingly, there could be no immediate recovery action. Sports Direct will investigate further alongside its tax advisors though it believes that it will be able to address the points raised and information requested which Sports Direct believes it maintains as part of its routine books and records keeping and, accordingly, management believe, as at the date of signing of the financial statements, that it is less than probable that material VAT and penalties will be due in Belgium as result of the tax audit.

## 37. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemptions contained within IAS 24 - "Related Party Disclosures" from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation.

The Group entered into the following material transactions with related parties:

52 weeks ended 28 April 2019:

	Relationship	Sales (£m)	Purchases (£m)	Trade and other receivables (£m)	Trade and other payables (£m)
<b>RELATED PARTY</b>					
Four (Holdings) Limited & subsidiaries <sup>(1)</sup>	Associate	2.1	22.8	47.6	-
Mash Holdings Limited	Parent company	-	0.4	0.2	0.4
Mike Ashley <sup>(2)</sup>	Plc Director	1.9	-	-	-
MM Prop Consultancy Limited	Connected person	-	5.4	-	5.4
Newcastle United Football Club Limited & St James Holdings Limited	Connected persons	0.9	1.1	0.2	-
Rangers Retail Limited	Associate	-	-	-	0.2

52 weeks ended 29 April 2018:

	Relationship	Sales (£m)	Purchases (£m)	Trade and other receivables (£m)	Trade and other payables (£m)
<b>RELATED PARTY</b>					
Brasher Leisure Limited	Subsidiary (acq. In year)	5.3	0.2	-	-
Four (Holdings) Limited & subsidiaries <sup>(1)</sup>	Associate	1.6	16.8	68.9	0.5
Lovell Sports Limited	Subsidiary (acq. In year)	0.6	0.2	-	-
Mike Ashley <sup>(2)</sup>	Director	2.1	-	-	-
MM Prop Consultancy Limited	Connected person	-	5.0	-	-
Mash Holdings Limited	Parent company	-	-	0.5	-
Sportsdirect (Iceland) EHF	Associate	1.5	-	-	-
Rangers Retail Limited	Associate	0.3	0.2	0.8	0.2
Newcastle United Football Club Limited & St James Holdings Limited	Connected persons	1.2	0.5	0.1	-

(1) The outstanding balance with Four (Holdings) Limited reflects the funding related to Agent Provocateur. Management consider that the underlying results of Four (Holdings) Limited supports the recoverability of the receivables balance. The results of Four (Holdings) Limited do not meet the thresholds requiring more detailed disclosures under IFRS 12.

(2) Use of the Company jet and helicopter are charged at commercial rates.

An agreement has been entered into with Double Take Limited, a company owned by Mash Holdings Limited in which Matilda Ashley, Mike Ashley's daughter, is a director. Under the agreement, Double Take Limited licences the Group the exclusive rights to the cosmetic brand SPORT FX. No royalties or other fees are payable to Double Take Limited for these rights until September 2019 at the earliest, when this fee arrangement will be reviewed on a going forwards basis, no provision is required in the financial statements. It should be noted that the Group (rather than Double Take Limited) owns the rights to SPORT FX for clothing, footwear and sports equipment.

During the period the Group was charged £1.0m by Newcastle United Football Club Limited (2018: £1.0m by St James Holdings Limited, the parent company of Newcastle United Football Club Limited). This was in relation to the Group's advertising at Newcastle United Football Club Limited for the 2018/19 season. The Group considers this transaction to be in the normal course of business. As noted in the Chief Executive's Report and Business Review, the charge for the 2019/20 season will rise to £2.0m.

The trade and other receivables balance with Four (Holdings) Limited includes a loan balance of £67.5m which attracts interest at a rate of 3%. The payment profile of the receivable was modified in the year. This has been accounted for at fair value through profit and loss in accordance with IFRS 9. The fair value has been determined by assessing the recoverability of the receivable balance, discounted at an appropriate market rate of interest. £10.4m was recognised in the year in respect of doubtful debts.

The Group does not have significant influence over but holds greater than 20% of the voting rights of Findel plc, Debenhams plc and French Connection Group plc. Findel plc and French Connection Group plc have disclosed transactions with the Group as a related party within their most recent Financial Statements. Transactions between Findel plc, Debenhams plc, French Connection Group plc and the Group related to normal commercial trading arrangements and are not considered material to the results of the Group.

The Group does not consider it has the power to participate in the financial and operating policy decisions of the entities and so management do not consider the Group to be able to exert significant influence over these entities as per IAS 28 Investments in Associates and Joint Ventures and IAS 24 Related Party Disclosures.

There is a collaboration agreement in place with Game Digital Plc (GAME), consisting of a £35m capital expenditure facility. GAME may utilise this facility to fund the venues envisaged under the collaboration agreement, including the costs for new venues and ongoing development of the BELONG website and its related tournament management system. At the year end the Group owned a 29.9% stake in GAME. The agreement covers the rollout of BELONG and GAME Retail stores, including plans to enter into concession agreements with Sports Direct. BELONG is GAME's competitive gaming and esports experience centred around physical 'arenas', bringing both casual and competitive gaming to communities nationwide, in city and town centres and in major shopping centres. As part of the agreement, the Group acquired a 50% interest in the rights of BELONG intellectual property and a 50% profit share of future profits of BELONG. During the year there were no material transactions between GAME and the Group. Subsequent to the year end the Group obtained control of GAME, see note 39.

All related party transactions were undertaken on an arms-length basis.

**Key Management, Executive And Non-Executive Director Compensation**

	28 April 2019 (£m)	29 April 2018 (£m)
Salaries and short-term benefits	1.3	1.1
Share-based payments	2.7	-
Other payments	5.2	-
<b>Total</b>	<b>9.2</b>	<b>1.1</b>

MM Prop Consultancy Limited, a company owned and controlled by Michael Murray (domestic partner of Anna Ashley, daughter of Mike Ashley), continues to provide property consultancy services to the Group. MM Prop Consultancy Limited is primarily tasked with finding and negotiating the acquisition of new sites in the UK, Europe and rest of the world for both our larger format stores and our combined retail and gym units but it also provides advice to the Company's in-house property team in relation to existing sites in the UK, Europe and rest of the world.

In the year all properties are assessed and those that are considered by the Group's independent Non-Executive Directors to have been completed and be eligible for review at the year end are assessed and valued by an independent valuer who confirms the value created by MM Prop Consultancy Limited. The Group's independent Non-Executive Directors then review and agree the value created and have full discretion to approve a payment to MM Prop Consultancy Limited of up to 25% of the value created, as at 28 April 2019 25% has been used (2018: 20%). There is a current pipeline of properties that may be eligible to be assessed both positively and negatively by the Group's Non-Executive Directors in future years.

In the current year £5.35m has been accrued (FY18 - £5.0m provided but £5.2m eventually paid in FY19) as payable to MM Prop Consultancy Limited and agreed by the independent Non-Executive Directors.

## **38. ULTIMATE CONTROLLING PARTY**

The Group is controlled by Mike Ashley through his 100% shareholding in Mash Beta Limited and Mash Holdings Limited, which own 303,507,460 (56.1% of the issued ordinary share capital of the Company) and 26,492,540 (4.9% of the issued ordinary share capital of the Company) ordinary shares respectively at the period end.

## **39. POST BALANCE SHEET EVENTS**

On 21 June 2019, the Company through its wholly owned subsidiary Sportsdirect.com Retail Limited, completed the acquisition of Sofa.com Limited and subsidiaries for consideration of £1, following approval from the FCA. It is impractical for the Group to perform a fair value exercise in relation to the post year end acquisition of Sofa.com given the timing of the acquisition and the signing of the financial statements.

On 21 June 2019, the Company through its wholly owned subsidiary Sportsdirect.com Retail Limited, agreed to dispose of the freehold property of Units A, B, C, D and F Brook Park East, Shirebrook, NG20 8RY ('Shirebrook') to Kwasa Logix Sportivo Limited for a cash consideration of £120,050,000. On the same date the Company has taken on a 15 year lease of the Property and intends to continue to operate the Property as a distribution centre, offices and retail units.

On 8 July 2019 it was confirmed that the Group obtained control of GAME Digital Plc, the offer subsequently became unconditional in all respects. As at 12 July 2019, it was confirmed that the Group had acquired acceptances for greater than 75% of the issued share capital. The Group intends to procure the making of an application by GAME for the cancellation of trading in the GAME shares on the London Stock Exchange's main market for listed securities and listing of the GAME shares on the premium listing segment of the Official List.

The Company announced on 26 April 2019 that it has instructed Liberum Capital Limited in relation to an irrevocable non-discretionary share buyback programme to purchase the Company's shares during the closed period commencing on 29 April 2019 and ending on 18 July 2019. In line with IFRS 102 the Company recognised the full redemption amount of £30.0m which is considered to be immaterially different to the present value at year end. If the contract expires without full delivery, the amount of the financial liability attributable to the undelivered shares is reclassified to equity reversing the original recognition. As at 26 July 2018, 3,013,558 shares have been repurchased under the closed period share buyback programme.

## 40. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 28 April 2019 were as follows:

NAME	REGISTERED OFFICE ADDRESS	COMPANY NUMBER	PERCENTAGE OF ISSUED SHARE CAPITAL HELD
5 Pointz Limited	Shirebrook <sup>(i)</sup>	6950214	51
Acre 653 Limited	Shirebrook <sup>(i)</sup>	4579745	100
Activator Brands Limited	Shirebrook <sup>(i)</sup>	5344658	100
Activator Products Limited	Shirebrook <sup>(i)</sup>	4204611	100
Active Apparel New Corp	Cogeneity Global Inc. 850 New Burton Road Suite 201 Dover Delaware 19904; USA	3270168	100
AP Brands Holdings Ltd	Level 8 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 47301 Petaling Jaya, Selangor, Malaysia	4921-A	100
Beauty Brand Management Limited	Shirebrook <sup>(i)</sup>	5258421	100
Bellatrix Associates Limited	Clinch's House, Lord Street, Douglas, Isle of Man, IM99 1RZ, Isle of Man	111671C	100
Bellatrix Overseas Limited	Clinch's House, Lord Street, Douglas, Isle of Man, IM99 1RZ, Isle of Man	128827C	100
Bellatrix Unlimited	Clinch's House, Lord Street, Douglas, Isle of Man, IM99 1RZ, Isle of Man	111670C	100
Blue Square Sales Ltd	Shirebrook <sup>(i)</sup>	999421	100
Bob's Stores USA LLC	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	639085	100
Brands & Fashion NV	Leopoldstraat, nr. 79, 2800 Mechelen, Belgium	0477-995-412	100
Brands 001 Limited	Shirebrook <sup>(i)</sup>	5347540	100
Brands Africa Limited	Shirebrook <sup>(i)</sup>	6836765	100
Brands Holdings Limited*	Shirebrook <sup>(i)</sup>	4087435	100
Brands Holdings Sponsorship Limited	Shirebrook <sup>(i)</sup>	10375418	100
Brands Inc Limited	Shirebrook <sup>(i)</sup>	3585719	100
Brasher Leisure Limited	Shirebrook <sup>(i)</sup>	999421	100
BSL International Limited	Shirebrook <sup>(i)</sup>	2800425	100
Cafico - Comercio de Artigos de Desportos S.A.	Via Central de Milheiros no 121, 4475-334, Freguesia de Milheiros, Concelho da Maia, Porto, Portugal	503751804	100
Campri Limited	Shirebrook <sup>(i)</sup>	5398677	100
Carlton Shuttlecocks Limited	Shirebrook <sup>(i)</sup>	480582	100
Carlton Sports Company Limited	Shirebrook <sup>(i)</sup>	467686	100
CDS IP SA	Parc Industriel, Avenue Ernest, Solvay 29 1480 Saintes, Belgium	406461077	100
Ciro Citterio Brands Limited	Shirebrook <sup>(i)</sup>	11690676	100
Climber & Rambler Limited	Shirebrook <sup>(i)</sup>	3938618	100
Community Bug Limited	Shirebrook <sup>(i)</sup>	6260240	100
Criminal Clothing Limited	Shirebrook <sup>(i)</sup>	4184750	100
Cruise Clothing Limited	Martin House, 184 Ingram Street, Glasgow, Scotland, G1 1DN	SC382991	100
David Geoffrey & Associates (UK) Limited	Shirebrook <sup>(i)</sup>	670530	100
Design Source Supply Limited	Shirebrook <sup>(i)</sup>	9636568	100
Dink Digital Holdings Limited	Shirebrook <sup>(i)</sup>	11143016	100
Dink Digital Limited	Shirebrook <sup>(i)</sup>	11072685	80
Direct Fishing Limited	Shirebrook <sup>(i)</sup>	8203469	100
Direct Golf IP Limited	Shirebrook <sup>(i)</sup>	9911086	100
Direct Golf Retail Limited	Shirebrook <sup>(i)</sup>	9825889	100
Donnay International N.V.	Leopoldstraat nr 79, 2800 Mechelen, Belgium	435392220	100
Eastchance Limited	Unit 1903B & 1905, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong	174348	100
Epoch Properties Limited	First Floor La Chasse Chambers St Helier JE2 4UE Jersey	74753	100
European Branded Clearance Company Limited	Shirebrook <sup>(i)</sup>	4359910	100
Evans Cycles Brands Limited	Shirebrook <sup>(i)</sup>	11634915	100
Evans Cycles Limited	Shirebrook <sup>(i)</sup>	11577650	100
Evans Cycles Property Limited	Shirebrook <sup>(i)</sup>	11634939	100

Everlast Australia Limited	Shirebrook <sup>(1)</sup>	8103912	100
Everlast Sports International Inc. Corp.	Everlast 42 West 39th St. 3rd Floor New York, New York, 10018	13-2811380	100
Everlast Sports Mfg. Corp.	Corporation Service Company 80 State Street, Albany, New York, 122207-2543, USA	13-1804772	100
Everlast World Boxing Headquarters Corporation	Corporation Service Company 80 State Street, Albany, New York, 122207-2543, USA	13-1804773	100
Everlast Worldwide Inc.	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	13-3672716	100
Exsports Limited	Shirebrook <sup>(1)</sup>	2779040	100
Feniger And Blackburn Limited	Shirebrook <sup>(1)</sup>	639594	100
Field & Trek (UK) Ltd	Shirebrook <sup>(1)</sup>	5622577	100
Field & Trek.com Limited	Shirebrook <sup>(1)</sup>	3943377	100
Firetrap Limited	Shirebrook <sup>(1)</sup>	6836684	100
Flannels Luxury Limited	Shirebrook <sup>(1)</sup>	11577636	100
Forever Media Limited	Shirebrook <sup>(1)</sup>	8249185	100
Forever Models Limited	Shirebrook <sup>(1)</sup>	9666349	100
Forever Sports Limited	Shirebrook <sup>(1)</sup>	9489811	100
Freeshield Limited	Shirebrook <sup>(1)</sup>	6330786	100
Gaelic Boots Limited	70 Sir John Rogerson's Quay, Dublin 2, Ireland	520868	100
Gelert IP Limited	Shirebrook <sup>(1)</sup>	8576185	100
Gelert Limited	Shirebrook <sup>(1)</sup>	8576204	100
Global Apparel (HK) Limited	Unit 1903B & 1905, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong	1330162	100
Golddigga Brands Limited	Shirebrook <sup>(1)</sup>	6636173	100
Goudie Squash International Limited	Shirebrook <sup>(1)</sup>	980461	100
Gradidges Limited	Shirebrook <sup>(1)</sup>	278122	100
Graduate Clothing Limited	Shirebrook <sup>(1)</sup>	2511038	91
Gul IP Limited	Shirebrook <sup>(1)</sup>	8612478	100
Gul Watersports Limited	Shirebrook <sup>(1)</sup>	7589716	100
Heatons Unlimited Company	Heaton House, IDA Business Park, Whitestown, Tallaght, Dublin, Ireland, D24E932, Ireland	11229	100
Heatons (N.I.) Limited	PO Box BT15EX, 5th Floor Lesley Buildings, 61-65 Fountain Street, Belfast, Northern Ireland	NI035599	100
Heatons Stores Limited	Heaton House, IDA Business Park, Whitestown, Tallaght, Dublin, Ireland, D24E932, Ireland	509525	100
Heaven or Hell Limited	Shirebrook <sup>(1)</sup>	5899282	100
HK Sports & Golf Aktiebolag	Eskilstorpsvagen 7, 269 96, Bastad, Sweden	556510-8189	100
HOF Ireland Stores Limited	Heaton House, IDA Business Park, Whitestown, Tallaght, Dublin, Ireland, D24E932, Ireland	626384	100
Hot Tuna IP Limited	Shirebrook <sup>(1)</sup>	6836792	100
House of Fraser Limited	Shirebrook <sup>(1)</sup>	10686681	100
House of Fraser Brands Limited	Shirebrook <sup>(1)</sup>	10687367	100
International Brand Management Limited*	Shirebrook <sup>(1)</sup>	5142123	100
Investing Business Limited	Shirebrook <sup>(1)</sup>	11780314	100
James Lillywhites Limited	Shirebrook <sup>(1)</sup>	118840	100
Kangol Holdings Limited	Shirebrook <sup>(1)</sup>	3317738	100
Kangol Limited	Shirebrook <sup>(1)</sup>	3343793	100
Kangol Trustees Limited	Shirebrook <sup>(1)</sup>	3505512	100
Karrimor Japan Limited	Aminaka Kudan Building 6/F, 1-14-17 Kudankita, Chiyoda-ku, Tokyo, 102-0073, Japan	0100-01-012128	91.5
Karrimor Limited	Shirebrook <sup>(1)</sup>	5215974	100
Kensington Health Clubs Limited	Shirebrook <sup>(1)</sup>	6021489	100
La Jolla (UK) Limited	Shirebrook <sup>(1)</sup>	5737550	100
Laneshift Limited	Shirebrook <sup>(1)</sup>	6146743	100
Lillywhites Limited	Shirebrook <sup>(1)</sup>	290939	100
Litesome Sportswear Limited	Shirebrook <sup>(1)</sup>	207867	100
Lonsdale Australia Limited	Shirebrook <sup>(1)</sup>	7665885	100
Lonsdale Boxing Limited	Shirebrook <sup>(1)</sup>	3912303	100
Lonsdale Sports Limited	Shirebrook <sup>(1)</sup>	4430781	100

Lovell Sports (Holdings) Limited	Shirebrook <sup>(i)</sup>	9608995	100
Lovell Sports Limited	Shirebrook <sup>(i)</sup>	4184358	100
Masters Holders Limited	Shirebrook <sup>(i)</sup>	8787718	100
Megavalue.com Limited	Shirebrook <sup>(i)</sup>	9544685	100
Megavaluedirect.com Limited	Shirebrook <sup>(i)</sup>	9545879	100
Midtown Ltd	Shirebrook <sup>(i)</sup>	9467997	100
Mississippi Manufacturing LLC	1209 Orange Street Wilmington New Castle County Delaware USA	3470413	100
Mountain Sports LLC	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	6386224	100
Muddyfox IP Limited	Shirebrook <sup>(i)</sup>	10246764	100
Muddyfox Limited	Shirebrook <sup>(i)</sup>	4187350	100
Nevica IP Limited	Shirebrook <sup>(i)</sup>	6836778	100
Newco GT Limited	Shirebrook <sup>(i)</sup>	10532537	100
No Fear Brand Limited	Shirebrook <sup>(i)</sup>	5568043	100
No Fear International Limited	Shirebrook <sup>(i)</sup>	5532482	100
No Fear USA Limited	Shirebrook <sup>(i)</sup>	7712470	100
Oldco 10 Limited	Shirebrook <sup>(i)</sup>	5541144	100
Olympus Ventures Limited	Shirebrook <sup>(i)</sup>	3945752	100
OU Sportsdirect.com	Parnu mnt 139c Keskkonna, Tallinn Estonia 11317	12845837	100
Outdoor Sports Direct Limited	Shirebrook <sup>(i)</sup>	2780756	100
P W P Sportbase Limited	Shirebrook <sup>(i)</sup>	1933891	100
Paddle Sport Limited	Shirebrook <sup>(i)</sup>	6836690	100
POD Collection Services Limited	Academy House, 36 Poland Street, London, W1F 7LU, United Kingdom	9918495	100
Propeller (U.K.) Limited	Shirebrook <sup>(i)</sup>	2770207	100
Puffa IP Limited	Shirebrook <sup>(i)</sup>	10910124	100
Queensberry Boxing IP Limited	Shirebrook <sup>(i)</sup>	7929363	100
Queensberry Rules Limited	Shirebrook <sup>(i)</sup>	6723660	100
Quickreply Limited	Shirebrook <sup>(i)</sup>	5904737	100
Republic IP Limited	Shirebrook <sup>(i)</sup>	5635015	100
Republic.com Retail Limited	Shirebrook <sup>(i)</sup>	8248997	100
Rhapsody Investments (Europe) SA	1 Cote d'Eich, L-1450, Luxembourg	B21.60X	100
Robinsons Country Leisure Limited	Shirebrook <sup>(i)</sup>	1204722	100
S&B Brands Limited	Shirebrook <sup>(i)</sup>	5635585	100
SIA SIG Logistics	A. Deglava str 50 LV-1-35 Riga Latvia	2030941	100
SC (Subco 2016) Ltd	Shirebrook <sup>(i)</sup>	2030941	100
SC (TrustCo 2016) Ltd	Shirebrook <sup>(i)</sup>	3151573	100
SC(ESOP) Limited	Shirebrook <sup>(i)</sup>	3408468	100
SC Sports (SG) PTE LTD	60 Paya Lebar Road, #08-43, Paya Lebar Square, 409051, Singapore	198203096N	100
SD Equestrian Limited	Shirebrook <sup>(i)</sup>	8692780	100
SD Outdoor IP Limited	Shirebrook <sup>(i)</sup>	8560252	100
SD Outdoor Limited	Shirebrook <sup>(i)</sup>	8560260	100
SDB 2 S.A.	Parc Industriel, Avenue Ernest, Solvay 29 1480 Saintes, Belgium	0848.964.388	100
SDI (5P Holdings) Limited	Shirebrook <sup>(i)</sup>	10682050	100
SDI (Aberdeen) Limited	Shirebrook <sup>(i)</sup>	8512592	100
SDI (Aberystwyth) Limited	Shirebrook <sup>(i)</sup>	2789996	100
SDI (Acqco 13) Limited	Shirebrook <sup>(i)</sup>	10890849	100
SDI (Acqco 2) Limited	Shirebrook <sup>(i)</sup>	10161656	100
SDI (Acqco 5) Limited	Shirebrook <sup>(i)</sup>	10162904	100
SDI (Aintree) Limited	Shirebrook <sup>(i)</sup>	3352462	100
SDI (Ashford) Limited	Shirebrook <sup>(i)</sup>	7848460	100
SDI (Ashington) Limited	Shirebrook <sup>(i)</sup>	7849231	100
SDI (Ayr) Limited	Shirebrook <sup>(i)</sup>	5528267	100
SDI (Ballymena) Limited	5th Floor, Lesley Buildings, 61-65 Fountain Street, Belfast, Northern Ireland, BT1 5EX	NI653829	100

SDI (Bangor) Limited	Shirebrook <sup>(1)</sup>	5529705	100
SDI (Barrow in Furness) Limited	Shirebrook <sup>(1)</sup>	7851574	100
SDI (Beddgelert) Limited	Shirebrook <sup>(1)</sup>	8577551	100
SDI (Belfast) Limited	Shirebrook <sup>(1)</sup>	9872471	100
SDI (Berwick) Limited	Shirebrook <sup>(1)</sup>	2739957	100
SDI (Betws-y-Coed) Limited	Shirebrook <sup>(1)</sup>	6836673	100
SDI (Bexleyheath) Limited	Shirebrook <sup>(1)</sup>	9788372	100
SDI (Birkenhead) Limited	Shirebrook <sup>(1)</sup>	7849198	100
SDI (Bishop Auckland) Limited	Shirebrook <sup>(1)</sup>	3004246	100
SDI (Boucher Road) Limited	5th Floor, Lesley Buildings, 61-65 Fountain Street, Belfast, Northern Ireland, BT1 5EX	NI653340	100
SDI (Bradford) Limited	Shirebrook <sup>(1)</sup>	9127266	100
SDI (Brands 1) Limited	Shirebrook <sup>(1)</sup>	11795958	100
SDI (Bridgwater) Limited	Shirebrook <sup>(1)</sup>	7852061	100
SDI (Brixton) Limited	Shirebrook <sup>(1)</sup>	9127300	100
SDI (Brook EU) Limited	Shirebrook <sup>(1)</sup>	9336830	100
SDI (Brook ROW) Limited	Shirebrook <sup>(1)</sup>	9336806	100
SDI (Brook UK) Limited	Shirebrook <sup>(1)</sup>	9340379	100
SDI (Burton) Limited	Shirebrook <sup>(1)</sup>	8495632	100
SDI (Cardiff) Limited	Shirebrook <sup>(1)</sup>	8972499	100
SDI (Cardiff Flannels) Limited	Shirebrook <sup>(1)</sup>	10177359	100
SDI (Carlisle) Limited	Shirebrook <sup>(1)</sup>	7851959	100
SDI (Chatham) Limited	Shirebrook <sup>(1)</sup>	6836679	100
SDI (China Online) Limited	Shirebrook <sup>(1)</sup>	10246762	100
SDI (Clacton) Limited	Shirebrook <sup>(1)</sup>	7852078	100
SDI (Clonmel) Limited	5th Floor, Lesley Buildings, 61-65 Fountain Street, Belfast, Northern Ireland, BT1 5EX	NI653359	100
SDI (Colchester) Limited	Shirebrook <sup>(1)</sup>	5632790	100
SDI (Corby) Limited	Shirebrook <sup>(1)</sup>	10885672	100
SDI (Coventry) Limited	Shirebrook <sup>(1)</sup>	9680128	100
SDI (Darlington) Limited	Shirebrook <sup>(1)</sup>	10915193	100
SDI (Derby) Limited	Shirebrook <sup>(1)</sup>	9310031	100
SDI (Derry) Limited	Shirebrook <sup>(1)</sup>	9127160	100
SDI (Doncaster) Limited	Shirebrook <sup>(1)</sup>	9888670	100
SDI (Doncaster Wheatley) Limited	Shirebrook <sup>(1)</sup>	6372181	100
SDI (Dundee) Limited	Shirebrook <sup>(1)</sup>	9702004	100
SDI (Dunfermline) Limited	Shirebrook <sup>(1)</sup>	8483679	100
SDI (East Ham) Limited	Shirebrook <sup>(1)</sup>	9810378	100
SDI (East Kilbride) Limited	Shirebrook <sup>(1)</sup>	6656368	100
SDI (Edinburgh) Limited	Shirebrook <sup>(1)</sup>	10100990	100
SDI (Enfield) Limited	Shirebrook <sup>(1)</sup>	10086209	100
SDI (Fulham) Limited	Shirebrook <sup>(1)</sup>	7852037	100
SDI (Gainsborough) Limited	Shirebrook <sup>(1)</sup>	6338907	100
SDI (Galashiels) Limited	Shirebrook <sup>(1)</sup>	7852091	100
SDI (Glasgow Fort) Limited	Shirebrook <sup>(1)</sup>	9861504	100
SDI (Glasgow Frasers) Limited	Shirebrook <sup>(1)</sup>	11531596	100
SDI (Glasgow Ingram Street) Limited	Shirebrook <sup>(1)</sup>	9925519	100
SDI (Gloucester) Limited	Shirebrook <sup>(1)</sup>	7852067	100
SDI (Great Yarmouth) Limited	Shirebrook <sup>(1)</sup>	11732687	100
SDI (Hanley) Limited	Shirebrook <sup>(1)</sup>	11228017	100
SDI (Hastings) Limited	Shirebrook <sup>(1)</sup>	8625893	100
SDI (Hereford) Limited	Shirebrook <sup>(1)</sup>	9888642	100
SDI (Hofco) Limited	Shirebrook <sup>(1)</sup>	8319960	100
SDI (HoH Holdings) Limited	Shirebrook <sup>(1)</sup>	10161592	100
SDI (Hounslow) Limited	Shirebrook <sup>(1)</sup>	10086218	100
SDI (Hull) Limited	Shirebrook <sup>(1)</sup>	9638564	100
SDI (Ipswich) Limited	Shirebrook <sup>(1)</sup>	9788411	100

SDI (Isle of Man) Limited	Shirebrook <sup>(i)</sup>	9901745	100
SDI (Jersey Holding) Limited	Shirebrook <sup>(i)</sup>	10177028	100
SDI (K Lynn) Limited	Shirebrook <sup>(i)</sup>	10073076	100
SDI (Keighley) Limited	Shirebrook <sup>(i)</sup>	6260239	100
SDI (Kendal) Limited	Shirebrook <sup>(i)</sup>	6338918	100
SDI (Kentish Town) Limited	Shirebrook <sup>(i)</sup>	9901702	100
SDI (Kidderminster) Limited	Shirebrook <sup>(i)</sup>	9203731	100
SDI (Kilmarnock) Limited	Shirebrook <sup>(i)</sup>	7853433	100
SDI (Kingston) Limited	Shirebrook <sup>(i)</sup>	10915209	100
SDI (Kirkcaldy) Limited	Shirebrook <sup>(i)</sup>	7852097	100
SDI (Leeds) Limited	Shirebrook <sup>(i)</sup>	9293515	100
SDI (Leicester) Limited	Shirebrook <sup>(i)</sup>	9127170	100
SDI (Lincoln) Limited	Shirebrook <sup>(i)</sup>	9625631	100
SDI (Liverpool) Limited	Shirebrook <sup>(i)</sup>	9888734	100
SDI (Livingston) Limited	Shirebrook <sup>(i)</sup>	11227937	100
SDI (Lowestoft) Limited	Shirebrook <sup>(i)</sup>	7852265	100
SDI (LSL Holdings) Limited	Shirebrook <sup>(i)</sup>	10161824	100
SDI (Luton) Limited	Shirebrook <sup>(i)</sup>	9680625	100
SDI (Manchester) Limited	Shirebrook <sup>(i)</sup>	9888635	100
SDI (Manchester Cheetham Hill) Limited	Shirebrook <sup>(i)</sup>	10100969	100
SDI (Manchester Denton) Limited	Shirebrook <sup>(i)</sup>	9127295	100
SDI (Market Road) Limited	Shirebrook <sup>(i)</sup>	10799247	100
SDI (Middlesbrough) Limited	Shirebrook <sup>(i)</sup>	10081909	100
SDI (Nassau Street) Limited	Shirebrook <sup>(i)</sup>	11227964	100
SDI (Neath) Limited	Shirebrook <sup>(i)</sup>	7853548	100
SDI (New Cavendish Street) Limited	Shirebrook <sup>(i)</sup>	6306917	100
SDI (Newark) Limited	Shirebrook <sup>(i)</sup>	7853470	100
SDI (Newcastle) Limited	Shirebrook <sup>(i)</sup>	9127286	100
SDI (Newport) Limited	Shirebrook <sup>(i)</sup>	8679118	100
SDI (Newquay) Limited	Shirebrook <sup>(i)</sup>	10089800	100
SDI (Newry) Limited	5th Floor, Lesley Buildings, 61-65 Fountain Street, Belfast, Northern Ireland, BT1 5EX	NI653358	100
SDI (Newton Abbot) Limited	Shirebrook <sup>(i)</sup>	6836666	100
SDI (NFSK) Limited	Shirebrook <sup>(i)</sup>	10919102	100
SDI (Northampton) Limited	Shirebrook <sup>(i)</sup>	7852272	100
SDI (Northwich) Limited	Shirebrook <sup>(i)</sup>	5656295	100
SDI (Nottingham) Limited	Shirebrook <sup>(i)</sup>	10100609	100
SDI (Nuneaton) Limited	Shirebrook <sup>(i)</sup>	7852249	100
SDI (Oswestry) Limited	Shirebrook <sup>(i)</sup>	7852363	100
SDI (Oxford Street) Limited	Shirebrook <sup>(i)</sup>	10046080	100
SDI (Oxford Street HOF) Limited	Shirebrook <sup>(i)</sup>	7978784	100
SDI (Paisley) Limited	Shirebrook <sup>(i)</sup>	2933408	100
SDI (Penzance) Limited	Shirebrook <sup>(i)</sup>	7852297	100
SDI (Peterlee) Limited	Shirebrook <sup>(i)</sup>	7852401	100
SDI (Plymouth) Limited	Shirebrook <sup>(i)</sup>	9470468	100
SDI (Plymouth Flannels) Limited	Shirebrook <sup>(i)</sup>	9127387	100
SDI (Preston) Limited	Shirebrook <sup>(i)</sup>	10915199	100
SDI (Propco 35) Limited	Shirebrook <sup>(i)</sup>	11500282	100
SDI (Propco 36) Limited	Shirebrook <sup>(i)</sup>	11523336	100
SDI (Propco 37) Limited	Shirebrook <sup>(i)</sup>	11523343	100
SDI (Propco 38) Limited	Shirebrook <sup>(i)</sup>	11523424	100
SDI (Propco 39) Limited	Shirebrook <sup>(i)</sup>	11523440	100
SDI (Propco 40) Limited	Shirebrook <sup>(i)</sup>	11523489	100
SDI (Propco 41) Limited	Shirebrook <sup>(i)</sup>	11523621	100
SDI (Propco 42) Limited	Shirebrook <sup>(i)</sup>	11571953	100
SDI (Propco 43) Limited	Shirebrook <sup>(i)</sup>	11523609	100
SDI (Propco 44) Limited	Shirebrook <sup>(i)</sup>	11523608	100

SDI (Propco 45) Limited	Shirebrook <sup>(1)</sup>	11523654	100
SDI (Propco 46) Limited	Shirebrook <sup>(1)</sup>	11523748	100
SDI (Propco 47) Limited	Shirebrook <sup>(1)</sup>	11530370	100
SDI (Propco 48) Limited	Shirebrook <sup>(1)</sup>	11523759	100
SDI (Propco 49) Limited	Shirebrook <sup>(1)</sup>	11526115	100
SDI (Propco 50) Limited	Shirebrook <sup>(1)</sup>	11526182	100
SDI (Propco 51) Limited	Shirebrook <sup>(1)</sup>	11527237	100
SDI (Propco 52) Limited	Shirebrook <sup>(1)</sup>	11526972	100
SDI (Propco 53) Limited	Shirebrook <sup>(1)</sup>	11527082	100
SDI (Propco 54) Limited	Shirebrook <sup>(1)</sup>	11527149	100
SDI (Propco 55) Limited	Shirebrook <sup>(1)</sup>	11527303	100
SDI (Propco 56) Limited	Shirebrook <sup>(1)</sup>	11527382	100
SDI (Propco 57) Limited	Shirebrook <sup>(1)</sup>	11527500	100
SDI (Propco 58) Limited	Shirebrook <sup>(1)</sup>	11527596	100
SDI (Propco 59) Limited	Shirebrook <sup>(1)</sup>	11527584	100
SDI (Propco 60) Limited	Shirebrook <sup>(1)</sup>	11531386	100
SDI (Propco 61) Limited	Shirebrook <sup>(1)</sup>	11531382	100
SDI (Propco 62) Limited	Shirebrook <sup>(1)</sup>	11531444	100
SDI (Propco 63) Limited	Shirebrook <sup>(1)</sup>	11531503	100
SDI (Propco 64) Limited	Shirebrook <sup>(1)</sup>	11531506	100
SDI (Propco 65) Limited	Shirebrook <sup>(1)</sup>	11531532	100
SDI (Propco 67) Limited	Shirebrook <sup>(1)</sup>	11572676	100
SDI (Propco 68) Limited	Shirebrook <sup>(1)</sup>	11572831	100
SDI (Propco 69) Limited	Shirebrook <sup>(1)</sup>	11572830	100
SDI (Propco 70) Limited	Shirebrook <sup>(1)</sup>	11572933	100
SDI (Propco 71) Limited	Shirebrook <sup>(1)</sup>	11574887	100
SDI (Propco 72) Limited	Shirebrook <sup>(1)</sup>	11574968	100
SDI (Propco 73) Limited	Shirebrook <sup>(1)</sup>	11575050	100
SDI (Propco 74) Limited	Shirebrook <sup>(1)</sup>	11575091	100
SDI (Propco 75) Limited	Shirebrook <sup>(1)</sup>	11577256	100
SDI (Propco 76) Limited	Shirebrook <sup>(1)</sup>	11577617	100
SDI (Propco 77) Limited	Shirebrook <sup>(1)</sup>	11578164	100
SDI (Propco 80) Limited	Shirebrook <sup>(1)</sup>	11577670	100
SDI (Propco 81) Limited	Shirebrook <sup>(1)</sup>	11641123	100
SDI (Propco 83) Limited	Shirebrook <sup>(1)</sup>	11646302	100
SDI (Propco 85) Limited	Shirebrook <sup>(1)</sup>	11649632	100
SDI (Propco 86) Limited	Shirebrook <sup>(1)</sup>	11649235	100
SDI (Propco 87) Limited	Shirebrook <sup>(1)</sup>	11649336	100
SDI (Propco 88) Limited	Shirebrook <sup>(1)</sup>	11674753	100
SDI (Propco 89) Limited	Shirebrook <sup>(1)</sup>	11649347	100
SDI (Propco 90) Limited	Shirebrook <sup>(1)</sup>	11649431	100
SDI (Propco 91) Limited	Shirebrook <sup>(1)</sup>	11687077	100
SDI (Propco 92) Limited	Shirebrook <sup>(1)</sup>	11730204	100
SDI (Propco 93) Limited	Shirebrook <sup>(1)</sup>	11730253	100
SDI (Propco 94) Limited	Shirebrook <sup>(1)</sup>	11730440	100
SDI (Propco 96) Limited	Shirebrook <sup>(1)</sup>	11730503	100
SDI (Propco 98) Limited	Shirebrook <sup>(1)</sup>	11730868	100
SDI (Propco 99) Limited	Shirebrook <sup>(1)</sup>	11732772	100
SDI (Propco 100) Limited	Shirebrook <sup>(1)</sup>	11732700	100
SDI (Propco 101) Limited	Shirebrook <sup>(1)</sup>	11773466	100
SDI (Propco 102) Limited	Shirebrook <sup>(1)</sup>	11775629	100
SDI (Propco 103) Limited	Shirebrook <sup>(1)</sup>	11775643	100
SDI (Propco 104) Limited	Shirebrook <sup>(1)</sup>	11775495	100
SDI (Propco 105) Limited	Shirebrook <sup>(1)</sup>	11775597	100
SDI (Propco 106) Limited	Shirebrook <sup>(1)</sup>	11775599	100
SDI (Propco 107) Limited	Shirebrook <sup>(1)</sup>	11775706	100
SDI (Propco 108) Limited	Shirebrook <sup>(1)</sup>	11775717	100

SDI (Propco 109) Limited	Shirebrook <sup>(i)</sup>	11775757	100
SDI (Propco 110) Limited	Shirebrook <sup>(i)</sup>	11775763	100
SDI (Propco 111) Limited	Shirebrook <sup>(i)</sup>	11775722	100
SDI (Ramsgate) Limited	Shirebrook <sup>(i)</sup>	7852250	100
SDI (Reading) Limited	Shirebrook <sup>(i)</sup>	10422164	100
SDI (Redcar) Limited	Shirebrook <sup>(i)</sup>	2731452	100
SD (Retail Co 1) Limited	Shirebrook <sup>(i)</sup>	11634810	100
SD (Retail Co 10) Limited	Shirebrook <sup>(i)</sup>	11689119	100
SD (Retail Co 4) Limited	Shirebrook <sup>(i)</sup>	11635011	100
SD (Retail Co 5) Limited	Shirebrook <sup>(i)</sup>	11635034	100
SD (Retail Co 7) Limited	Shirebrook <sup>(i)</sup>	11687276	100
SD (Retail Co 8) Limited	Shirebrook <sup>(i)</sup>	11687376	100
SD (Retail Co 9) Limited	Shirebrook <sup>(i)</sup>	11689077	100
SDI (Rolle St) Limited	Shirebrook <sup>(i)</sup>	7852669	100
SDI (Romford) Limited	Shirebrook <sup>(i)</sup>	10071547	100
SDI (Rotherham) Limited	Shirebrook <sup>(i)</sup>	11227321	100
SDI (Salisbury) Limited	Shirebrook <sup>(i)</sup>	10107572	100
SDI (Scarborough) Limited	Shirebrook <sup>(i)</sup>	6328463	100
SDI (Scunthorpe) Limited	Shirebrook <sup>(i)</sup>	7852055	100
SDI (Scunthorpe Parishes Centre) Limited	Shirebrook <sup>(i)</sup>	11730442	100
SDI (Slough) Limited	Shirebrook <sup>(i)</sup>	7852417	100
SDI (Solihull) Limited	Shirebrook <sup>(i)</sup>	8612647	100
SDI (Southampton 2) Limited	Shirebrook <sup>(i)</sup>	9665889	100
SDI (Southampton) Limited	Shirebrook <sup>(i)</sup>	8512480	100
SDI (Southport) Limited	Shirebrook <sup>(i)</sup>	9888806	100
SDI (St Austell) Limited	Shirebrook <sup>(i)</sup>	7852284	100
SDI (St Helens) Limited	Shirebrook <sup>(i)</sup>	7852281	100
SDI (Stafford) Limited	Shirebrook <sup>(i)</sup>	8568681	100
SDI (Staines) Limited	Shirebrook <sup>(i)</sup>	11646482	100
SDI (Stoke Longton) Limited	Shirebrook <sup>(i)</sup>	7853877	100
SDI (Stoke Newington) Limited	Shirebrook <sup>(i)</sup>	7852207	100
SDI (Strabane) Limited	Shirebrook <sup>(i)</sup>	9890243	100
SDI (Streatham) Limited	Shirebrook <sup>(i)</sup>	10066335	100
SDI (Strood) Limited	Shirebrook <sup>(i)</sup>	7852251	100
SDI (Sunderland) Limited	Shirebrook <sup>(i)</sup>	8755347	100
SDI (Sunderland High Street) Limited	Shirebrook <sup>(i)</sup>	10107775	100
SDI (Sutton) Limited	Shirebrook <sup>(i)</sup>	11228011	100
SDI (Swindon) Limited	Shirebrook <sup>(i)</sup>	9888662	100
SDI (Tallaght) Limited	Shirebrook <sup>(i)</sup>	10915203	100
SDI (Taunton) Limited	Shirebrook <sup>(i)</sup>	7852191	100
SDI (The Lion Hotel) Limited	Shirebrook <sup>(i)</sup>	6836880	100
SDI (Thurrock) Limited	Shirebrook <sup>(i)</sup>	10089743	100
SDI (Uxbridge) Limited	Shirebrook <sup>(i)</sup>	10177276	100
SDI (Uxbridge 2) Limited	Shirebrook <sup>(i)</sup>	9127316	100
SDI (Wakefield) Limited	Shirebrook <sup>(i)</sup>	8483711	100
SDI (Walsall) Limited	Shirebrook <sup>(i)</sup>	7852289	100
SDI (Watford) Limited	Shirebrook <sup>(i)</sup>	6328505	100
SDI (Weymouth) Limited	Shirebrook <sup>(i)</sup>	6716652	100
SDI (Widnes) Limited	Shirebrook <sup>(i)</sup>	8576472	100
SDI (Wigan) IP Limited	Shirebrook <sup>(i)</sup>	6835407	100
SDI (Wigan) Retail Limited	Shirebrook <sup>(i)</sup>	8208933	100
SDI (Wishaw) Limited	Shirebrook <sup>(i)</sup>	6656365	100
SDI (Wolverhampton) Limited	Shirebrook <sup>(i)</sup>	9788373	100
SDI (Wrexham) Limited	Shirebrook <sup>(i)</sup>	10915200	100
SDI (Wythenshawe) Limited	Shirebrook <sup>(i)</sup>	9659156	100
SDI (York) Limited	Shirebrook <sup>(i)</sup>	11331391	100

SDI 2300 Collins LLC	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	6870031	100
SDI 735 Collins LLC	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	68700128	100
SDI Aviation Limited*	Shirebrook <sup>(1)</sup>	9633152	100
SDI Fitness (Armagh) Limited	Shirebrook <sup>(1)</sup>	9038768	100
SDI Fitness (Atlas) Limited	Shirebrook <sup>(1)</sup>	9749030	100
SDI Fitness (Bedford) Limited	Shirebrook <sup>(1)</sup>	9038839	100
SDI Fitness (Belfast) Limited	Shirebrook <sup>(1)</sup>	9038724	100
SDI Fitness (Birmingham) Limited	Shirebrook <sup>(1)</sup>	9038982	100
SDI Fitness (Bury St Edmunds) Limited	Shirebrook <sup>(1)</sup>	9038949	100
SDI Fitness (Cambridge) Limited	Shirebrook <sup>(1)</sup>	9038881	100
SDI Fitness (Cheltenham) Limited	Shirebrook <sup>(1)</sup>	9039840	100
SDI Fitness (Chester) Limited	Shirebrook <sup>(1)</sup>	9038943	100
SDI Fitness (Colchester) Limited	Shirebrook <sup>(1)</sup>	9039011	100
SDI Fitness (Croydon) Limited	Shirebrook <sup>(1)</sup>	9039243	100
SDI Fitness (Dartry) Limited	Shirebrook <sup>(1)</sup>	9039023	100
SDI Fitness (Epsom) Limited	Shirebrook <sup>(1)</sup>	9039043	100
SDI Fitness (Fareham) Limited	Shirebrook <sup>(1)</sup>	9039057	100
SDI Fitness (Formby) Limited	Shirebrook <sup>(1)</sup>	9039895	100
SDI Fitness (Glasgow) Limited	Shirebrook <sup>(1)</sup>	9038811	100
SDI Fitness (Guildford) Limited	Shirebrook <sup>(1)</sup>	9039269	100
SDI Fitness (Hove) Limited	Shirebrook <sup>(1)</sup>	9039030	100
SDI Fitness (Huntingdon) Limited	Shirebrook <sup>(1)</sup>	9039881	100
SDI Fitness (Ivy) Limited	Shirebrook <sup>(1)</sup>	9753389	100
SDI Fitness (K Heath) Limited	Shirebrook <sup>(1)</sup>	9039717	100
SDI Fitness (K Lynn) Limited	Shirebrook <sup>(1)</sup>	9039847	100
SDI Fitness (Kettering) Limited	Shirebrook <sup>(1)</sup>	9039852	100
SDI Fitness (Lincoln City) Limited	Shirebrook <sup>(1)</sup>	9039331	100
SDI Fitness (Lincoln South West) Limited	Shirebrook <sup>(1)</sup>	9039319	100
SDI Fitness (Liverpool) Limited	Shirebrook <sup>(1)</sup>	9039347	100
SDI Fitness (Maidstone) Limited	Shirebrook <sup>(1)</sup>	9039343	100
SDI Fitness (Manchester) Limited	Shirebrook <sup>(1)</sup>	9039339	100
SDI Fitness (Milngavie) Limited	Shirebrook <sup>(1)</sup>	9039510	100
SDI Fitness (Newark) Limited	Shirebrook <sup>(1)</sup>	9039640	100
SDI Fitness (Northfield) Limited	Shirebrook <sup>(1)</sup>	9039412	100
SDI Fitness (Poole) Limited	Shirebrook <sup>(1)</sup>	9039481	100
SDI Fitness (Rugby) Limited	Shirebrook <sup>(1)</sup>	9039408	100
SDI Fitness (Sale) Limited	Shirebrook <sup>(1)</sup>	9039405	100
SDI Fitness (Salisbury) Limited	Shirebrook <sup>(1)</sup>	9039429	100
SDI Four Limited	Shirebrook <sup>(1)</sup>	9719779	100
SDI Gift Card LLC	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	S6773735	100
SDI Golf Limited	Shirebrook <sup>(1)</sup>	9083512	100
SDI Holdings USA inc	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	6651201	100
SDI Lifestyle Limited	Shirebrook <sup>(1)</sup>	8293614	100
SDI Newco N.10 Limited	Shirebrook <sup>(1)</sup>	8578776	100
SDI Newco No.2 Limited	Shirebrook <sup>(1)</sup>	8158699	100
SDI Newco No.5 Limited	Shirebrook <sup>(1)</sup>	9062747	100
SDI Newco Shire Limited	Shirebrook <sup>(1)</sup>	8177495	100
SDI Properties (USA) Inc.	Corporation Service Company, 2 Office Park Court, Suite 103 Columbia	535872	100
SDI Properties (Wigan) Limited	Shirebrook <sup>(1)</sup>	6836522	100
SDI Property Limited*	Shirebrook <sup>(1)</sup>	2767493	100

SDI Property (Europe) B.V.	Van Konijnenburgweg 45, 4672PL Bergen op Zoom Netherlands	69042594	100
SDI Property (Evans Cycles) Limited	Shirebrook <sup>(i)</sup>	11646219	100
SDI Property US Inc	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	68700024	100
SDI Property US Limited	Shirebrook <sup>(i)</sup>	11323420	100
SDI Retail Services Limited	Shirebrook <sup>(i)</sup>	8143303	100
SDI Retailing Limited	Shirebrook <sup>(i)</sup>	9283231	100
SDI Shirebrook DC Limited	Shirebrook <sup>(i)</sup>	2963189	100
SDI Shirebrook Limited	Shirebrook <sup>(i)</sup>	3016549	100
SDI Shirebrook Shop Limited	Shirebrook <sup>(i)</sup>	3018210	100
SDI Sport London Limited	Shirebrook <sup>(i)</sup>	9848767	100
SDI Sports (East Ham) Limited	Shirebrook <sup>(i)</sup>	10259103	100
SDI Sports (SC 2016) Ltd	Shirebrook <sup>(i)</sup>	429750	100
SDI Sports (Stoke) Limited	Shirebrook <sup>(i)</sup>	10163722	100
SDI Sports Group Americas Inc	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	2047393	100
SDI Stores LLC	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	1240332	100
SDI USA LLC	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	6385155	100
SDI Ventures LLC	The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County DE 19801, United States	6870023	100
SDIL S.A.	Parc Industriel, Avenue Ernest, Solvay 29 1480 Saintes, Belgium	810.198.636	100
SDI.com Fitness Parent Limited*	Shirebrook <sup>(i)</sup>	9082454	100
Serverange Limited	Shirebrook <sup>(i)</sup>	2997208	100
Seven Strong Limited	Shirebrook <sup>(i)</sup>	7756386	100
Shelfco A3 Limited	Shirebrook <sup>(i)</sup>	10687408	100
SIA Sportland	A. Deglava str 50 LV-1-35 Riga Latvia	40003530961	60
SIA Sportsdirect.com	A. Deglava str 50 LV-1-35 Riga Latvia	40103932873	51
Ski and Outdoor Warehouse Limited	2nd Floor , Titchfield House, 69-85 Tabernacle Street, London, EC2A 4RR	2917223	100
Slazenger Carlton (Holdings) Limited	Shirebrook <sup>(i)</sup>	10463051	100
Slazengers Australia Limited	Shirebrook <sup>(i)</sup>	9217319	100
Slazengers Limited	Shirebrook <sup>(i)</sup>	116000	100
Smart Protein Limited	Shirebrook <sup>(i)</sup>	8907509	100
Smith & Brooks (Germany) Limited	Shirebrook <sup>(i)</sup>	5427463	100
Smith & Brooks (India) Limited	Shirebrook <sup>(i)</sup>	2964528	100
Smith & Brooks Limited	Shirebrook <sup>(i)</sup>	2073720	100
Smith And Brooks Group Limited	Shirebrook <sup>(i)</sup>	4079331	100
Smith And Brooks Holdings Limited	Shirebrook <sup>(i)</sup>	4983573	100
SNÖ Sport Vertriebs GmbH	Flugplatzstraße 30, 4600, Wels Austria	272671 m	100
Sondico IP Limited	Shirebrook <sup>(i)</sup>	6546121	100
Spinsort Limited	Shirebrook <sup>(i)</sup>	6029888	100
Sport Eybl & Sports Experts Logistikbetriebs GmbH	Flugplatzstraße 30, 4600, Wels Austria	96024 m	100
Sport Eybl Holding GmbH	Flugplatzstraße 30, 4600, Wels Austria	180095 x	100
Sportland Eestie A.S.	Parnu mnt 139c Kesklinna, Tallinn Estonia 11317	10677712	60
Sportland International Group A.S.	Parnu mnt 139c Kesklinna, Tallinn Estonia 11317	10993195	60
Sports Commission Limited	Shirebrook <sup>(i)</sup>	4824491	100
Sports Direct Brands Limited*	Shirebrook <sup>(i)</sup>	6026039	100
Sports Direct Holdings Limited*	Shirebrook <sup>(i)</sup>	6464317	100
Sports Direct International Holdings Limited*	Shirebrook <sup>(i)</sup>	6027131	100
Sports Direct MST Sdn Bhd	Level 15-2, Bangunan Faber Imperial Court Jalan Sultan Ismail 52200 Kuala Lumpur Malaysia	925116-M	51
Sports Direct Retail Limited*	Shirebrook <sup>(i)</sup>	6026013	100
Sports Essentials Limited	Shirebrook <sup>(i)</sup>	4409470	100

Sports World International Limited	Shirebrook <sup>(1)</sup>	6531266	100
Sports World The Netherlands B.V.	Van Konijnenburgweg 45, 4612 PL Bergen op zoom, Netherlands	34056291	100
Sportsdirect (Iceland) ehf	Skogarlind 2, 201, Kopavogur, Iceland	6301121760	100
Sportsdirect.com (Asia) Ltd	Unit 1903B & 1905, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong	1216339	100
Sportsdirect.com (Shanghai) Limited	Room 315, 3rd Floor Building 2, No 239 Gang'ao Road, China (Shanghai) Pilot Free Zone, Shanghai, China		90
Sportsdirect.com (Taiwan) Limited	17F-5, No.500, Shizheng Rd., Xitun District, 40757, Taiwan		85
Sportsdirect.com Austria GmbH	Flugplatzstraße 30, 4600, Wels Austria	309738 y	100
Sportsdirect.com Belgium S.A.	Parc Industriel, Avenue Ernest, Solvay 29 1480 Saintes, Belgium	416.268.471	100
Sportsdirect.com China Pte	No.1101, 11th Floor, A Building, Genzon Times Square, Long C, Long Cheng Avenue 89, Long Gang Central Business District, Shen Zhen City, China, China	914403005799 87503D	100
Sportsdirect.com Cyprus Limited	Miltiades Stylianou 34B, Shop 2, 8577 Tala, Paphos, Cyprus	HE 230340	100
Sportsdirect.com Czech Republic s.r.o.	Prague 1 - Nove Mesto, Na Porici 1079/3a, 100 00, Czech Republic	24268933	100
Sportsdirect.com Fitness Limited	Shirebrook <sup>(1)</sup>	9028577	100
Sportsdirect.com France	Zac des Brateaux, Rue des Brateaux, 9100, Villabe, France	FR27379062813	100
Sportsdirect.com Hungary Kft	H-1053 Budapest, Karolyi Mihaly utca 12, Hungary	01-09-986824	100
Sportsdirect.com Immobilien GmbH	Flugplatzstraße 30, 4600, Wels Austria	104151 p	100
Sportsdirect.com Luxembourg	Op d'Schmëtt, L-9964 Huldange, Luxembourg	2700 3200 297	100
Sportsdirect.com Media Limited	Shirebrook <sup>(1)</sup>	9127526	100
Sportsdirect.com Poland S.P.Z.oo	ul. Chlodna 52, 00-872, Warsaw, Poland	452610	100
Sportsdirect.com Pty Ltd Australia	c/o Norton Rose Fulbright, L11, 485 Bourke Street, Melbourne VIC 3000, Australia	603 187 319	100
Sportsdirect.com Retail (Europe) S.A.*	Parc Industriel, Avenue Ernest, Solvay 29 1480 Saintes, Belgium	458883046	100
Sportsdirect.com Retail Limited*	Shirebrook <sup>(1)</sup>	3406347	100
Sportsdirect.com S.L.U. Spain	C/ Genova 27, 1a, 28004, Madrid, Spain	B-86567880	100
Sportsdirect.com Slovakia s.r.o.	Vysoka 2/B, 81106, Bratislava, Slovakia	47 240 458	100
Sportsdirect.com SLVN d.o.o.	Planjava 4, 1236 Trzin, Slovenia	1198157000	100
Sportsdirect.com Switzerland A.G. Switzerland CHE-	Zeughausgasse 27, 3011 Bern, Switzerland	331.683.991	100
SSG Sport GmbH (SSD)	Vornholzstr. 48, 94036, Passau, Germany	HRB 7134	100
Sterling Resources (Holdings) Limited	Shirebrook <sup>(1)</sup>	4651701	100
Sterling Resources Limited	Shirebrook <sup>(1)</sup>	1413254	100
Stirlings (Argyle Street) Limited	Grant Thornton, 1/4 Atholl Street, Edinburgh, EH3 8LQ, United Kingdom	SC088108	100
Straub Corporation Limited	Shirebrook <sup>(1)</sup>	3003584	100
Strike Success Ltd	Shirebrook <sup>(1)</sup>	11820529	100
Summercombe 167 Limited	Shirebrook <sup>(1)</sup>	6217909	100
Swlmmo Eupen SA	Parc Industriel, Avenue Ernest, Solvay 29 1480 Saintes, Belgium	878673906	100
Table Tennis Pro Europe Ltd	Shirebrook <sup>(1)</sup>	5003853	100
Talisway Limited	Unit 1903B & 1905, Exchange Tower, 33 Wang Chiu Road, Kowloon Bay, Kowloon, Hong Kong	323181	100
The Antigua Group Inc	3773 Howard Huges Pkwy, STE 500S Las vegas, Nevada, USA 89169-6014	0734679-4	100
The Cycling Bug Limited	Shirebrook <sup>(1)</sup>	7163983	100
The Flannels Group Limited	Shirebrook <sup>(1)</sup>	2318510	100
The Running Bug Limited	Shirebrook <sup>(1)</sup>	7164014	100
The Trademark Licensing Company Limited	Shirebrook <sup>(1)</sup>	4477829	100
TLA Sports (UK) PTE Limited	Shirebrook <sup>(1)</sup>	5550396	100
Total Estates Limited	Shirebrook <sup>(1)</sup>	4958214	100
Tri Yeovil UK Limited	Shirebrook <sup>(1)</sup>	10680690	100
UAB SDI (Gedimino) LT	Seimyniskiu g. 3, Vilnius, Lithuania	135039836	51
UAB Sportland LT	Seimyniskiu g. 3, Vilnius, Lithuania	135039836	51
UAB Sportsdirect.com	Seimyniskiu g. 3, Vilnius, Lithuania	304155613	51
Universal Cycles Limited	Shirebrook <sup>(1)</sup>	1339667	100
UP Brands Limited	Shirebrook <sup>(1)</sup>	6521633	100
USA Pro IP Limited	Shirebrook <sup>(1)</sup>	6497914	100

USC IP Limited	Shirebrook <sup>(i)</sup>	6836808	100
USC.co.uk Retail Limited	Shirebrook <sup>(i)</sup>	8617068	100
Used Tackle Limited	Shirebrook <sup>(i)</sup>	7989154	100
Van Mildert (Lifestyle) Limited	Shirebrook <sup>(i)</sup>	8319959	100
Vinecomb Investments Holdings Limited	Shirebrook <sup>(i)</sup>	10161816	100
Vinecomb Investments Limited	Shirebrook <sup>(i)</sup>	2206022	100
Visionfigure Limited	Shirebrook <sup>(i)</sup>	2951233	100
Voodoo Dolls Brand Limited	Shirebrook <sup>(i)</sup>	5323305	100
Wareshop1 Limited	Shirebrook <sup>(i)</sup>	9870849	100
Wareshop2 Limited	Shirebrook <sup>(i)</sup>	9870840	100
Wareshop3 Limited	Shirebrook <sup>(i)</sup>	9870808	100
Warrnambool *	Heaton House , IDA Business Park, Whitestown, Tallaght, Dublin 24, Ireland	387014	100
Waterline Angling Products Limited	Shirebrook <sup>(i)</sup>	2696374	100
West Coast Capital (HOFCO) Limited	Westcoast capital 15 Atholl Crescent, Edinburgh, EH3 8HA	SC437614	100
Westminster Manufacturing LLC	2 Office Park Court , Suite 103, Coumbia SC 29233 USA	44358	100
Wildlaw Limited	Shirebrook <sup>(i)</sup>	4571678	100
William Sykes Limited	Shirebrook <sup>(i)</sup>	123229	100
World of Service International Limited	Shirebrook <sup>(i)</sup>	1202465	100
World of Service Limited	Shirebrook <sup>(i)</sup>	6020729	100
Worthyfund Limited	Shirebrook <sup>(i)</sup>	2955978	100
Y.U.V. Limited	Shirebrook <sup>(i)</sup>	9350127	100
Yeomans Outdoors Limited	Shirebrook <sup>(i)</sup>	8058714	100

(i) Unit A, Brook Park East, Shirebrook, NG20 8RY

\*Direct shareholdings held by SDI plc.

Sports Direct International plc intends to provide a parental guarantee for the following United Kingdom incorporated subsidiaries thus entitling them to exemption from statutory audit under section 479A of the Companies Act 2006.

COMPANY NAME	COMPANY NUMBER	COMPANY NAME	COMPANY NUMBER
Direct Fishing Limited	08203469	SDI (Nuneaton) Limited	07852249
Hot Tuna IP Limited	06836792	SDI (Oswestry) Limited	07852363
SD Equestrian Limited	08692780	SDI (Oxford Street) Limited	10046080
SD Outdoor Limited	08560260	SDI (Paisley) Limited	02933408
SDI (Aberdeen) Limited	08512592	SDI (Penzance) Limited	07852297
SDI (Aberystwyth) Limited	02789996	SDI (Peterlee) Limited	07852401
SDI (Aintree) Limited	03352462	SDI (Plymouth Flannels) Limited	09127387
SDI (Ashford) Limited	07848460	SDI (Plymouth) Limited	09470468
SDI (Ashington) Limited	07849231	SDI (Ramsgate) Limited	07852250
SDI (Ayr) Limited	05528267	SDI (Reading) Limited	10422164
SDI (Bangor) Limited	05529705	SDI (Redcar) Limited	02731452
SDI (Barrow In Furness) Limited	07851574	SDI (Rolle St) Limited	07852669
SDI (Beddgelert) Limited	08577551	SDI (Romford) Limited	10071547
SDI (Belfast) Limited	09872471	SDI (Salisbury) Ltd	10107572
SDI (Berwick) Limited	02739957	SDI (Scarborough) Limited	06328463
SDI (Betws-Y-Coed) Limited	06836673	SDI (Scunthorpe) Limited	07852055
SDI (Bexleyheath) Limited	09788372	SDI (Slough) Limited	07852417
SDI (Birkenhead) Limited	07849198	SDI (Solihull) Limited	08612647
SDI (Bishop Auckland) Limited	03004246	SDI (Southampton 2) Limited	09665889
SDI (Bridgwater) Limited	07852061	SDI (Southampton) Limited	08512480
SDI (Brixton) Limited	09127300	SDI (Southport) Limited	09888806
SDI (Burton) Limited	08495632	SDI (St Austell) Limited	07852284
SDI (Cardiff Flannels) Limited	10177359	SDI (St Helens) Limited	07852281
SDI (Carlisle) Limited	07851959	SDI (Stafford) Limited	08568681
SDI (Chatham) Limited	06836679	SDI (Stoke Longton) Limited	07853877
SDI (Clacton) Limited	07852078	SDI (Stoke Newington) Limited	07852207
SDI (Colchester) Limited	05632790	SDI (Strabane) Limited	09890243
SDI (Darlington) Limited	10915193	SDI (Streatham) Limited	10066335
SDI (Doncaster) Limited	09888670	SDI (Strood) Limited	07852251
SDI (Dundee) Limited	09702004	SDI (Sunderland High Street) Limited	10107775
SDI (Dunfermline) Limited	08483679	SDI (Sunderland) Limited	08755347
SDI (East Ham) Limited	09810378	SDI (Swindon) Limited	09888662
SDI (East Kilbride) Limited	06656368	SDI (Tallaght) Limited	10915203
SDI (Edinburgh) Limited	10100990	SDI (Taunton) Limited	07852191
SDI (Enfield) Limited	10086209	SDI (Thurrock) Limited	10089743
SDI (Fulham) Limited	07852037	SDI (Uxbridge 2) Limited	09127316
SDI (Gainsborough) Limited	06338907	SDI (Uxbridge) Limited	10177276
SDI (Galashiels) Limited	07852091	SDI (Wakefield) Limited	08483711
SDI (Glasgow Fort) Limited	09861504	SDI (Walsall) Limited	07852289
SDI (Glasgow Ingram Street) Limited	09925519	SDI (Watford) Limited	06328505
SDI (Gloucester) Limited	07852067	SDI (Weymouth) Limited	06716652
SDI (Hastings) Limited	08625893	SDI (Wishaw) Limited	06656365
SDI (Hereford) Limited	09888642	SDI (Wolverhampton) Limited	09788373
SDI (Hofco) Limited	08319960	SDI (Wythenshawe) Limited	09659156
SDI (Hoh Holdings) Limited	10161592	SDI Four Limited	09719779
SDI (Hounslow) Limited	10086218	SDI Golf Limited	09083512
SDI (Hull) Limited	09638564	SDI Properties (Wigan) Limited	06836522
SDI (Isle Of Man) Limited	09901745	SDI Property Limited	02767493
SDI (K Lynn) Limited	10073076	SDI Sport London Limited	09848767
SDI (Keighley) Limited	06260239	SDI Sports (East Ham) Limited	10259103
SDI (Kendal) Limited	06338918	SDI Sports (Stoke) Limited	10163722
SDI (Kentish Town) Limited	09901702	Stirlings (Argyle Street) Limited	SC088108
SDI (Kidderminster) Limited	09203731	Vinecomb Investments Holdings Limited	10161816

SDI (Kilmarnock) Limited	07853433	Wareshop1 Limited	09870849
SDI (Kingston) Limited	10915209	Wareshop3 Limited	09870808
SDI (Kirkcaldy) Limited	07852097		
SDI (Leeds) Limited	09293515		
SDI (Leicester) Limited	09127170		
SDI (Liverpool) Limited	09888734		
SDI (Lowestoft) Limited	07852265		
SDI (Lsl Holdings) Limited	10161824		
SDI (Luton) Limited	09680625		
SDI (Manchester Cheetham Hill) Limited	10100969		
SDI (Manchester Denton) Limited	09127295		
SDI (Market Road) Limited	10799247		
SDI (Middlesbrough) Limited	10081909		
SDI (Nassau Street) Limited	11227964		
SDI (Neath) Limited	07853548		
SDI (New Cavendish Street) Limited	06306917		
SDI (Newark) Limited	07853470		
SDI (Newcastle) Limited	09127286		
SDI (Newport) Limited	08679118		
SDI (Newquay) Limited	10089800		
SDI (Newton Abbot) Limited	06836666		
SDI (Northampton) Limited	07852272		
SDI (Nottingham) Limited	10100609		

# SPORTS DIRECT INTERNATIONAL PLC

## COMPANY BALANCE SHEET

at 28 April 2019

	Notes	As at 28 April 2019 (£m)	As at 29 April 2018 Restated (£m)
<b>FIXED ASSETS</b>			
Investments	2	1,216.1	1,370.1
<b>CURRENT ASSETS</b>			
Receivables	3	42.1	68.1
Cash at bank and in hand		139.5	40.7
		<b>181.6</b>	<b>108.8</b>
Creditors: amounts falling due within one year	4	(558.8)	(492.5)
Net current liabilities		(377.2)	(383.7)
<b>NET ASSETS</b>		<b>838.9</b>	<b>986.4</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	64.1	64.1
Share premium		874.3	874.3
Treasury shares reserve		(281.7)	(290.0)
Permanent contribution to capital		0.1	0.1
Capital redemption reserve		8.0	8.0
Own share reserve		(67.2)	(69.0)
Profit and loss account		241.3	398.9
<b>Shareholders' funds</b>		<b>838.9</b>	<b>986.4</b>

Sports Direct International plc reported a loss after taxation for the 52 weeks ended 28 April 2019 of £5.6m (FY18: a profit of £231.7m). FY18 included a £335m dividend received from Sportsdirect.com Retail Ltd. FY18 has been restated to include an accrual of £5m relating to key management incorrectly included within the financial statements of Sportsdirect.com Retail Limited in the prior year.

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

The Financial Statements were approved by the Board on 26 July 2019 and were signed on its behalf by:

Jon Kempster  
**Chief Financial Officer**  
 Company number: 06035106

# COMPANY STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 28 April 2019

	Called up share capital (£m)	Share premium account (£m)	Treasury share reserve (£m)	Perm contrn to capital (£m)	Capital redemption reserve (£m)	Own share reserve (£m)	Profit & Loss Account Restated (£m)	Total (£m)
<b>As at 30 April 2017</b>	<b>64.1</b>	<b>874.3</b>	<b>(329.5)</b>	<b>0.1</b>	<b>8.0</b>	<b>(33.8)</b>	<b>180.7</b>	<b>763.9</b>
Profit for the financial period Restated	-	-	-	-	-	-	231.7	231.7
Fair valuation of available-for-sale financial assets	-	-	-	-	-	-	(25.2)	(25.2)
Fair valuation of available- for-sale financial assets – reclassified	-	-	-	-	-	-	47.9	47.9
Share-based payments	-	-	-	-	-	57.3	(57.3)	-
Shares transferred	-	-	29.9	-	-	(51.0)	21.1	-
Share purchase	-	-	(113.9)	-	-	(41.5)	-	(155.4)
Reversal of prior year fair valuation of share buyback contractual obligation	-	-	163.5	-	-	-	-	163.5
Fair valuation of share buyback contractual obligation	-	-	(40.0)	-	-	-	-	(40.0)
<b>As at 29 April 2018 Restated</b>	<b>64.1</b>	<b>874.3</b>	<b>(290.0)</b>	<b>0.1</b>	<b>8.0</b>	<b>(69.0)</b>	<b>398.9</b>	<b>986.4</b>
Loss for the financial period	-	-	-	-	-	-	(5.6)	(5.6)
Fair value adjustment in respect of long term financial assets - recognised	-	-	-	-	-	-	(152.0)	(152.0)
Share-based payments	-	-	-	-	-	-	-	-
Share purchase	-	-	(1.7)	-	-	1.8	-	0.1
Reversal of prior year fair valuation of share buyback contractual obligation	-	-	40.0	-	-	-	-	40.0
Fair valuation of share buyback contractual obligation	-	-	(30.0)	-	-	-	-	(30.0)
<b>As at 28 April 2019</b>	<b>64.1</b>	<b>874.3</b>	<b>(281.7)</b>	<b>0.1</b>	<b>8.0</b>	<b>(67.2)</b>	<b>241.3</b>	<b>838.9</b>

The share premium account is used to record the excess proceeds over nominal value on the issue of shares. The permanent contribution to capital relates to a cash payment of £50,000 to the Company on 8 February 2007 under a deed of capital contribution. The capital redemption reserve arose on the redemption of the Company's redeemable preference shares of 10p each at par on 2 March 2007. The own shares and treasury reserves represent the cost of shares in Sports Direct International plc purchased in the market and held by Sports Direct International plc Employee Benefit Trust to satisfy options under the Group's Share Scheme.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the 52 weeks ended 28 April 2019

## 1. ACCOUNTING POLICIES

### Accounting Policies

These financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £0.1m.

These accounts have been prepared in accordance with applicable United Kingdom accounting standards. A summary of the material accounting policies adopted are described below.

FY18 has been restated to include an accrual of £5m relating to key management incorrectly included within the financial statements of Sportsdirect.com Retail Ltd in the prior year.

### Basis Of Accounting

The accounts have been prepared under the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

These financial statements for the period ended 28 April 2019 are prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

As permitted by Section 408 of the Companies Act 2006, a profit and loss account of the Company is not presented. The Company's loss after taxation for the 52 week period ended 28 April 2019 was £5.6m (2018: profit of £231.7m).

As permitted by FRS 102 the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash flow statement, share-based payments, the aggregate remuneration of key management personnel and related party transactions with other wholly-owned members of the Group. Where required, equivalent disclosures are given in the group accounts of Sports Direct International plc.

### Investments

Fixed asset investments in subsidiaries, associates and joint ventures are shown at cost less provision for impairment.

In the current year the company has followed the requirements of IFRS 9 for listed investments, as permitted by FRS 102 Section 12. The Company has made the irrevocable election available under IFRS 9 to account for the investments at fair value through the other comprehensive income (FVOCI). The previous accounting under IAS 39 has not been restated.

In the prior year the company has elected to designate listed investments as 'available-for-sale' financial assets as at the date of transition. Under previous UK GAAP listed investments were held at cost less impairment. The company elected to follow the requirements of IAS 39, as permitted by FRS 102 Section 12, the fair value from one period to another being shown within the statement of other comprehensive income.

Available-for-sale investments are initially recognised at fair value. Where fair value is different to cost, this is recognised in the income statement on initial recognition. Subsequent gains and losses arising from changes in fair value are recognised in the statement of other comprehensive income. When the security is disposed of, derecognised or is determined to be impaired the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the profit and loss account as a reclassification adjustment within other income. Equity investments are impaired when there is objective evidence of impairment which includes a significant or prolonged decline in value.

### Associates

An entity is treated as an associated undertaking where the group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the group. In the balance sheet, the interests in associated undertakings and joint ventures are shown as the company's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is included within the equity method accounted figure in the financial statements as goodwill. This goodwill is amortised over years. Where there are indicators of impairment, the investment as a whole is tested for impairment.

### **Financial Assets**

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment. Provision for impairment is established when there is objective evidence that the company will not be able to collect amounts due according to the original terms of the receivable.

### **Financial Liabilities**

Financial liabilities are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost.

### **Employee Benefit Trust**

An Employee Benefit Trust has been established for the purposes of satisfying certain share based awards. The Group has 'de facto' control over the special purpose entity.

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

### **Deferred Taxation**

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in the future is more unlikely than not.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### **Foreign Currencies**

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

### **Dividends**

Dividends on the Company's ordinary shares are recognised as a liability in the Company's Financial Statements, and as a deduction from equity, in the period in which the dividends are declared. Where such dividends are proposed subject to the approval of the Company's shareholders, the dividends are only declared once shareholder approval has been obtained.

### **Equity Instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company, with the exception of those accounted for via merger relief available under Section 612 of the Companies Act 2006, are recorded at the proceeds received, net of any direct issue costs.

### **Income From Group Undertakings**

Income from Group undertakings is recognised when qualifying consideration is received from the Group undertaking.

### **Related Party Transactions**

The Company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with wholly-owned subsidiaries which form part of the Group. See note 37 for further details of related party transactions.

### **Share-Based Payments**

The Company issues equity-settled share-based payments to certain Directors and employees of the Company and its subsidiaries.

The fair value of the share options on the date of the grant is charged to the profit and loss account over the vesting period of the share option, based on the number of options which are expected to become exercisable. A corresponding adjustment is made to equity. At each balance sheet date the Company revises its estimates of the number of options that are expected to become exercisable and recognises the impact of any revision of original estimates in the profit and loss account.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. A share-based payment charge of £nil was recognised for the 52 weeks ended 28 April 2019 based on the Directors' best estimate of the number of shares that will vest.

### Critical Accounting Estimates And Judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

### Critical Judgements And Key Sources Of Estimation Uncertainty Calculation Of Share

#### Assumptions Relating To Tax

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

## 2. INVESTMENTS

	28 April 2019 (£m)	29 April 2018 (£m)
Investments in subsidiaries	1,124.2	1,124.2
Investments in associates	11.0	-
Long-term investment / available-for-sale financial assets	80.9	245.9
	<b>1,216.1</b>	<b>1,370.1</b>

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

Long-term investments / available-for-sale investments include various holdings including a 36.9% stake in Findel plc, a 29.7% stake in Debenhams plc, a 26.1% stake in French Connection Group plc and an 18.9% stake in Goals Soccer Centres plc. The prior year also included a 25.4% stake in GAME Digital plc.

The Group now owns 29.9% of Game Digital Plc. During the year it was determined that the Group has significant influence and Game Digital Plc has therefore been recognised as an associate during FY19, see note 19.

The Company is the principal holding company of the Group. The principal subsidiary undertakings of the Company are set out in note 36 of the Group Financial Statements.

## 3. RECEIVABLES

	28 April 2019 (£m)	29 April 2018 Restated (£m)
Amounts owed by Group undertakings	2.5	0.7
Derivative financial assets	-	1.9
Deposits in respect of derivative financial instruments	34.9	57.1
Prepayments	0.1	4.4
Corporation Tax	1.3	0.7
Deferred tax assets (note 5)	3.3	3.3
	<b>42.1</b>	<b>68.1</b>

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

#### 4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	28 April 2019 (£m)	29 April 2018 Restated (£m)
Trade creditors	0.2	0.5
Amounts owed to Group undertakings	522.9	440.8
Derivative financial liabilities	-	5.6
Corporation tax	-	-
Fair value of share buyback	30.0	40.0
Other creditors	5.7	5.6
	<b>558.8</b>	<b>492.5</b>

For further details on the fair value of the share buyback instruction, see Statement of Changes in Equity.

#### 5. DEFERRED TAX ASSETS

	Other temporary differences
At 30 April 2017	1.7
Credited to the profit & loss account	1.6
At 29 April 2018	3.3
Credited to the profit & loss account	-
At 28 April 2019	3.3

The tax rate used to measure the deferred tax assets and liabilities was 17.0% (2018: 17%) on the basis that these were the tax rates that were substantively enacted at the balance sheet date for the periods when the assets and liabilities are expected to reverse.

#### 6. CALLED UP SHARE CAPITAL

	28 April 2019 (£m)	29 April 2018 (£m)
<b>AUTHORISED</b>		
999,500,010 ordinary shares of 10p each	100.0	100.0
499,990 redeemable preference shares of 10p each	-	-
	<b>100.0</b>	<b>100.0</b>
<b>CALLED UP AND FULLY PAID</b>		
640,602,369 (2018: 640,602,369) ORDINARY SHARES OF 10p EACH	64.1	64.1
<b>SHARE CAPITAL</b>		
At 29 April 2018 and 28 April 2019	64.1	64.1

The company holds 104,194,194 ordinary shares in treasury as at the period end date (FY18: 103,633,049).

## **7. POST BALANCE SHEET EVENTS**

On 21 June 2019, the Company through its wholly owned subsidiary Sportsdirect.com Retail Limited, completed the acquisition of Sofa.com Limited and subsidiaries for consideration of £1. It is impractical for the Group to perform a fair value exercise in relation to the post year end acquisition of Sofa.com given the timing of the acquisition and the signing of the financial statements.

On 21 June 2019, the Company through its wholly owned subsidiary Sportsdirect.com Retail Limited, agreed to dispose of the freehold property of Units A, B, C, D and F Brook Park East, Shirebrook, NG20 8RY (the "Property") to Kwasa Logix Sportivo Limited for a cash consideration of £120,050,000. On the same date the Company has taken on a 15 year lease of the Property and intends to continue to operate the Property as a distribution centre, offices and retail.

On 8 July 2019 it was confirmed that the Group obtained control of GAME Digital Plc, the offer subsequently became unconditional in all respects. As at 12 July 2019, it was confirmed that the Group had acquired greater than 75% of the issued share capital. The Group intends to procure the making of an application by GAME for the cancellation of trading in the GAME shares on the London Stock Exchange's main market for listed securities and listing of the GAME Shares on the premium listing segment of the Official List.

## **8. PAYROLL COSTS**

Sports Direct International plc has no direct employees, the Directors are remunerated through Sportsdirect.com Retail Ltd.

## CONSOLIDATED FIVE YEAR RECORD

Unaudited income statement

	52 weeks ended 28 April 2019 (£m)	52 weeks ended Restated 29 April 2018 (£m)	53 weeks ended 30 April 2017 (£m)	52 weeks ended 24 April 2016 (£m)	52 weeks ended 26 April 2015 (£m)
CONTINUING OPERATIONS:					
<b>Revenue</b>	<b>3,701.9</b>	3,359.5	3,245.3	2,904.3	2,832.6
Cost of sales	(2,118.4)	(2,024.4)	(1,914.7)	(1,619.7)	(1,591.8)
<b>Gross profit</b>	<b>1,583.5</b>	1,335.1	1,330.6	1,284.6	1,240.8
Selling, distribution and administrative expenses	(1,413.8)	(1,172.6)	(1,255.6)	(1,021.8)	(950.5)
Other operating income	23.4	26.5	22.5	11.1	8.3
Impairment and accelerated depreciation	(41.0)	(4.8)	(17.3)	(58.5)	(13.3)
Profit on disposal of property	8.4	16.3	-	13.5	10.3
Profit on disposal of subsidiary	-	-	79.9	-	-
Provision against receivable & other	-	-	-	(5.7)	-
<b>Exceptional items</b>	<b>(32.6)</b>	11.5	62.6	(50.7)	(3.0)
<b>Operating profit</b>	<b>160.5</b>	200.5	160.1	223.2	295.6
Investment (costs) / income	6.7	(93.3)	111.3	148.1	14.0
Finance income	40.0	3.4	18.8	3.4	8.3
Finance costs	(19.4)	(40.9)	(9.4)	(15.3)	(7.5)
Share of (loss) / profit of associated undertakings and joint ventures	(8.6)	(8.7)	0.8	2.4	3.0
<b>Profit before taxation</b>	<b>179.2</b>	61.1	281.6	361.8	313.4
Taxation	(63.2)	(37.9)	(49.9)	(82.8)	(72.0)
<b>Profit for the period</b>	<b>116.0</b>	23.2	231.7	279.0	241.4
Equity holders of the Group	112.0	201	229.9	277.4	240.4
Non-controlling interests	4.0	3.1	1.8	1.6	1.0
Profit for the period	116.0	23.2	231.7	279.0	241.4

Notes to the consolidated income statement five year record:

1. All information is presented under IFRS.
2. The five year record has been prepared on the same basis as the Financial Statements for the 52 weeks ended 28 April 2019, as set out in note 1, basis of preparation, of the Consolidated Financial Statements.

# **COMPANY DIRECTORY**

## **REGISTRAR AND TRANSFER OFFICE**

Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ  
Telephone 0370 707 4030

## **COMPANY SECRETARY AND REGISTERED OFFICE**

Sports Direct International plc  
Unit A, Brook Park East  
Shirebrook  
NG20 8RY  
Telephone 0344 245 9200  
Sports Direct International plc is registered in England and Wales (No. 06035106)

## **SOLICITORS**

Freshfields Bruckhaus Deringer  
65 Fleet Street  
London  
EC4Y 1HS

## **BROKERS**

Liberum Capital Limited  
Ropemaker Place, Level 12  
25 Ropemaker Street  
London  
EC2Y 9LY

## **PRINCIPAL BANKERS**

Barclays Bank plc  
5 The North Colonnade  
Canary Wharf  
London  
E14 4BB

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

## **AUDITORS**

Grant Thornton UK LLP  
30 Finsbury Square  
London  
EC2A 1AG

# SHAREHOLDER INFORMATION

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 11am on Wednesday 11 September 2019 at Academy House, 36 Poland Street, London, W1F 7LU. Each shareholder is entitled to attend and vote at the meeting, the arrangements for which are described in a separate notice.

## RESULTS

For the year to 26 April 2020:

- Half year results announced: 12 December 2019
- Preliminary announcement of full year results: 16 July 2020
- Annual Report circulated July / August 2020

## SHAREHOLDER HELPLINE

The Sports Direct shareholder register is maintained by Computershare who are responsible for making dividend payments and updating the register, including details of changes to shareholders' addresses. If you have a query about your shareholding in Sports Direct, you should contact Computershare's Sports Direct Shareholder Helpline on: 0370 707 4030. Calls are charged at standard geographic rates, although network charges may vary.

Address: The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

Website: [www.computershare.com](http://www.computershare.com)

## WEBSITE

The Sports Direct website at [www.sportsdirectplc.com](http://www.sportsdirectplc.com) provides news and details of the Company's activities plus information for shareholders and contains real time share price data as well as the latest results and announcements.

## UNSOLICITED MAIL

The Company is obliged by law to make its share register publicly available and as a consequence some shareholders may receive unsolicited mail, including from unauthorised investment firms.

For more information on unauthorised investment firms targeting UK investors, visit the website of the Financial Conduct Authority at [www.fca.org.uk](http://www.fca.org.uk)

If you wish to limit the amount of unsolicited mail you receive contact:

The Mailing Preference Service  
DMA House  
70 Margaret Street  
London  
W1W 8SS

Telephone: 020 7291 3310  
Email: [mps@dma.org.uk](mailto:mps@dma.org.uk) or register online at  
[www.mpsonline.org.uk](http://www.mpsonline.org.uk)

Sports Direct International plc  
Unit A, Brook Park East, Shirebrook, NG20 8RY  
0344 245 9200  
[www.sportsdirectplc.com](http://www.sportsdirectplc.com)