

SDI (Sports Direct International)

Limited

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**SPORTSDIRECT.com**

NIKE FOOTBALL



NIKE FOOTBALL



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COMPANIES HOUSE

**FORWARD TOGETHER**

Sports Direct International plc  
Annual Report and Accounts 2017



ANNELS.COM

USC

Under Armour

Nike

SPORTS

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

We aspire to be a leading sports and lifestyle retailer internationally and to deliver sustainable growth for our shareholders in the medium to long term by offering our customers an unrivalled range of high quality leading brands.

The Group's strategy is to invest in our people and our key third party brand partners in order to elevate our retail proposition to attain new levels of excellence across our multi-brand, multi-sport offering to customers.

As part of this strategy, we anticipate that the core Sports Direct business will move towards becoming the "Selfridges" of sport.

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

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

Forward Together

Sports Direct International plc Annual Report and Accounts 2017



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**EVERLAST**  
FITNESS CLUB

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# OPERATIONAL HIGHLIGHTS

## A new generation of stores to showcase the very best brands

The elevation of our sports retail proposition is vital to continue to strengthen our relationships with our key third party brand partners, to deliver benefits for our customers, and to drive the Group's long term profitability. It spans product, stores, online, and marketing, with the critical enabler being the Group's elevation of its property portfolio to facilitate a new generation of stores offering enhanced levels of excellence.

We have continued to invest in rolling out more of our new generation retail destinations, which include one or more of the Group's Sports Retail, Premium, Lifestyle and Fitness fascias, together on a single site.



**#SDFOOTBA**

**SPORTS  
DIRECT.COM**

**SPORTSDIRECT.COM**

#SDFOOTBALL

AVAILABLE NOW IN STORE AND ONLINE  
**SPORTS  
DIRECT.COM**

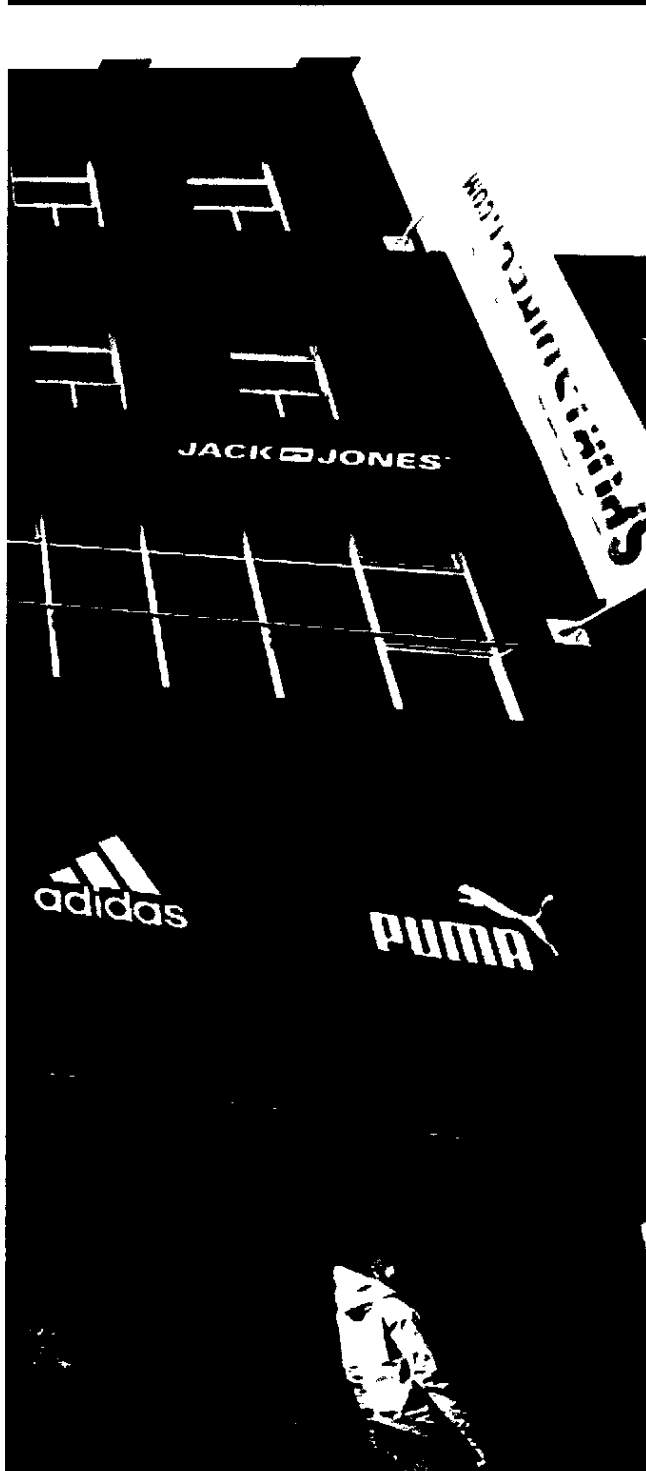
THE HOME OF  
FOOTBALL

**WE ARE THE PRIDE**  
THE NEW 2017 IS CHELSEA FC

APPROXIMATELY

OPERATIONAL HIGHLIGHTS





Dublin  
Approximately 35,000 sq.ft.



OPERATIONAL HIGHLIGHTS

Sunderland  
Approximately 38,000 sq.ft.







OPERATIONAL HIGHLIGHTS

TIERRO  
DOMINATING TOUCH



NIKE FOOTBALL

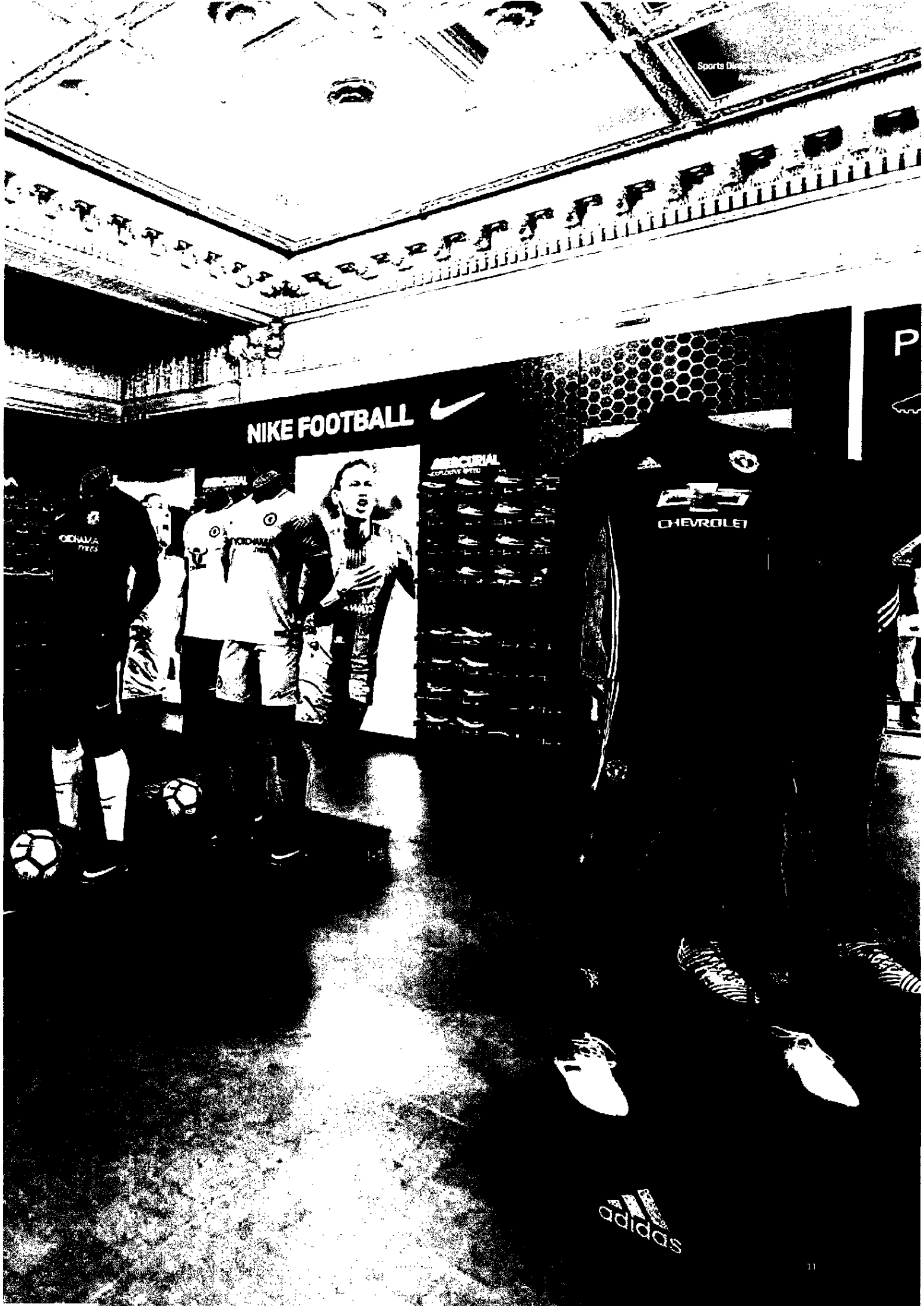


MODVIO



**Lillywhites**

Piccadilly  
Approximately 35,000 sq.ft.



Sports Design

NIKE FOOTBALL



MERCURIAL

COLLAPSE SPEED



adidas

OPERATIONAL HIGHLIGHTS

# FLANNELS





Our new Flannels flagship store and premium office facility in Oxford Street in London is due to open in 2018.

## OPERATIONAL HIGHLIGHTS

### Brand showrooms completed

FY17 saw the completion of new showroom suites at our head office, which were individually developed by our brand partners Nike, adidas, Puma and Under Armour.

Each showroom is a bespoke brand centre, which ensures our third party brand partners are deeply embedded within the DNA of Sports Direct.





## Proud of our people

We are proud of the people who work at Sports Direct and we will continue to make their welfare a priority.

In FY17, our people in the UK elected the Company's first Workers' Representative, Alex Balacki, who will attend Board meetings on behalf of the Sports Direct family, which numbers c. 29,000 people.



STUDIO DIRECT  
OPERATIONAL HIGHLIGHTS







## A multi-brand, multi-sport, retail experience

We have embarked on a number of UK-wide joint marketing initiatives with our third party brand partners in order to support new product releases over the year. This has seen our product offering extend further towards enhanced levels of excellence as we gain access to more of the 'best' products on the market. Highlights in FY17 included the continued Nike CR7 campaign and multiple adidas campaigns, including the Speed of Light boot launch.

# BRAND HIGHLIGHTS

## Strengthening our ties with brand partners

Our relationship with the adidas group has built on the momentum of FY16 and continued to grow with successful campaigns in football, such as the Speed of Light, Red Limit and Blue Blast boot launches. Working together to expand on football, we also had great campaigns featuring the Neo footwear in the lifestyle category and Cloudfoam footwear in running. Through dedicated teamwork and an improved joint business planning process we have been able to deliver significant sales growth with the adidas brand through FY17.

FY17 also saw the continued rollout of adidas' elevated in store presence with new 'HomeCourt' concept shop fits being rolled out in key new generation stores alongside new and improved boot room walls. New generation stores such as Dublin, Sunderland and Solihull have had full shop-fits, which have increased and elevated brand presence in store and given customers a much-improved shopping experience.

To maintain this momentum through FY18, adidas is continuing to invest heavily with us around key marketing campaigns to drive self through at the point of sale, both online and in-store.

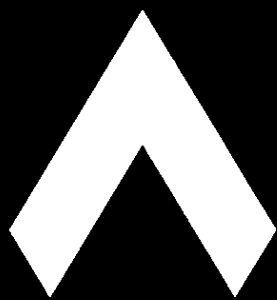
### adidas Blue Blast Campaign

- Store window takeover in 575 doors
- 415 Boot Room installations
- Website front-page takeover
- Social media advertising
- Print advertising



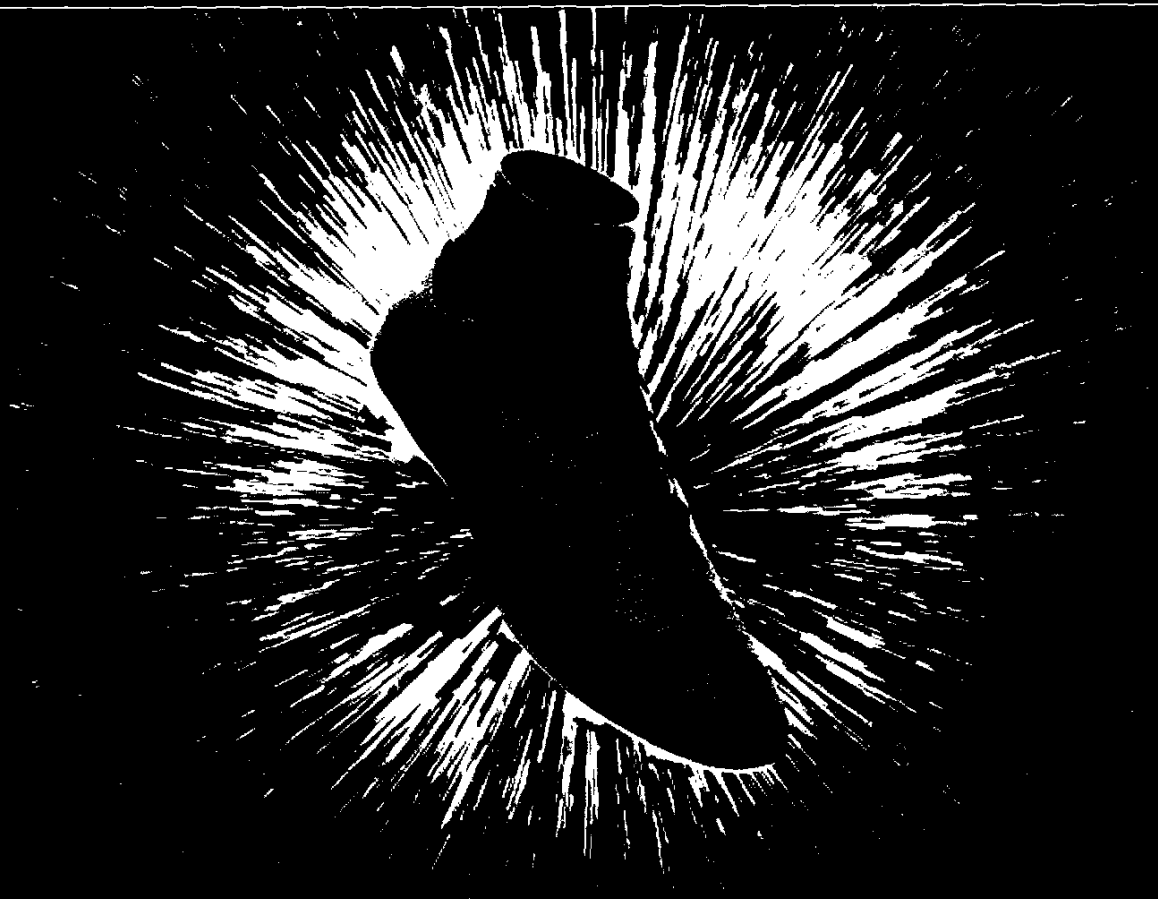


adidas



# NEVER FOLLOW

## BRAND HIGHLIGHTS



FY17 has been a resounding success story for Nike with joint elevated marketing campaigns starting in November with the CR7 boot launch which included store window takeovers, TV, print and out of home advertising in London, alongside a full digital and social media campaign. This was followed up by the Hypervenom campaign in February 2017 and the CR7 Chapter 4 campaign in April 2017.

We continue to focus on elevating our retail environments and the Nike brand presentation within them, to provide our customers with great shopping experiences.

Nike has continued to invest heavily in the team dedicated to the Sports Direct business, which now numbers more than 20, and working together we deliver exceptional Nike brand spaces in key categories such as Training, Football, Lifestyle and Running. Recently we have engaged with Nike on the introduction of digital screens in stores such as Oxford Street, Piccadilly, Shirebrook, Glasgow and Dublin with a view to an extended rollout through FY18.

# SPORTS DIRECT.COM

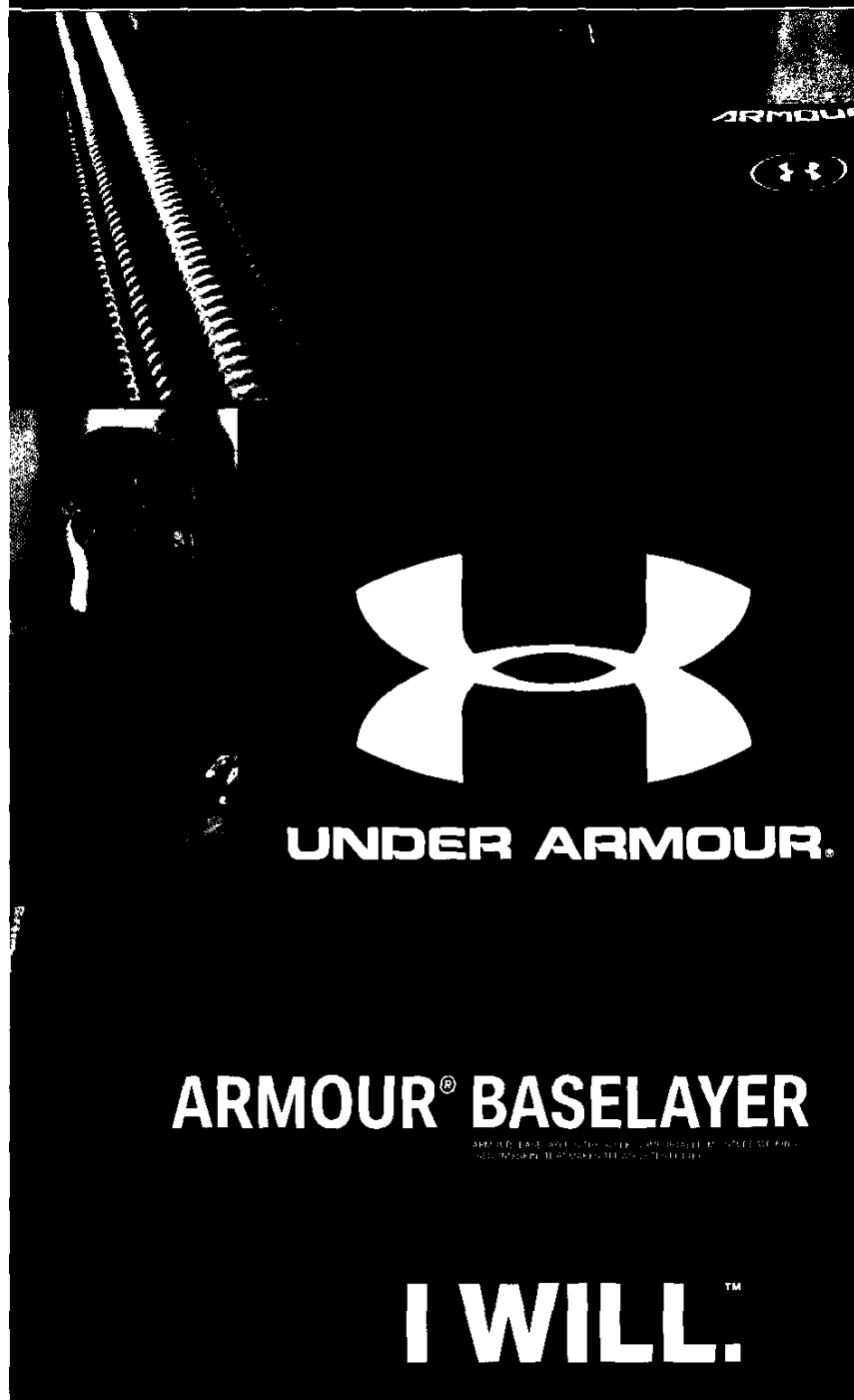
## Nike CR7 Campaign

- TV Advertising
- Store window takeover in 593 doors across Europe
- 413 Boot Room installations
- Website front-page takeover
- Out of home advertising in London
- Social media advertising
- Print advertising

EXPLOSIVE

CR7  
NIKE

BRAND HIGHLIGHTS




**UNDER ARMOUR.**

**ARMOUR® BASELAYER**

ARMOUR® BASELAYER: A NEW CONCEPT. A NEW LEVEL OF PERFORMANCE. A NEW WAY TO FEEL THE POWER OF UNDER ARMOUR.

**I WILL.™**





Under Armour is continuing to work with us to expand the brand presence in Europe and has delivered two successful campaigns with a multi-sport clothing campaign in September 2016, and the Anthony Joshua training campaign in March 2017.

The brand's presence in-store is continuing to improve with shop-fits in new stores and a rollout plan to improve existing large format stores throughout FY18. Under Armour will see an increased presence in stores, elevated brand executions online and an excellent range of products across Training, Running, Football, Golf and Lifestyle.

The brand will utilise its global athletes such as Anthony Joshua, Andy Murray and Jordan Spieth, as it continues to grow in Europe and play a major part in the Sports Direct offering going forward.

#### Anthony Joshua Training Campaign

- Store window takeover in 638 doors
- Website front-page takeover
- Social media advertising
- Print advertising

THE VELVET ROPE COLLECTION

# DO YOU

Puma remains a key brand partner and FY17 saw Puma continue to invest with the introduction of their new concept shop-fits in key new generation stores. This year we have had a number of successful campaigns which have included key replica launches around the Euro 2016 championships, Usain Bolt leisurewear around the Rio Olympics, and the Puma Tricks football boot campaign in June of this year.

FY18 is sure to be a growth year with the exciting Velvet Rope women's training campaign and the Puma One football campaign. Along with in-store and digital presence Puma have also invested in advertising on TV, Billboards and Digital.





**PUMA**  
FOREVERFASTER



BRAND HIGHLIGHTS



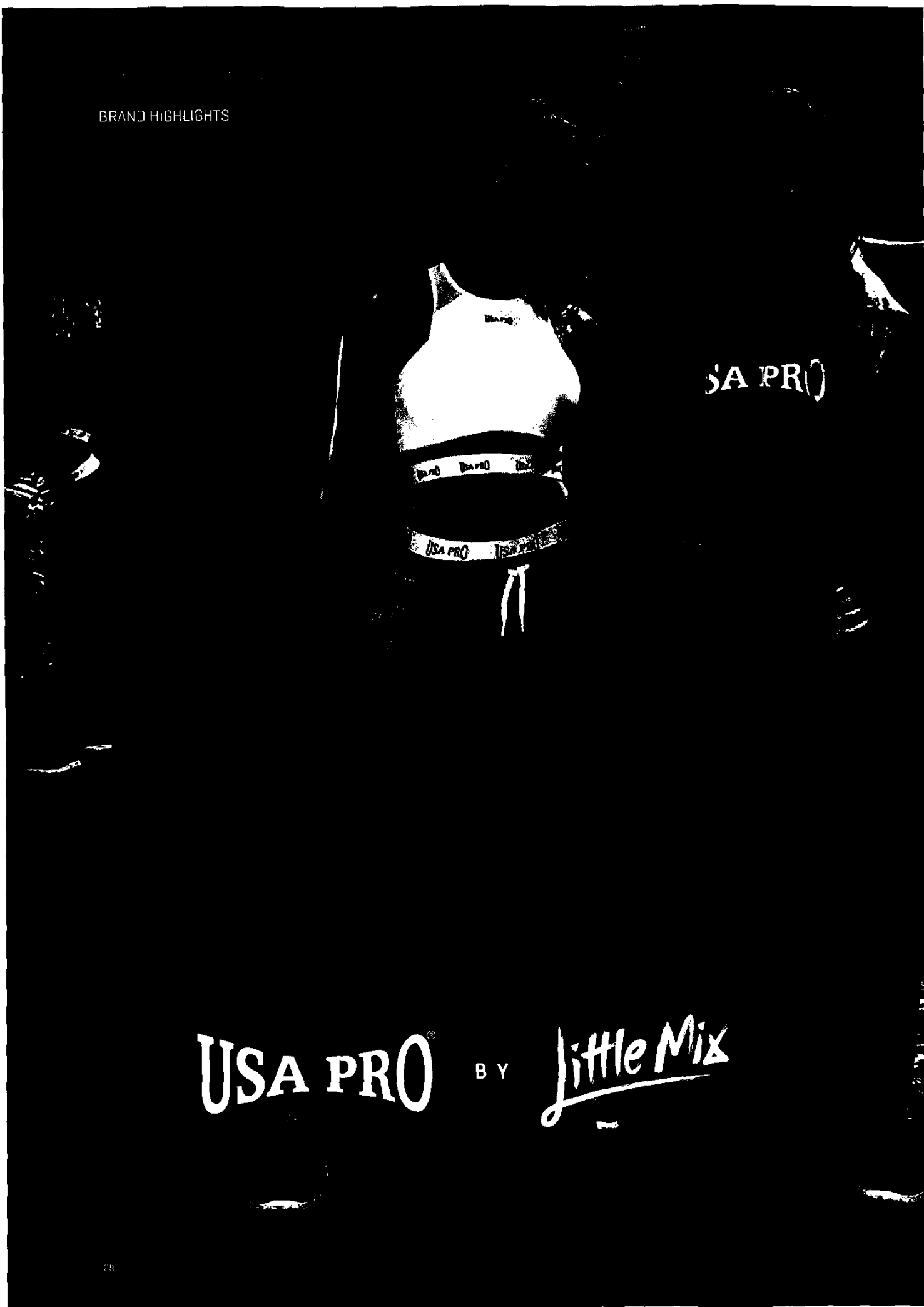
No Fear announced a collaboration with grime artist Skepta. Renowned for his hard-hitting lyrics and unique urban style, Skepta will work closely with us to develop a Motocross-inspired range in the next 12 months.




OFFICIAL PARTNER

Lonsdale reaffirmed itself as an iconic boxing brand by becoming the official clothing and equipment partner of GB Boxing. We are thrilled to be working alongside the boxing stars of the future and look forward to supporting them on their journey to the Tokyo Olympic Games in 2020.

BRAND HIGHLIGHTS



USA PRO<sup>®</sup> BY *Little Mix*



USA Pro global ambassadors Little Mix took the female fitness market by storm with their first sell out co-branded range. Due to monumental success, the girls are currently working on their second co-branded range, which will launch in summer 2017 and include a junior fitness range. In addition, the brand has continued to grow across all social channels due to the new focus on influencer content creation, further establishing its position in the fitness market.

## BRAND HIGHLIGHTS

Slazenger continues its long-term partnership with Wimbledon, which has now stood for 115 years, the longest partnership in sporting history. To celebrate this milestone, Slazenger has created a marketing campaign that aims to capture the prestige and longevity of the brand, whilst highlighting the role Slazenger has played in delivering historic moments on the world stage at The Championships.

The campaign is spearheaded by the first TV advert in the brand's history which takes viewers on a journey through the years, starting in 1902, to highlight the history between Slazenger and Wimbledon.

Slazenger released its first co-branded swimming collection with Olympic gold medallist, Becky Adlington. Due to the success of the range, Slazenger and Becky are currently designing a second range to launch at the end of 2017.





OFFICIAL SUPPLIER



• 115 YEARS •

THE LONGEST PARTNERSHIP  
IN SPORTING HISTORY



SPORTSDIRECT.COM

BRAND HIGH

# GREATN

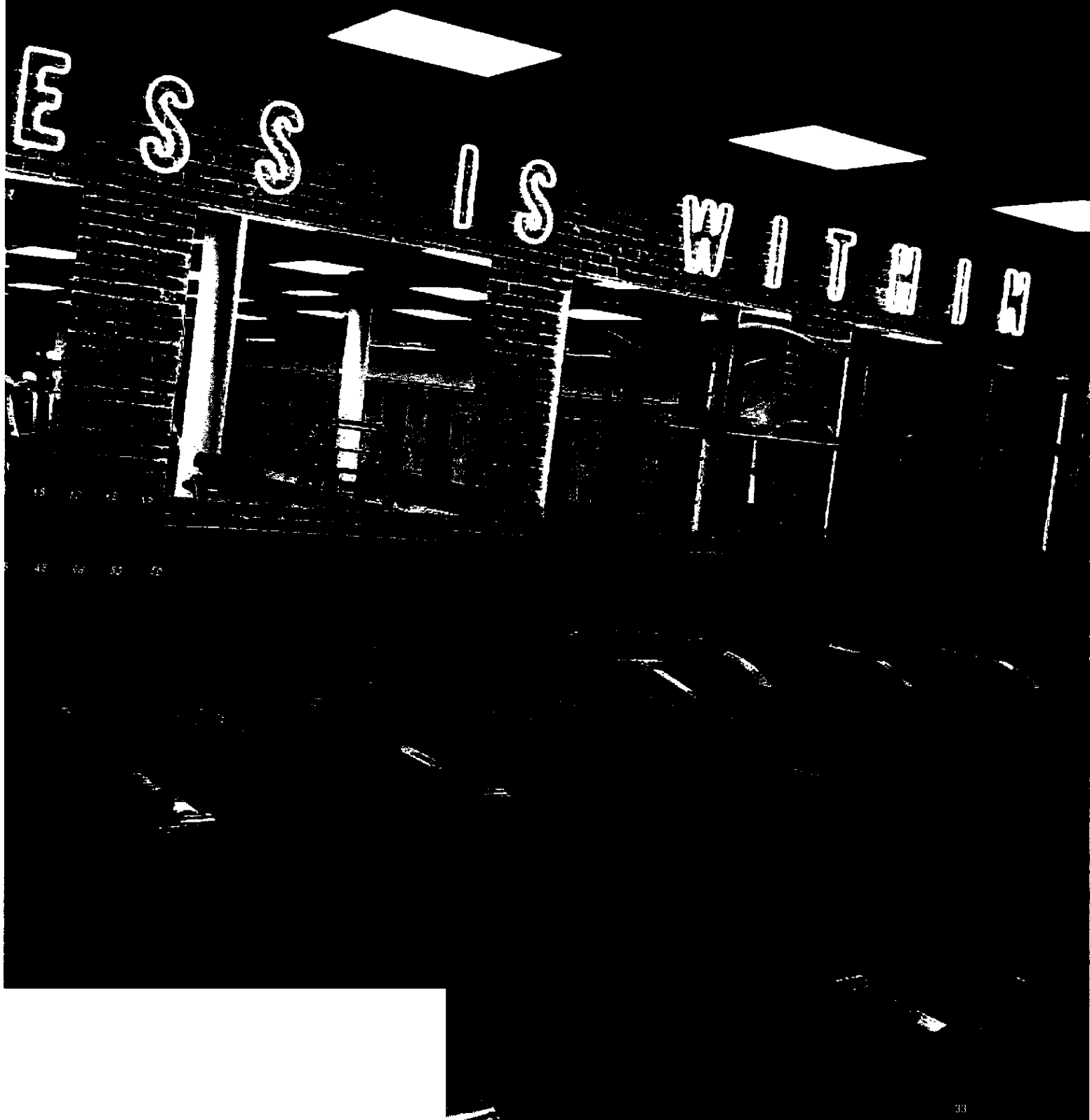
The fitness clubs that are located on our retail sites will increasingly be branded under the banner of Everlast. The first Everlast-branded gym opened its doors in Southport towards the end of 2016. It has a premium feel throughout with almost 100 pieces of the latest cardio, resistance and strength equipment.

Since opening, the club has attracted a strong membership and The Everlast Fitness Club brand has been strengthened with further clubs and the recent introduction of Everlast Personal Trainers - all with the same objective in mind - to help members find their greatness within!

There are approx. four new Everlast Fitness Clubs scheduled to open in FY18 as we look forward to enhancing the brand and continuing to engage more members of the community in an active lifestyle.



MFG. CO.  
**EVERLAST**  
EST. 1910  
**FITNESS CLUB**



# FINANCIAL HIGHLIGHTS

- Group revenue increased by 11.7%
  - UK Sports Retail revenue increased by 6.3%<sup>1</sup> Excluding acquisitions and 53rd week, revenue increased by 2.6%
  - UK Sports Retail like-for-like stores gross contribution was up +0.3%<sup>2</sup>
- International Sports Retail revenue increased by 38.0%<sup>1</sup>
  - Currency neutral, excluding acquisitions and 53rd week, revenue increased by 5.9%
  - International Sports Retail like-for-like stores gross contribution was -0.8%<sup>2</sup>
- Group underlying EBITDA<sup>3</sup> decreased by 28.5% to £272.7m
- Underlying profit before tax decreased by 58.7% to £113.7m largely due to currency movements and increased depreciation charges
- Underlying earnings per share decreased by 67.9% to 11.4p<sup>4</sup>
- Underlying free cash generation of £173.7m<sup>5</sup>
- Net debt increased to £182.1m (£99.7m at 24 April 2016)<sup>6</sup>
- Invested £317.0m in property assets as we execute our strategic priority to elevate our sports retail proposition
- £79.9m exceptional profit on the disposal of the Dunlop brand

<sup>1</sup> Excludes acquisitions and the 53rd week of the financial year at the Dunlop Group, New and the Dunlop

<sup>2</sup> Excludes acquisitions and the 53rd week of the financial year at the Dunlop Group, New and the Dunlop

<sup>3</sup> Excludes acquisitions and the 53rd week of the financial year at the Dunlop Group, New and the Dunlop

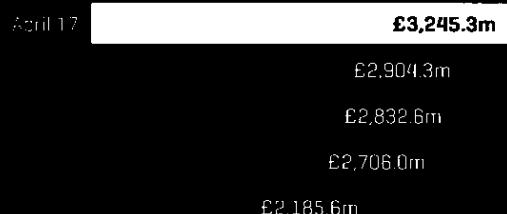
<sup>4</sup> Excludes acquisitions and the 53rd week of the financial year at the Dunlop Group, New and the Dunlop

<sup>5</sup> Excludes acquisitions and the 53rd week of the financial year at the Dunlop Group, New and the Dunlop

<sup>6</sup> Excludes acquisitions and the 53rd week of the financial year at the Dunlop Group, New and the Dunlop

## Group Revenue

+11.7%



## Underlying EBITDA<sup>(1)</sup>

28.5%



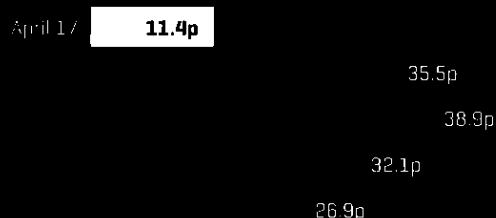
## Underlying PBT<sup>(1)</sup>

-58.7%



## Underlying EPS<sup>(1)</sup>

67.9%



"Sports Direct is on course to become the "Selfridges" of sport by migrating to a new generation of stores to showcase the very best products from our third party brand partners. We have invested over £300m in property over the last year, and I am pleased to report that early indications show that trading in our new flagship stores is exceeding expectations.

We will continue to invest and make decisions for the long term, whilst trying to conservatively manage the currency volatility that is reflected in our full year results. As previously announced, the devaluation of Sterling against the US dollar has led to a significant impact on EBITDA and profits in FY17. We have put in place hedging arrangements to minimise the short-term impact of currency volatility, but like many UK retailers we remain exposed to medium / long term currency fluctuations. Our results were also impacted by provisions and depreciation charges.

I would like to thank all our people at Sports Direct for ensuring that we continue to move forward together whilst elevating our retail proposition."

**Mike Ashley**  
Chief Executive  
19 July 2017

## SPORTS DIRECT AT A GLANCE

Sports Direct is the UK's largest sporting goods retailer by revenue and operates a diversified portfolio of sports, fitness, fashion and lifestyle fascias and brands throughout the UK, and in locations in Europe, the U.S. and Asia.

We aspire to be a leading sports and lifestyle retailer internationally and to deliver sustainable growth for our shareholders in the medium to long term by offering our customers an unrivalled range of high quality leading brands.

The Group's strategy is to invest in our people and our key third party brand partners in order to elevate our retail proposition to attain new levels of excellence in our multi-brand, multi-sport offering to customers. As part of this strategy, we anticipate that the core Sports Direct business will move towards becoming the "Selfridges" of sport.

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

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

The Group continues to enhance its store portfolio and Sports Retail now operates c.757 stores in the UK and internationally.

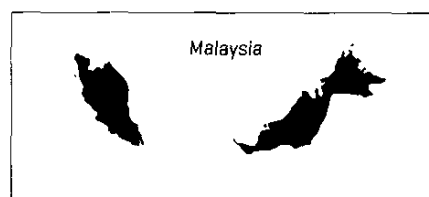
The Group operates through four strategic business segments: UK Sports Retail, International Sports Retail, Brands and Premium Lifestyle.















### STORE COVERAGE

[No. of Stores]	UK Sports Retail	International Sports Retail	Premium Lifestyle
2016	473	*281	83
2017	468	*289	73

\*Includes stores in Malaysia FY17: 25 (FY16: 20 stores).



UK Sports Retail	International Retail	Brands	Premium Lifestyle
<p><b>SPORTSDIRECT.COM</b></p> <p><i>Lillywhites</i></p> <p> <b>sweatshop.com</b> <small>WE KNOW RUNNING</small></p> <p><b>field &amp; trek.com</b></p> <p><b>DIRECTGOLF.co.uk</b></p> <p> <b>ROBINSONS</b> <small>EQUESTRIAN.COM</small></p> <p><b>SPORTSDIRECT</b> <small>FITNESS.COM</small></p> <p> <b>EVERLAST</b> <small>FITNESS CLUB</small></p>	<p><b>eybl</b></p> <p> <b>SPORTLAND</b></p>	<p> <b>Slazenger</b></p> <p> <b>NO FEAR</b></p> <p> <b>LONSDALE</b> <small>LONDON</small></p> <p><b>SOULCAL &amp; CO</b></p> <p> <b>EVERLAST</b></p> <p><b>MUDDYFOX</b> </p> <p><b>USA PRO</b></p> <p><b>Firetrap</b></p> <p> <b>KANGOL</b></p> <p> <b>Sondico</b></p> <p> <b>karrimor</b></p> <p><b>NEVICA</b></p>	<p><b>FLANNELS</b></p> <p><b>USC</b> <small>USC.CO.UK</small></p> <p><b>CRUISE</b></p> <p><b>van mildert</b></p>

## UK Sports Retail

65.8% Total Revenue  
£2,136.4m  
Up 6.3%

468 stores and c.5.2m sq.ft. of retail space

\* Includes 53rd week

\* Includes full year contribution from Heaton's Northern Ireland



UK Sports Retail includes the Group's core sports retail store operations in the UK, all of the Group's sports retail online business globally, the Group's Fitness Division, and the Group's Shirebrook campus operations, as well as the Heaton's Northern Ireland stores.

Sports Retail offers a full multi-channel retail approach across multiple fascias, supplying customers with the broadest range of sports and leisure equipment and apparel from the world's leading brands.

Within UK Sports Retail, the Group also operates 32 fitness gyms, of which five are combined with sports retail destinations, as we seek to elevate our retail proposition to include more new generation and flagship-style stores.

Our fascias offer a full multi-channel retail approach in the UK and our store footprint is significant with c. 468 stores plus additional concessions across the UK, totalling c.5.2m sq. ft. in retail space. The majority of stores are operated under the SPORTSDIRECT.COM fascia. Our new generation stores include 13 flagship stores in key locations across the UK and Ireland including Oxford Street in London, Leeds, Southport, Southampton, Dublin, and Glasgow.

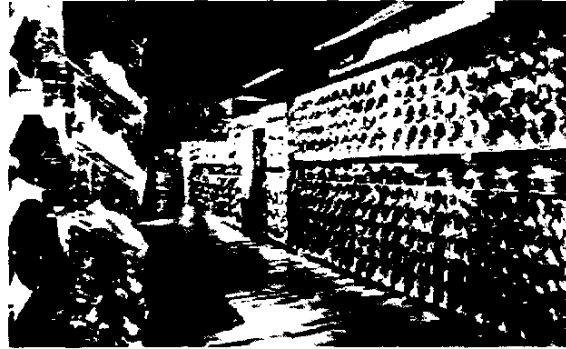
## International Sports Retail

20.5% Total Revenue  
£665.6m  
Up 38.0%

289 stores and c.3.9m sq.ft. of retail space

\* Includes 53rd week

\* Includes full year contribution from Heaton's Republic of Ireland



International Sports Retail includes all the Group's sports retail stores, management and operations outside of the UK, including the Group's European distribution centres in Belgium and Austria. It's headline performance this year is largely attributable to the impact of the acquisition of the Heaton's business in the Republic of Ireland and Northern Ireland, the results of which are included in UK Sports Retail, which was completed in November 15.

The division spans operations in Europe, the U.S and Asia, with 289 stores and concessions globally. It increasingly offers a multi-channel retail approach across multiple fascias, and leverages the Group's ability to supply customers with a broad range of sports and leisure equipment and apparel from the world's leading brands.

During FY17, management determined to change the Group's approach to its European stores over the medium term and work is underway to further tailor the Group's customer value propositions to our local markets. We expect this and other factors to present further significant challenges from this division in the medium term.

## Premium Lifestyle

6.2% Total Revenue  
£202.2m  
Up 11.6%

\* Includes 53rd week



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

The division offers a full multi-channel retail approach and is supported by our Group-wide centralised commercial and support functions, giving the benefit of scale and operating efficiencies to each fascia. The division 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.

## Brands

7.4% Total Revenue  
£241.1m  
Up 4.1%

\* Includes contribution 53rd week



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

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

The Group placed a strong focus during the year on its core UK and International Sports Retail business, in order to prioritise the continued development of our relationships with our key third party brand partners, as we elevate our sport retail proposition. The Group has maintained a number of UK-focused brands to preserve value, and is proud to have a number of high-profile sporting and entertainment personalities, as well as international sporting events and sporting venues, as ambassadors.

## OUR IMPACT SINCE 2007

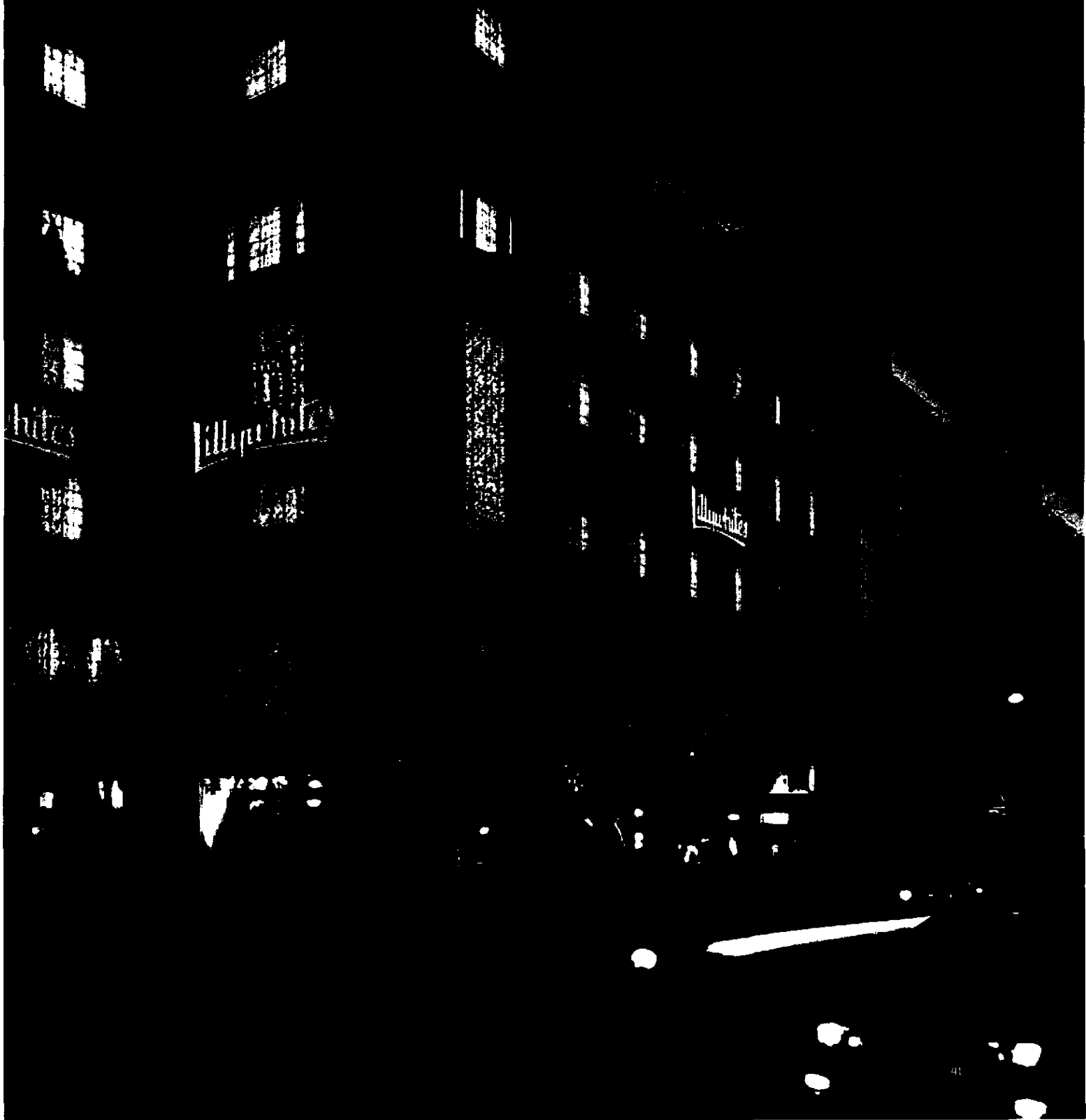
We became a listed public company in 2007. In the ten years since we floated, the Group has greatly contributed to the British economy.

This includes:

- c.£220 million paid in staff share bonuses\*
- c.£100 million paid in sales commission to retail staff
- Created 4,800 new jobs in the UK, where we currently have 17,400 directly engaged staff
- Contributed c.£420 million in UK Corporation Tax
- Contributed c.£1,300 million in VAT and Duty
- Contributed c.£120 million in NI employer contributions

\* Figure includes shares that become eligible to vest in September 2017.





# CHAIRMAN'S STATEMENT

## OVERVIEW

FY17 has been a transitional year for the Company and for our people, whom I would like to thank for their continued commitment and loyalty. Management stated our strategic priorities in our H1 announcement as being our people; the elevation of the Group's sports retail proposition towards our long-term aspiration to make Sports Direct the 'Selfridges' of sports; and, improving stakeholder engagement.

FY17 Underlying EBITDA was down 28.5% to £272.7m, largely as a result of the devaluation of GBP and subsequent deterioration in the Group's gross margin, and the requirement to increase the Group's inventory provisions and onerous lease provisions over the period. Underlying PBT was down 58.7% to £113.7m, and was further impacted by an increase in the depreciation charge as a result of a change in capitalisation threshold, a reduction in the useful life of certain assets, and the depreciation related to the Company's strategic property investment to elevate the sports retail business.

During the year, the Group generated free cash flow of £173.7m, and undertook capital expenditure of £419.5m, including £317.0m in property acquisitions. Net Debt increased from £99.7m to £182.1m, mitigated by management's decision to divest some of its strategic investments during the period, which resulted in net proceeds on disposal of investments of £165.5m. The Group maintains substantial financial resources and a strong balance sheet.

## STRATEGY AND STRATEGIC PRIORITIES

The elevation of our retail proposition continues to be a key objective. We have made good progress in laying the foundations for this in the UK and elsewhere through the management of our property portfolio. We continue to open more new generation and flagship style stores to enhance our offering to customers and further improve our relationships with third party brands. In terms of management's plans to change the Group's approach in International Sports Retail, we have commenced developing more tailored approaches to key local markets, and have begun initially implementing this in selected countries.

Sports Direct and ASICS are excited to announce the formation of a new strategic partnership in response to the ever changing demands of the running consumer in today's Sporting Goods marketplace. The two businesses have been in dialogue over the last few months on how best to serve runners with a relaunch of ASICS statement product offer within an ASICS managed space at Sports Direct's premium flagship stores which they aim to bring to market in early Spring 2018. This is an important step in Sports Direct's journey to being recognised as the 'Selfridges' of Sport and aims to build upon the retail brand's most recent positioning as 'The Home of Football' with a renewed focus on another innovative performance sports category with great potential for growth.

## OUR PEOPLE AND OUR PRACTICES

We have made positive progress across the business as we continue to strive to ensure that all of our people are treated with dignity and respect. Following publication of the Working Practices Report in September 2016, the Board and senior management have continued our comprehensive review of our arrangements for staff, both in stores and at our Shirebrook campus. As part of this work, we have launched a rolling initiative to capture staff feedback called 'Your Company, Your Voice'. This enables all of our people within the UK, along with agency workers in Shirebrook, to raise any issues of concern or suggestions for improvements. All contributions are carefully monitored so that early action can be taken where appropriate. Details of other measures, including a new staff Health & Safety Committee and a staff Wellbeing Service, are included elsewhere in this Annual Report. A recent survey of workers in Shirebrook, to which 3,300 people responded, showed that an overwhelming majority of people in our warehouse currently feel they are treated with respect. We have used the results of this survey to identify any areas that require further attention. However, we recognise there is no room for complacency and our work remains ongoing. With this in mind, the Company's first UK Workers' Representative, Alex Balacki, was elected by staff, and I have no doubt that Alex's contribution will prove invaluable to the Board as the Sports Direct family continues to move forward together.

## BOARD & MANAGEMENT CHANGES

The Board appointed Mike Ashley as the Chief Executive, following the departure of Dave Forsey in September 2016. I was pleased to note that Mike's appointment was positively welcomed by a number of shareholders. Our long-serving key staff members Karen Byers and Sean Nevitt were promoted, to the roles of Global Head of Operations and Global Head of Commercial respectively, alongside Mike in the senior management team. In December, we were pleased to appoint a new non-executive director, David Brayshaw. David brings to the Board over 30 years' experience in investment and commercial banking. In addition to the departure of Dave Forsey, FY17 saw the departure of Matt Pearson as Acting Chief Financial Officer. We are pleased to have appointed Jon Kempster as Chief Financial Officer ("CFO"). Jon will join the Company as CFO and an Executive Director on the Board on 11 September 2017. Jon joins Sports Direct with a wealth of public company experience in multinational organisations across multiple sectors, and has a strong track record of delivering operational performance transformation, corporate development and restructuring, strategy implementation and investor relations. Since period end, Claire Jenkins has stepped down as a Non-Executive Director and Dave Singleton has announced that he will not stand for re-election at the AGM in September 2017. We were pleased to announce David Daly as a new Non-Executive Director. Mr Daly will join the Board and the audit committee with effect from 2 October 2017. David has 30 years' international experience in the sporting goods industry working for Nike until his retirement in 2015, most recently as Senior Director for Nike's Club and Federation Business based in Amsterdam.

## CORPORATE GOVERNANCE

We announced in January that a further 360 review of the Company, to include working practices and corporate governance, would be led by Reynolds Porter Chamberlain LLP ("RPC"), who are legal advisors to the Company. In FY17, this process primarily focused on our people, as set out above. In terms of stakeholder engagement, Mike Ashley and I have attended collective meetings with stakeholders on set dates in the financial calendar. Details of our current engagement policies are set out in our Engagement Statement on the Group website. Meanwhile, an independent third party, NJMD Corporate Services Ltd, has carried out our tri-annual Board evaluation and we intend to review the results in due course. In relation to my own position, I did not receive support from a majority of independent shareholders who voted at the 2016 AGM, and therefore I stood for re-election on 5 January 2017, when I was re-elected. I am grateful for the support that I received and I hope that the progress we have made over the last 12 months will be taken into account by shareholders prior to the next shareholder vote at our AGM in 2017.

## ACQUISITIONS AND DIVESTMENT

The Group identified a number of strategic acquisitions and divestment opportunities. This included continuing to capitalise upon international opportunities where they may arise. In our FY17 H1 statement, the Group announced it had acquired the remaining 49% interest in Cacifo Comercio de Artigos de Desportos S.A., our sports retail business in Portugal. We later announced the acquisition of approximately 50 retail stores comprising Bob's Stores and Eastern Mountain Sports in the US, which completed after the year end. This acquisition will provide a footprint in US retail and a platform from which to grow US online sales. We also announced the divestment of the Dunlop brand to Sumitomo Rubber Industries Ltd. This was in line with the elevation of sports retail, as it facilitates greater bandwidth to develop our relationships with third party brands, and focus on the other distinctive brands within the Group.

## LONG TERM INCENTIVES

The Group's Share Schemes are a key element to attract and motivate employees. With the 2015 Share Scheme having lapsed in FY16, the Board and management team have been working to develop a new incentive scheme for the Group, and this remains the case. The final tranche of the Share Awards relating to our 2011 Share Scheme are due to vest in September this calendar year and will result in c. 14 million shares vesting to c. 2,000 eligible participating employees. As announced at FY17 H1, as a result of the continued volatility in Sports Direct's share price, the Company has decided to commit to delivering a minimum value for the Share Awards made under the 2011 Share Scheme. The minimum value will be fixed at £3 for each share awarded to participants and is designed to reduce the impact of recent share price volatility on the financial outcomes of our people. If eligible employees choose to postpone vesting until 2018, the £3 minimum value will rise to £4.

## CAPITAL MANAGEMENT

The Board has decided not to pay a dividend this year. We will continue to keep this under review. The Board ensures that sufficient capital is retained within the Group to meet its strategic objectives. We continued to conduct our Share Buyback Programme during the period, pursuant to the authority granted to us at the 2016 AGM. During the period to 30 April 2017 the Company has purchased 37,173,026 ordinary shares at a cost of £108,689,056 (excluding purchasing costs) and representing 5.80% of the issued share capital. The maximum number of shares held in treasury by the Company during the period was 79,310,534 representing 12.38% of the issued share capital. No shares have been disposed of by the Company. As at 18 July 2017 the Company has purchased an additional 31,702,877 ordinary shares at a cost of £93,482,879 (excluding purchasing costs) and representing 4.95% of the issued share capital. No shares have been disposed of by the Company to this date. The Group has invested £317.0m in FY17 in property assets, consistent with our announced intentions to invest in excess of c. £300m in property assets per annum over a 2 to 4 year period.

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. While no minimum or maximum ratios are set, following careful assessment, the Board has revised our objective of keeping the ratio of net debt to underlying EBITDA, from 2.5x to 3x, in order to give the Group greater flexibility. Net debt to underlying EBITDA is currently 0.6x.

## OUR ACHIEVEMENTS AND OUR VALUES

Finally, I feel it appropriate that I should conclude by recording the fact that 2017 sees the passing of ten years since Sports Direct became a public company. During that time, we have helped to change lives by paying our people around £320 million in share bonuses and other rewards on top of their normal wages. We have also contributed over £1.8 billion towards the UK economy in taxation. Over the same period, we have created c.4,800 new jobs in the UK, as the Sports Direct family has grown. We have invested millions in our stores, which is increasingly being recognised by local councils for the rejuvenating effect that it has within communities.

I am also pleased to announce that Sports Direct has recently joined the Retail Trust, the leading staff welfare charity, which enjoys the patronage of Her Majesty the Queen. It is my firm belief that Sports Direct is a company of which Britain can rightly feel very proud.

**Dr. Keith Hellawell, QPM**  
Non-Executive Chairman  
19 July 2017

## OUR BUSINESS

From our beginnings as a standalone sports store in Maidenhead in 1982, Sports Direct today operates a diversified portfolio of sports, fitness, fashion and lifestyle fascias and brands. We aspire to be a leading sports and lifestyle retailer internationally, and to deliver sustainable growth for our shareholders in the medium to long term. *Sports Direct's c. 29,000 people work together to serve customers and communities, work with our third-party brand partners, and our Group Brands and suppliers. Our values are: operating as one team; planning for success; striving to lead and energise others; doing things the right way; creating a good impression; wowing our customers; and delivering results.*

### BUSINESS MODEL

Last year the Group commenced re-aligning its business model towards our key medium to long-term strategic goal, which is to elevate our retail proposition in the direction of becoming the 'Selfridges' of sports retail. We have used this term to describe our Elevation Strategy to enhance our offering to customers towards new levels of excellence, in our multi-sport and multi-brand offering to customers. The Elevation Strategy includes rolling out a new generation of stores, which include flagship-style stores that average approximately 40,000 sq. ft. These flagship stores are of sufficient scale and are ideally located, in order to showcase the very best products that our third party brand partners are able to offer to our customers.

*This elevation is vital to continue to strengthen our relationships with our third-party brand partners; to deliver benefits for our customers; to drive the Group's long-term profitability, and to ensure we move forward together to offer an unrivalled range of global brands. Our elevation plans span product, stores, online, and marketing, and will equip the Group to continue to deliver an unrivalled range of leading global brands through new generation retail concepts that appeal to a broad range of consumers.*

Below we have outlined the key components of our business model in more detail: our offer to customers, our fascias and retail channels, our third party brand partners and our Group Brands, our National Distribution Centre at our Shirebrook campus, our centralised commercial and support functions, and our people.

### OUR OFFER TO CUSTOMERS

Our overarching commitment to our customers continues to focus on delivering an unrivalled range, availability and quality of products – both third party brand and Group branded products – with different customer value propositions across our sports retail, lifestyle and premium fascias.

In UK Sports Retail, we offer a complete range of sporting apparel, footwear and equipment through our predominant fascia, SPORTSDIRECT.com. Our current forward looking view is that the majority of our customer offer must include third party brands, and the elevation of our sports retail proposition is key to ensure we are fully aligned with our third-party brand partners' future directions and ambitions.

For International Sports Retail, we are evolving our customer proposition in line with the strategy, while also seeking to tailor our proposition more to the local markets where we operate.

The Fitness Division comprises 32 gyms located across the UK. Our sites were largely accumulated through the acquisition of 25 LA Fitness gyms. A further three gyms have been co-located with SPORTSDIRECT.com retail stores. We have been working on our customer proposition in Fitness and this year we have continued to invest in product development, as well as new equipment and re-modelling of the LA Fitness club layouts. We have recently re-branded some gyms as Everlast, a Group brand, to offer greater differentiation and customer appeal.

Our Premium Lifestyle division includes the Group's premium fascias such as Flannels and lifestyle fascias like USC, and is a core component of the Elevation Strategy and our new generation retail concept. Its focus is to offer fashion conscious shoppers a large format, premium multi-brand retail destination with high-end and on trend products.

Our new generation concept brings together the breadth of the Group across sports retail, lifestyle, premium, and fitness, and spans the Group's channels, with our key elevation initiatives being mirrored across stores, online, and our marketing initiatives. The creation of these retail destinations boosts our appeal to more customers, and generates operating synergies for the Group.

### OUR FASCIAS AND RETAIL CHANNELS

The Group has a range of fascias and our retail channels include standalone sites/stores and multi-fascia retail spaces, concessions within department stores, such as Debenhams, and online, including partnership arrangements.

The focus of our fascia and retail channel approach has evolved this year as we elevate our sports retail proposition and implement our new generation retail concept, introduced above. Our new generation stores will typically include exceptional visual merchandising and branded category areas, and lead with third party branded performance areas; an extensive sport category offering; adjacent lifestyle and/or premium store/s, and a branded fitness gym. They can be situated in prime retail shopping areas, or in out of town shopping destinations.

The critical enabler to deliver the elevation strategy is the Group's active management of its store property portfolio. As highlighted at the AGM / Open Day on 7 September 2016 and since, the Group is focused on elevating its store portfolio through acquisitions and relocations. 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 rollout our plans while efficiently transitioning the store portfolio. To this end, in our FY17 H1 presentations in December, we stated that we envisage investing c. £1bn (i.e. potentially in excess of c. £300m per annum over 2 to 4 years) on property asset acquisitions. We remain committed to this strategy and will take decisions based on the medium to long-term aspirations of the Group, whilst managing the short-term volatility.

An example of our new generation concept is in Southport, where we opened a new generation store during the year. The Southport store spans c. 70,000 sq. ft. in retail space and includes a Sports Direct store, a Flannels store (premium), a USC concession (lifestyle), and an Everlast gym together on one site. Other recent examples of new generation stores that feature Sports Direct and USC include Sunderland (on the site of a former BHS) and Dublin. Including the new generation stores, the Group has a total of c. 468 sports retail stores in the UK, and c. 289 sports retail stores internationally. Across our Premium Lifestyle division, we have c.73 stores throughout the UK.

### OUR GROUP BRANDS

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

Our 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 stock monitoring and replenishment; and more inspired and harmonious visual merchandising in-store.

Our Group brands include Karrimor, Slazenger and Everlast. The Group has maintained investment in selected brands to preserve value, and is proud to have a number of high profile sporting and entertainment personalities, as well as international sporting events and sporting venues, as ambassadors.

### OUR CENTRALISED COMMERCIAL AND SUPPORT FUNCTIONS

The Group operates centralised commercial and support functions which are based both at our Shirebrook campus and in our London office. Our Head Office team works across Retail, Buying, Brands, HR, Warehousing, IT, Property, E-commerce, Legal, Mergers and Acquisitions, and Finance. These functions reside in the office space and work alongside our people in the Shirebrook warehouse, transport and retail stores. Having centralised commercial functions brings a significant scale benefit to the businesses within the Group, which enhances the efficiency of day-to-day operations.

### OUR PEOPLE

The past two years have been tough on our people, and protecting our people remains a priority. We believe our teamwork is our strength – One Team, One Goal – and when our people are strong, our business is strong. The Sports Direct family consists of c. 29,000 people who strive to offer customers an unrivalled multi-sport category and multi-brand retail experience. It is our policy to treat all with dignity and respect, and we continue to make positive progress as the Board's review of our people strategy remains ongoing following the Board's commission of a Working Practices Report, which was published in September 2016, a copy of which is available on our corporate website.

During this ongoing work, the Board and management team, as well as the Company's appointed legal advisor, RPC, have identified strengths and areas requiring improvement in the Company's approach to managing its people. A number of existing practices have been strengthened and new practices have been introduced which have benefitted our people and the Company. Below we have provided an overview of some of these initiatives within elements of our people management framework. The Group's overall approach to managing our people is discussed further in the Corporate Social Responsibility section of this Annual Report.

### REMUNERATION & REWARDS

We have and continue to foster a high performance, high reward based culture that enables our staff to share in the success of the Company. With respect to salaries and wages, on 31 December 2015 the Company announced it would pay above the National Minimum Wage from 1 January 2016. From April 2017, rates that are above the statutory National Living Wage were introduced across our workforce for those over 25 years of age. The Company pays awards and incentives of c. £19 million annually, from which both permanent and casual staff can benefit.

A key element of the Group's approach to long-term incentives historically has been the Group's share schemes. The Group introduced share schemes in 2009 as a way of attracting, motivating and incentivising our existing and future employees by aligning the interests of our team with our shareholders, and giving our employees the opportunity to participate in the success of the Group. While the Group successfully achieved the targets relating to the 2011 Share Scheme, the Group did not achieve the targets set by the 2015 Share Scheme, and disappointingly, the Scheme lapsed and the Share Awards were not achieved.

The final tranche of the Share Awards relating to our 2011 Share Scheme will result in c. 14 million shares vesting to approximately 2,000 eligible participating employees in September 2017. In December 2016 the Company announced that, as a result of the continued volatility in the Company's share price, the Company would put in place arrangements to deliver a minimum value of £3 for each share awarded to participants. This will be delivered via a flexible cash bonus arrangement, which will operate, as necessary, to top up the market value of a participant's shares on exercise at any time up to four years from the date of vesting. If eligible employees wish to postpone vesting until September 2018 the £3 guarantee will rise to £4.

The Board continues to work towards developing a new long-term incentive scheme that continues to align the interests of our employees and shareholders. The Company's approach to remuneration and its Remuneration Policy is discussed further in our Corporate Social Responsibility Report.

### WORKERS' REPRESENTATIVE

The Workers' Representative is Alex Balacki (pictured on page 15), a store manager who started with Sports Direct 13 years ago as a casual sales assistant. Alex attends all scheduled meetings of the Board, which facilitates a healthy and constructive dialogue on behalf of the Sports Direct family. A new Workers' Representative will be elected annually and next year the Representative will be from our warehouse or Head Office.

## OUR BUSINESS

### STAFF FEEDBACK

The Company has a rolling dialogue with staff via 'Your Company, Your Voice'. This follows a pilot in Shirebrook in which permanent and warehouse agency staff were invited to submit feedback via suggestion boxes. A similar system has now been rolled out at store level in the UK to ensure staff can flag issues of concern via a digital portal. All contributions received are read by senior management. Improvements as result of this dialogue include changes to working arrangements, the introduction of English lessons and free Wi-Fi in canteens. The Workers' Representative also reads all contributions and provides the Board with an overview, as well as replying to staff where appropriate.

**YOUR COMPANY**

**YOUR VOICE**

### CASUAL WORKERS

We continue to make progress and review our arrangements for casual staff. 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 staff 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 staff wish to remain on flexible arrangements. We are therefore now conducting further work in conjunction with the Workers' Representative to ensure continued good practice.

### LISTENING GROUP

Our staff forum has been replaced by a Listening Group that consists of staff drawn from the warehouse in Shirebrook. Management attend monthly meetings, during which there is an open forum (including for matters raised by agency employees). This aims to ensure early visibility of problems and facilitate solutions. Sports Direct also conducted a survey of warehouse staff to monitor satisfaction levels, the results of which showed that an overwhelming majority of staff feel they are treated with respect by their supervisors.

### HEALTH & SAFETY COMMITTEE

Staff from the Listening Group also sit on the staff Health & Safety Committee, which is attended by The Group Head of Health and Safety. We are pleased to report that our people have embraced a pro-active culture in this area, which has resulted in 100 extra staff achieving first aid certification after volunteering for training from our new Warehouse Training Officer. There are ten first aid stations in the warehouse and the Company is now a registered member of the British Safety Council.

### WELLBEING SERVICE

We are pleased to confirm that the Company is in the process of launching a health and wellbeing service for staff in Shirebrook in conjunction with Derbyshire Community Health Service. This will facilitate a health worker providing training for a team of our people who will become welfare guardians for their fellow staff. We are also grateful to Derbyshire Police for providing advice about our anti-drugs policies and anti-hate crime initiatives.

### RETAIL TRUST

We are pleased to confirm that the Company has become a member of the Retail Trust, whose patron is Her Majesty the Queen. The Trust is the leading wellbeing charity for the retail industry and it offers a friendly ear to staff across the business who wish to seek advice about welfare issues from independent experts. We also host a Chaplaincy Service in Shirebrook that offers confidential help and advice.

### TRAINING & DEVELOPMENT

We have launched an organisational development programme to give our people visibility over career opportunities within the Group. We also 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 staff.

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. During FY17, we have enhanced our welcome programme for new retail staff, and continued to strengthen the product training that we provide in conjunction with third party brands. Further details of our staff training programmes are contained in our Corporate Social Responsibility Report.

## OUR STRATEGY

We aspire to be a leading sports and lifestyle retailer internationally and to deliver sustainable growth for our shareholders in the medium to long term by offering our customers an unrivalled range of high quality leading brands.

The Group's strategy is to invest in our people and our key third party brand partners in order to elevate our retail proposition to attain new levels of excellence across our multi-brand, multi-sport offering to customers. As part of this strategy, we anticipate that the core Sports Direct business will move towards becoming the "Selfridges" of sport.

Further discussion of the Group's strategic priorities and our progress made in FY17 is outlined in the Chief Executive's Report and Business Review on page 48.

## STRATEGIC PRIORITIES

### Mission

We aspire to be a leading sports and lifestyle retailer internationally and to deliver sustainable growth for our shareholders in the medium to long term

### Strategy

Invest in our people and our key third party brand partners to deliver an enhanced multi-brand, multi-sport customer experience, which we have described as an aspiration to become the "Selfridges" of sports retail

### Strategic Priorities



# CHIEF EXECUTIVE'S REPORT AND BUSINESS REVIEW

## KEY PERFORMANCE INDICATORS

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

	<b>53 weeks ended</b>	<b>Pro forma 52 week</b>	<b>52 weeks ended</b>	<b>52 weeks ended</b>
	<b>30 April 2017</b>	<b>April 2017</b>	<b>24 April 2016</b>	<b>26 April 2015</b>
<b>FINANCIAL KPIs</b>				
Group revenue	<b>£3,245.3m</b>	<b>£3,189.9m</b>	£2,904.3m	£2,832.6m
Underlying EBITDA <sup>(1)</sup>	<b>£272.7m</b>	<b>£268.3m</b>	£381.4m	£383.2m
Sports Retail gross margin	<b>41.6%</b>	<b>41.6%</b>	44.6%	44.6%
Sports Retail like-for-like stores gross contribution <sup>(2)</sup>	<b>+0.0%</b>		-0.8%	+7.4%
Underlying earnings per share <sup>(3)</sup>	<b>11.4p</b>		35.5p	38.9p
<b>NON-FINANCIAL KPIs</b>				
No. of Sports Retail stores <sup>(4)</sup>	<b>757</b>		749	661
Workforce turnover	<b>17.4%</b>		22.0%	18.7%
Cardboard recycling	<b>12,203 tonnes</b>		10,000 tonnes	9,526 tonnes

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

<sup>(2)</sup> Sports Retail like-for-like contribution is defined as the percentage change in gross contribution in the successive 12-month Period on a currency neutral basis. A like-for-like store is one that has been trading for the full 12 months in both periods and has not been affected by a significant change, such as a major refurbishment.

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

<sup>(4)</sup> Excluding associates and stores in the Baltic states that trade under fascias other than SPORTLAND or SPORTSDIRECT.com, and other niche fascias.



## PROGRESS ON OUR STRATEGIC PRIORITIES

The Group has faced a number of strategic challenges, and currency headwinds which continue to adversely impact the financial performance of the business. We remain committed to our organic and inorganic growth strategy and our long-term priority to elevate the Company's sports retail proposition. To address our strategic challenges, the Board and management team's medium to long term strategic priorities are:

1. One Team, One Goal: to enhance our environment for the benefit of the Sports Direct Family;
2. Elevate the Group's sports retail proposition: working to elevate the sports retail proposition over the medium to long term, initially focusing on the UK, and tailoring our retail proposition in Europe;
3. Improve stakeholder engagement: develop a plan to improve our approach to and engagement with stakeholders.

Below we have outlined the progress on our key strategic priorities over FY17.

### 1. ONE TEAM, ONE GOAL

We have continued to make good progress in protecting the welfare of the people who work for the Group. Details of this are contained in the OUR BUSINESS section on pages 45 to 46.

### 2. THE ELEVATION OF SPORTS RETAIL

The elevation of the sports retail proposition is vital to continuing to strengthen our relationships with our key third party brand partners, deliver benefits for our customers, and drive the Group's long term profitability. It spans product, stores, online, and marketing, and critical to its success is the Group's active management of its store property portfolio. As highlighted at the AGM / Open Day on 7 September 2016 and since, the Group is focused on elevating its store portfolio through acquisitions and relocations. 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 rollout our plans while efficiently transitioning the store portfolio.

We have implemented a centralised "cloud approach" to managing stock and other areas of the business, in order to facilitate maximum flexibility in our operations across the Group.

#### Online

Online, the Group benefits from its investment in a single web platform which supports all of the Group's websites and e-commerce sites, maximising the efficiency of the Group's investment in elevating its online retail proposition, and the online customer experience. During the period the Group's marketing and ecommerce division significantly re-styled and elevated our fascias' and brands' online presence in line with our new generation concept. Adding to the Group's suite of ecommerce sites and websites, the Group has launched an ecommerce app for Sports Direct, which is also adapted for the Premium fascia, Flannels, and the Lifestyle brand, Firetrap. The app is driven by the Group's centralised web platform, and is compatible with both Android and iOS.

## Brands and Marketing

Consistent with the elevation strategy, in Sports Retail, the Group has re-aligned its marketing style towards clean, brand- and category-led campaigns, in contrast to our previous focus on offer-led campaigns. Our key third party brand partners are supporting this elevation with greater marketing assets in-store and online, and we have collaborated on the first major co-branded campaigns which were launched in November 2016. These included a premium style of Nike CR7 football boot available in Sports Direct stores, and the adidas Ace 17 football boot. The period also saw the completion of brand showroom suites in Shirebrook which have been developed by Nike, adidas, Puma and Under Armour.

## 3. IMPROVING ENGAGEMENT WITH OUR STAKEHOLDERS

In our FY17 H1 Interim Results Release, we stated that we recognised the need to improve communications with stakeholders. During the year, we developed an approach to engagement which outlined how the Company intended to engage with the financial community and media, and this can be found in our Engagement Statement on the Company's website. The Group intends to continue in the spirit of being open and compliant in our approach to engagement and communications.

## STRATEGIC ACQUISITIONS AND INVESTMENTS

The Group's acquisition and investments strategy, parameters and decision-making is performed by the Board, and delegated at a certain materiality level to be performed by the Executive Directors within the agreed strategy.

The Group is focused on opportunities that will deliver benefits for our customers, broaden or enhance our commercial relationships or retail channels, selectively grow our market share, and/or further diversify our operations. Given the breadth of our business, our strategic benefits can be varied and extensive, and the Group employs an array of mechanisms to facilitate strategic discussions with potential partners towards varied strategic goals. While this year our focus was on our people and the elevation of our sports retail proposition in our core UK business, the Group did undertake a number of strategic investments and divestments for the benefit of the Group and shareholders.

In our FY17 H1 statement, the Group announced it had acquired the remaining 49% interest in Cacifo Comercio de Artigos de Desportos S.A., our sports retail business in Portugal. We later announced the acquisition of c. 50 retail stores comprising Bob's Stores and Eastern Mountain Sports in the US, which completed after the year end. This acquisition will provide a footprint in US retail and a platform from which to grow US online sales. We also announced the divestment of the Dunlop brand to Sumitomo Rubber Industries Ltd. This was in line with the elevation of sports retail, as it facilitates greater bandwidth to develop our relationships with third party brands, and focus on the other distinctive brands within the Group.

**CHIEF EXECUTIVE'S REPORT AND BUSINESS REVIEW****PROPERTY REVIEW**

In the UK, we have been actively focusing on elevating our store portfolio, typically through relocating smaller format stores to a new generation of stores, with a priority on securing flagship stores in strategic retail locations.

We have developed a UK & Ireland portfolio strategy that is *totally aligned with the aspirations of our major third party brand partners*. This is a 2 to 4 year initial strategy to move towards the 'Selfridges' of sport through elevating retail space and improving the experience for both our consumers and third party brands in order to set the landscape for the next 5 to 10 years on a rolling basis.

The strategy will involve the rationalisation of stores throughout the UK and will mean closing some smaller stores and relocating into one flagship store. The consolidation of the Group portfolio within new generation stores will result in the number of actual stores decreasing, but the total sales area increasing and providing a more comprehensive offering, including speciality sports / fashion brands.

The Group continues to develop and roll out the Flannels concept, with the consolidation and conversion of the existing fascias under the Premium Lifestyle umbrella. The flagship Flannels store in Oxford Street is under development including the new London offices, which will open in FY18.

In Ireland, the group continues to consolidate the retail portfolio following the completion of the full acquisition of Heaton's through the conversion of single fascia Heaton's stores. We are currently building our Europe strategy as per each country, which is in line with our UK strategy. We have made our first flagship acquisition for Lithuania, which is also due to open in FY18.

**Store Portfolio – Sports Stores – UK excluding Northern Ireland**

The Group is currently operating 388 sports stores in England, 37 in Scotland and 27 in Wales. This represents a net reduction of five stores in the period as a result of 15 openings and 20 closures. However total sales area in the period increased from approximately 5.1m sq. ft. to approximately 5.2m sq. ft.

Of 11 new generation store openings in England, 4 of these comprised flagship stores at Southampton, Southport, Solihull and Sunderland, all of which are held by the group on a freehold or long leasehold basis.

Across the remaining UK portfolio [ex. Northern Ireland], there were a further two openings in Scotland, one of which was a freehold acquisition that enabled Sports Direct to maintain representation in Edinburgh and obtain a strategic retail location.

Of the 20 closures across the UK [excluding Northern Ireland], seven were as part of a relocation to new generation stores. All of the flagship store openings comprised relocations that enabled the group to elevate the retail offering with improved space in which to showcase the best products from third party brands.

The total number of new generation stores at the end of the period was in excess of 25, of which 13 were flagship stores.

**Store Portfolio – Sports Direct forecasted UK and Republic of Ireland openings for FY18**

The Group forecasts that there will be in the region of 12 - 18 new generation stores that will open in FY18 within the UK excluding Northern Ireland. Approximately 50% of these will be flagship stores.

In Ireland, there will be approximately 4 to 8 new stores planned for FY18, which will be split between the Republic of Ireland and Northern Ireland. Approximately 50% will be flagship stores. These include our flagship store in Dublin city centre, which was a freehold property acquisition that was purchased in FY17 and opened at the beginning of FY18.

This will bring the total number of flagships to potentially in excess of 20 during the next financial year. The Group forecasts a total of 75 to 150 Republic of Ireland flagship stores in the coming 5 to 10 year period in the UK and Ireland. These estimates are subject to identifying appropriate opportunities, hence the need for a flexible approach.

**Northern Ireland & Republic of Ireland – Store Portfolio Analysis**

With the acquisition of Heaton's, the group acquired 15 stores in Northern Ireland, 10 of which were dual-fascia Heaton's/Sports Direct stores, with the remaining 5 comprising Sports Direct only.

The acquisition also included 42 stores in the Republic of Ireland, 13 of which were single fascia Heaton's stores and 29 of which were dual-fascia Heaton's/Sports Direct stores.

The strategy in Ireland for the period has been the conversion of selected single and dual fascia Heaton's to new generation Sports Direct stores. Moving forward, we will be rolling out the new generation store format with a particular focus on flagship stores. Our store in Dublin was the first of such stores at the start of FY18, and it has been tremendously well-received by local customers and third party brands.

**Store Portfolio – Europe\*, USA & Malaysia**

The Group is currently operating sports stores in 17 countries in Europe [excl. Iceland associate].

- 232 Sports Retail stores in the EU
- Total square footage of all fascias in Europe is 3.5m for FY17 (includes Eybl, Disport, SportsWorld, etc.)
- 16 openings in 7 different countries in FY17 of which 1 was a Flagship Store in Brussels Docks
- 17 closures in 7 countries in FY17 focused on non-performing stores and/or markets where cannibalisation was present
- 25 stores in Malaysia, including 5 openings in the year
- 49 stores in the USA (the acquisition of which was completed after year end).

\*excluding UK & ROI.

We are currently building our EU strategy on a per country basis, which is in line with our UK strategy. We have made our first Flagship acquisition for Lithuania, which is due to open in FY18.

### Store Portfolio – Premium Lifestyle

The Group continues to develop and roll out the Flannels concept, with the consolidation and conversion of the existing fascias under the Premium Lifestyle umbrella. The flagship Flannels store in Oxford Street is under development including the new London offices, which will open in Q1 2018.

The group operates 45 USC stores, 13 Flannels stores, 10 Cruise stores and 5 van mildert stores – a total of 73 stores under Premium Lifestyle.

A number of new Flannels stores have opened in conjunction with flagship sports store openings, such as in Solihull and Southport as part of the aim to create multi-fascia retailing destinations in line with the 'Selfridges' of sport concept.

### Freehold / Long Leasehold Property Purchases

The property programme continued to gather pace over FY17 having completed 23 freehold / long leasehold (LLH) acquisitions with a combined purchase price of £317.0m.

The largest single transaction was the freehold on Oxford Street for £108m which is currently being extensively refurbished to provide a flagship store for Flannels and London headquarters.

The acquired properties provide a phased pipeline of stores over the coming years to transition to the new generation concept. The aspiration is to acquire up to 30 properties over the next financial year with a combined expected investment value of £200m-£300m.

Oxford Street Update – Since acquiring the property, we have refined the plans inherited from the vendor in order to suit our operation and maximise the property value. The contractor is currently on site and the team is working towards opening the store and office in 2018.

## PERFORMANCE

### OVERVIEW

FY17 has been a transitional year. As anticipated, the Group has delivered full year results that show a decline in financial performance on the prior year. This has been due to a number of factors, chief among which were currency headwinds and strategic challenges in our operations in continental Europe.

Group revenue increased by 11.7% to £3,245.3m in the year. UK Sports Retail increased by 6.3% to £2,136.4m, which includes Heaton's Northern Ireland sales. International Sports Retail increased by 38.0% to £665.6m including Heaton's Republic of Ireland. Premium Lifestyle revenue increased by 11.6%, with revenue in Brands up 4.1%.

As expected, Group gross margin in the year decreased by 320 basis points from 44.2% to 41.0%. This was due to the impact of negative movement in the US dollar exchange rate with the pound and to an increase in provisioning for stock obsolescence as we identify higher risks in a fast changing market and supply chain. UK Sports Retail margin decreased by 330 basis points from 44.5% to 41.2% while International Sports Retail decreased 160 basis points from 44.8% to 43.2%. Premium Lifestyle's gross margin decreased by 450 basis points from 42.1% to 37.6%, which was also due to discounting of slow moving stock.

Group operating costs increased by 16.9% to £1,058.7m (FY16: £905.7m), largely as a result of the impact of increased onerous lease provisions across Europe due to a review of poorly performing stores where the US dollar exchange rate impact has reduced margins. See Financial Review for reconciliation to selling, distribution & administrative expenses.

As a result, Group underlying EBITDA (pre-Share Scheme costs) for the year was down 28.5% to £272.7m (FY16: £381.4m). UK Sports Retail underlying EBITDA was down 24.9% to £265.7m while International Sports Retail EBITDA loss increased to £19.1m from £4.9m. Premium Lifestyle EBITDA improved to a loss of £0.1m from an EBITDA loss last year of £5.1m, and Brands division underlying EBITDA decreased to £26.4m from £37.5m.

Excluded from underlying EBITDA is a £2.8m (FY16: £7.1m) charge in respect of the 2011 Share Scheme. This charge has been taken centrally and is not reflected in the divisional numbers in this report.

The depreciation and amortisation charge has increased by 54.7% to £147.9m (FY16: £95.6m) due to increased investment in our store portfolio and revisions to accounting estimates of useful economic lives of assets.

Group underlying profit before tax decreased 58.7% to £113.7m, due to lower EBITDA and higher depreciation charges. Underlying EPS for the year decreased by 67.9% to 11.4p (FY16: 35.5p).

The Group generated underlying free cash flow during the year of £173.7m, down from £309.1m in the prior year, and net debt increased by £82.4m to £182.1m at year end, mainly as a result of acquisition of freehold and long leasehold properties and the own share buyback. These were mitigated by disposals of strategic stakes and subsidiaries. Net debt currently stands at 0.6 times reported EBITDA [24 April 2016: 0.31 times].

**CHIEF EXECUTIVE'S REPORT AND BUSINESS REVIEW**
**REVIEW BY BUSINESS SEGMENT**
**RETAIL REVENUE:**

	53 weeks ended	Pro forma 52 weeks	52 weeks ended
	30 April 2017 (£'m)	April 2017 (£'m)	24 April 2016 (£'m)
Revenue			
UK Sports Retail	2,136.4	2,099.8	2,009.3
International Sports Retail	665.6	658.6	482.3
<b>Total Sports Retail Revenue</b>	<b>2,802.0</b>	<b>2,758.4</b>	<b>2,491.6</b>
Cost of Sales			
UK Sports Retail	(1,257.0)	(1,237.2)	(1,114.4)
International Sports Retail	(378.3)	(374.6)	(266.3)
<b>Total Cost of Sales</b>	<b>(1,635.3)</b>	<b>(1,611.8)</b>	<b>(1,380.7)</b>
<b>Gross Profit</b>			
UK Sports Retail	879.4	862.6	894.9
International Sports Retail	287.3	284.0	216.0
<b>Total Gross Profit</b>	<b>1,166.7</b>	<b>1,146.6</b>	<b>1,110.9</b>
<b>Gross Margin %</b>			
UK Sports Retail	41.2	41.1	44.5
International Sports Retail	43.2	43.1	44.8
<b>Total Retail Gross Margin %</b>	<b>41.6</b>	<b>41.6</b>	<b>44.6</b>

**PREMIUM REVENUE:**

	53 weeks ended	Pro forma 52 weeks	52 weeks ended
	30 April 2017 (£'m)	April 2017 (£'m)	24 April 2016 (£'m)
Revenue	202.2	200.4	181.2
Cost of sales	(126.1)	(125.1)	(105.0)
<b>Gross Profit</b>	<b>76.1</b>	<b>75.3</b>	<b>76.2</b>
<b>Gross Margin %</b>	<b>37.6</b>	<b>37.6</b>	<b>42.1</b>

**BRANDS REVENUE:**

	53 weeks ended	Pro forma 52 weeks	52 weeks ended
	30 April 2017 (£'m)	April 2017 (£'m)	24 April 2016 (£'m)
Wholesale	201.4	-	196.7
Licensing	39.7	-	34.8
<b>Total Brands Revenue</b>	<b>241.1</b>	<b>-</b>	<b>231.5</b>
Cost of Sales	(153.3)	-	(134.0)
<b>Gross Profit</b>	<b>87.8</b>	<b>-</b>	<b>97.5</b>
<b>Gross Margin %</b>	<b>36.4%</b>	<b>-</b>	<b>42.1%</b>

The 53rd week has no material impact on wholesale or licensing sales.

## UK SPORTS RETAIL

The UK Sports Retail segment includes all of the Group's sports retail store operations in the UK and Northern Ireland, all of the Group's Sports Online business, 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 65.8% of Group revenue.

Revenue grew 6.3% to £2,136.4m, which includes the full year of Heaton's Northern Ireland stores. Excluding the impact of Heaton's NI, UK Sports Retail revenue growth was 4.4%. Excluding the 53rd week, UK Sports Retail revenue growth was 4.5%. Excluding both Heaton's NI and the 53rd week, revenue growth was 2.6%.

UK Sports Retail gross margin for the second half of the year decreased to 41.2% (FY16 H2: 44.5%) largely due to the adverse impact of the US dollar exchange rate and increased inventory and other trade related provisions. The foreign currency effect on margin for FY18 is expected to stabilise based on all forecast purchases for FY18 being hedged at 1.31.

UK Sports Retail like-for-like gross contribution, increased by 0.3% compared to the prior year.

Operating expenses increased by 10.3% excluding the impact of Heaton's NI, and 13.5% including the impact of Heaton's in the year, to £614.1m (FY16: £541.1m). Store wages were up 6.5% in the year to £164.5m (FY16: £154.5m) and as a percentage of sales rose to 10.5% (FY16: 10.1%). Overheads increased from integration of new entities, additional legal charges and provisioning for bad debts, onerous leases and dispute settlement.

Underlying EBITDA for UK Sports Retail was £265.7m (FY16: £353.9m), a decrease of 24.9% for the year.

During the year we opened 15 new stores and closed 20.

Period end square-footage now stands at c.5.2m sq. ft. (FY16: c.5.1m).

## UK SPORTS STORE PORTFOLIO

	30 April 2017	24 April 2016
England	388	393
Scotland	37	35
Wales	27	30
Northern Ireland	16	15
<b>Total</b>	<b>468</b>	<b>473</b>
Opened	15	31
Closed	20	14
Acquired	-	15
Area (sq. ft.)	<b>c.5.2m</b>	<b>c.5.1m</b>

## INTERNATIONAL SPORTS RETAIL

Revenue grew 38.0% to £665.6m, including the full year of Heaton's Republic of Ireland stores. Excluding the impact of Heaton's, International Sports Retail revenue growth was 7.4% on a currency neutral basis.

International Sports Retail gross margin for the second half of the year increased to 46.6% (FY16 H2: 44.2%). The majority of forecast USD/EUR purchases are hedged in FY18 (see note 29).

International Sports Retail like-for-like gross contribution, decreased by 0.8% compared to the prior year.

Operating expenses increased by 29.4% excluding the impact of Heaton's ROI, and 37.4% including the impact of Heaton's in the year, to £306.8m (FY16: £223.3m). Store wages were flat in the year at £117.1m (FY16: £117.1m) but as a percentage of sales reduced to 17.6% (FY16: 24.3%). As a result of the ongoing strategic review, provisions were made for onerous leases in poorly performing stores of £39.7m.

During the period the Group impaired the brands acquired in the Heaton's subsidiary, due to the ongoing programme of re-branding to SPORTSDIRECT.COM.

Period end square-footage stands at c.3.9m sq. ft.<sup>(1)</sup> (FY16: c.3.5m).

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% and Malaysia where the Group owns 51%. During the year, the Group increased its shareholding in the Portuguese entity to 100%.

During the year we opened 21 new stores and closed 17. We also own a 40% shareholding in the Sports Direct business in Iceland.

## CHIEF EXECUTIVE'S REPORT AND BUSINESS REVIEW

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

	30 April 2017	24 April 2016
Belgium	39	41
Austria	38	42
Republic of Ireland	32	28
Estonia <sup>(2)</sup>	26	25
Malaysia	25	20
Portugal	17	17
Poland	18	15
Latvia <sup>(2)</sup>	16	14
Lithuania <sup>(2)</sup>	16	14
Slovenia	15	15
Hungary	11	13
Czech Republic	10	7
France	6	6
Holland	6	6
Cyprus	6	6
Slovakia	6	5
Germany	2	3
Luxembourg	2	2
Spain	2	2
Switzerland	-	0
<b>Total</b>	<b>289</b>	<b>281</b>
Opened	21	29
Closed	17	16
Converted	4	-
Acquired	-	42
Area [sq. ft.] <sup>(3)</sup>	<b>c.3.9m</b>	c.3.5m

(1) Excluding Iceland

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

(3) Excluding Heaton's fascia stores

## PREMIUM LIFESTYLE

Premium Lifestyle sales increased by 11.6% to £202.2m (FY16: £181.2m), mostly due to increased Flannels web sales. The Premium Lifestyle gross margin for the year decreased by 450 basis points to 37.6% (FY16: 42.1%) as a result of clearance of stock in the spring sale.

Premium Lifestyle operating costs decreased by 6.0% to £76.4m (FY16: £81.3m) as a result of the previous rationalisation undertaken.

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

As a result, Underlying EBITDA improved to a loss for the year of £0.3m from a loss of £5.1m in FY16, as we continue to see the benefit of rationalisation of the businesses. We expect to see further benefits of this in future years.

At the year end, the Premium Lifestyle division traded from 73 stores under four main fascias:

	30 April 2017	24 April 2016
USC	45	50
Cruise	10	10
van mildert	5	9
Flannels	13	9
Other	-	5
<b>Total</b>	<b>73</b>	<b>83</b>

## BRANDS

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

The Brands division's total revenue increased by 4.1% to £241.1m (FY16: £231.5m). Wholesale revenues were up 2.4% to £201.4m (FY16: £196.7m), with growth in European and US wholesaling. Trading in the US market was in line with expectations and now represents c.35% of total wholesale sales.

Brands gross margin decreased by 570 basis points to 36.4% (FY16: 42.1%). Wholesale gross margins decreased 800 basis points to 23.9% (FY16: 31.9%) mainly due to the impact of accruals made in relation to historic import costs.

On 3 April 2017, the division sold the Dunlop brand and related wholesale and licensing companies. The divestment of the Dunlop business is in line with Sports Direct's stated aspiration to become the 'Selfridges' of sports retail, including its renewed focus on its core UK and International business and the development of its relationships with third party brands.

Licensing revenues in the year were up 14.1% to £39.7m (FY16: £34.8m). During the year we signed 20 new licence agreements and renewed several existing licensees, covering multiple brands, product categories and geographies, with minimum contracted values of \$20.1m over the life of the agreements.

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

Brands operating costs increased by 2.3% to £61.4m (FY16: £60.0m) primarily due to bad debt provisions. Underlying EBITDA decreased by 29.6% to £26.4m (FY16: £37.5m), mainly as a result of the accruals made in relation to historic import costs.

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

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

#### **ENVIRONMENTAL MATTERS**

The Corporate Social Responsibility Report is on pages 60 to 65 and an assessment of the Group's impact on the environment is included in this report.

#### **RESEARCH AND DEVELOPMENT**

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

#### **OUTLOOK**

We are pleased to confirm that early indications show that trading in our new generation flagship stores is exceeding our expectations. The table below shows two examples of these stores, which we have called Store X and Store Y. Store X is our highest-turnover new flagship, and Store Y is our lowest turnover new flagship. Both are delivering greater EBITDA than an average Sports Direct store.

STORE X (new generation flagship) - Sales area 35k sq. ft. - EBITDA 2.1m

STORE Y (new generation flagship) - Sales area 31k sq. ft. - EBITDA 1.0m

Sports Direct UK Average Store - Sales area 11k sq. ft. - EBITDA 0.5m

This should be balanced against the continued impact of the devaluation of sterling against the dollar, with our GBP/ USD requirements hedged at 1.31 for FY18 [compared with a historical long-term average closer to approx. 1.6].

Taking all of these factors into account, our outlook is optimistic and we aim to achieve growth in underlying EBITDA in the region of approx. 5%-15% during FY18. However, we will continue to be conservative in managing for the medium to long term, which may result in short-term fluctuations in underlying EBITDA, particularly given the continued uncertainty surrounding Brexit.

**Mike Ashley**  
Chief Executive

19 July 2017

# FINANCIAL REVIEW

The Financial Statements for the Group for the 53 weeks ended 30 April 2017 are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## SUMMARY OF RESULTS

	<b>53 weeks ended</b>	52 weeks ended
	<b>30 April 2017 (£'m)</b>	24 April 2016 (£'m)
Revenue	<b>3,245.3</b>	2,904.3
Underlying EBITDA	<b>272.7</b>	381.4
Underlying Profit Before Tax	<b>113.7</b>	275.2
Reported Profit Before Taxation	<b>281.6</b>	361.8
	<b>Pence per share</b>	Pence per share
Reported EPS	<b>39.4</b>	46.8
Underlying EPS	<b>11.4</b>	35.5

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

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

## EBITDA AND PROFIT BEFORE TAX

	<b>EBITDA (£'m)</b>	<b>PBT (£'m)</b>
Operating profit	160.1	-
Depreciation, amortisation and impairment	147.9	-
Share of profit of associated undertakings (excl. FV adjustments)	0.8	-
<b>Reported</b>	<b>308.9</b>	<b>281.6</b>
Share Scheme	2.8	-
Subsidiary disposal	(79.9)	(79.9)
Exceptional items	17.3	17.3
Net investment income	-	(110.7)
Realised FX loss	23.7	23.7
IAS 39 FX fair value adjustment on forward currency contracts	-	(18.3)
<b>Underlying</b>	<b>272.7</b>	<b>113.7</b>

Underlying 53 week FY17 profit before tax excludes:

- (i) exceptional items which decreased profit by £17.3m;
- (ii) disposal of a subsidiary which increased profit by £79.9m;
- (iii) net investment income which increased profit by £110.7m;
- (iv) realised foreign exchange losses which decreased profit by £23.7m; and
- (v) IFRS revaluation of forward currency contracts which increased profit by £18.3m.

	<b>53 weeks ended 30 April 2017 (£'m)</b>
Group Operating costs	1,058.7
Depreciation, amortisation and impairment	147.9
Bonus Share Scheme	2.8
Realised FX loss	23.7
Operating income	22.5
<b>Selling, distribution &amp; administration costs</b>	<b>1,255.6</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

The Group manages the impact of currency movements through the use of forward fixed rate currency purchase and sales contracts. The Group's strategy is to hold or hedge up to five years of anticipated Non-GBP denominated online sales and Non-GBP and Non-EUR purchases.

Following the outcome of the EU referendum, we are aware of the associated market volatility and in particular material changes to sterling/US dollar and sterling/Euro exchange rates, and the lack of transparency as to how those rates will move in the short to medium term. These factors are likely to impact US Dollar purchases in particular and therefore profitability - for which post year end the Company became fully hedged for forecast purchases into the UK in US dollars for FY18 at a rate of 1.31.

As at 30 April 2017 the Group was party to €777m of Euro forward sales contracts that qualify for hedge accounting and £1,383m of options and forward sales contracts that do not qualify for hedge accounting. The contracted forward rates for these instruments are shown in the notes to the financial statements.

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

If sterling depreciates by 10% against the Euro, a fair value loss of £4.4m would be recognised in the income statement in relation to these option contracts.



The realised exchange loss of £23.7m (FY16: £2.3m loss) included in administration costs has arisen from:

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

The exchange gain of £18.2m (FY16: £6.8m loss) included in finance income substantially represents the decrease in the mark-to-market liability made (under IFRS) for the Group's written option and unhedged forward contracts as at 30 April 2017. The majority of the forward contracts outstanding at 30 April 2017 qualify for hedge accounting and the fair value loss on these contracts has been debited to equity through the Consolidated Statement of Comprehensive Income. The sterling exchange rate with the US Dollar was \$1.440 at 24 April 2016 and \$1.294 at 30 April 2017. The sterling exchange rate with the Euro was €1.283 at 24 April 2016 and €1.188 at 30 April 2017.

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

#### EXCEPTIONAL ITEMS

	53 weeks ended	52 weeks ended
	30 April 2017 (£'m)	24 April 2016 (£'m)
Profit on sale of freehold properties	-	13.5
Provision against receivables	-	[5.8]
Impairment	[17.3]	[58.5]
<b>Total Exceptional Items</b>	<b>[17.3]</b>	<b>[50.8]</b>

The impairment mainly relates to intangible values of own brands which are no longer considered core brands.

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

#### TAXATION

The effective tax rate on profit before tax in FY17 was 17.7% (FY16: 22.9%). This reflects the impact of items that qualify for substantial shareholder relief as well as a write off of deferred tax assets from losses incurred in Europe. Excluding these items, the underlying effective rate is 29.0% (FY16: 21.3%), which reflects the impact of the increase in freehold property and related disallowable depreciation.

#### EARNINGS

	53 weeks ended	52 weeks ended	
	30 April 2017 (pence per share)	24 April 2016 (pence per share)	Change (%)
Reported EPS [Basic]	<b>39.4</b>	46.8	[15.8]
Underlying EPS	<b>11.4</b>	35.5	[69.9]
Weighted average number of shares [actual]	<b>583,501,473</b>	582,573,254	[1.5]

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

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

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

	53 weeks ended	52 weeks ended
	30 April 2017 (£'m)	24 April 2016 (£'m)
Profit after tax	<b>229.9</b>	277.4
Post tax effect of adjustment items:		
Profit on disposal of listed investments	<b>[141.5]</b>	[104.5]
Fair value adjustment to forward foreign exchange contracts	<b>[14.3]</b>	5.2
Fair value adjustment to derivative financial instruments	<b>24.0</b>	[8.4]
Impairment of fixed assets	-	4.4
Realised loss/(gain) on forward foreign exchange contracts	<b>18.5</b>	1.8
Profit on disposal of freehold properties	-	[10.4]
Impairment and accelerated depreciation and amortisation	<b>17.3</b>	45.2
Write off of deferred tax assets	<b>12.5</b>	-
Profit on disposal of subsidiary	<b>[79.9]</b>	-
<b>Underlying profit after tax</b>	<b>66.5</b>	210.7

**FINANCIAL REVIEW****DIVIDENDS**

The Board has decided not to pay a dividend in relation to FY17. 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, capital expenditure amounted to £419.5m (FY16: £207.0m), which includes £317.0m on properties.

**ACQUISITIONS**

During FY17 the Group acquired 100% of BSL Ltd, Community Bug Ltd and Vinecomb Investments Ltd. The net cash outflow for these acquisitions was £8.1m. The Group also acquired the remaining 49% of the Sports Direct business in Portugal for €5.0m.

**DISPOSALS**

During the period, the Group disposed of the Dunlop brand and its related wholesale and licensing activities for a total consideration of £109.5m, resulting in a gain on disposal of £79.9m. This facilitates more bandwidth for management to develop relationships with third party brands without the need to manage the Dunlop brand on an international basis.

**COMMERCIAL ARRANGEMENTS**

In our FY17 H1 statement, we confirmed that MM Prop Consultancy Limited, a company owned and controlled by Michael Murray, 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 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 both in the UK and in Europe. MM Prop Consultancy Limited fees are linked directly to value creation, which is determined by the Company's Non-Executive Directors who independently review performance bi-annually with a view to determining, at their absolute and sole discretion, the quantum of the fee payable. Under the terms of the agreement with MM Prop Consultancy Limited no fees are payable until at the earliest of 30 September 2018, so that the Company's independent Non-Executive Directors have a sufficient amount of time to assess performance.

During FY17, the Company had arrangements in place with Barlin Delivery Limited, a company owned by John Ashley [the brother of Mike Ashley]. This arrangement is no longer in place.

**STRATEGIC INVESTMENTS**

During the period the Group disposed of its remaining 9,920,000 shares in JO Sports Fashion plc and at the year-end held no interest in the company. The total economic interest held in Debenhams plc at the year-end was 16.8% representing the put option and contract for differences. On 5 May 2016 the maturity date of 30 November 2016 of the Put Option put in place on 23 January 2015 referencing 128,927,113 ordinary shares of Debenhams was extended by 12 months. The Group continues to hold an economic interest at the year-end in Goals Soccer Centres plc of 3.84% and Iconix Brand Group Inc. of 11.4%, and during the year acquired 11.2% of French Connection Group plc and 7.9% of Finish Line Inc. The Group no longer holds an economic interest in Dicks Sporting Goods Inc. The Group continues to hold a direct interest in Findel plc representing 29.90% of the issued share capital; MySale Group plc, representing 4.8% of the issued share capital; and, House of Fraser Limited representing 11.11% of the issued share capital.

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

The fair value of equity derivative agreements are included within the derivative financial assets balance of £43.0m and derivative financial liabilities balance of £75.2m.

**CASH FLOW AND NET DEBT**

Net debt increased by £82.4m from £99.7m at 24 April 2016 to £182.1m at 30 April 2017.

The analysis of debt at 30 April 2017 was as follows:

	<b>30 April 2017 (£'m)</b>	<b>24 April 2016 (£'m)</b>
Cash and cash equivalents	<b>204.7</b>	234.2
Borrowings	<b>(386.8)</b>	(333.9)
<b>Net debt</b>	<b>(182.1)</b>	(99.7)

The Revolving Credit Facility of £788m is available until September 2018 and is not secured against any of the Group's fixed assets. The Group is currently making appropriate arrangements for post-September 2018.

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

## CASH FLOW

Total movement is as follows:

	<b>30 April 2017 (£'m)</b>	24 April 2016 (£'m)
Underlying EBITDA	<b>272.7</b>	381.4
Realised loss/profit on forward foreign exchange contracts	[23.7]	[2.4]
Taxes paid	[75.3]	[69.9]
<b>Underlying free cash flow</b>	<b>173.7</b>	309.1
Invested in:-		
Movement in inventory	60.0	[155.4]
Working capital and other	[38.3]	[88.0]
Purchase of own shares	[109.8]	-
Acquisitions (including debt)	[22.6]	[33.1]
Proceeds on disposal of subsidiary	109.5	-
Net proceeds from investments	163.9	92.1
Net capital expenditure	[417.1]	[163.1]
Finance costs and other financing activities	[1.7]	[1.5]
<b>Increase in net debt</b>	<b>(82.4)</b>	[39.9]

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

## PENSIONS

The Group operates a defined benefit scheme in Sport Eybl Holding GmbH in Austria. During the year, the Group disposed of the subsidiary that held the Dunlop Slazenger pension scheme. The Group has no remaining contractual obligations in relation to the Pension scheme following the disposal. The net deficit in these schemes therefore decreased from £13.1m at 24 April 2016 to £3.4m at 30 April 2017.

## Mike Ashley

Chief Executive

19 July 2017

# CORPORATE SOCIAL RESPONSIBILITY REPORT

Corporate Responsibility is central to our vision to be a leading sports and lifestyle retailer internationally. Our established Corporate Responsibility framework focuses on five key areas: Human Resources, Health and Safety, Customers, the Community and the Environment. Sports Direct has developed Key Performance Indicators (KPIs) to ensure we deliver on our commitments. These KPIs are discussed further in this Corporate Social Responsibility Report and in the Chief Executive's Report and Business Review and the Financial Review, and are based solely on our UK operations, unless expressly stated.

## HUMAN RESOURCES (HR)

The Group employs and engages c.29,000 people, across various sectors, from Sport, Fashion, Lifestyle, Fitness and Brands, 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 employees 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 Listening Group and Health & 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.

## ATTRACTION AND RETENTION

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

During FY17, 17.4% of our UK salaried staff left the Group, a decrease from 22.0% in FY16. As expected, this figure reduced during the remaining 2011 Share Scheme vesting period.

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

Store Manager stability with Sports Direct is currently sitting at 85.0%, this is an increase of 4.6% on the FY16 figure. Assistant Manager and Footwear Manager stability currently sit at 80.4% and 89.4% respectively, which is an increase of 0.6% and 5.9% across the positions.

## SALARIED STAFF TURNOVER SINCE FY11

FY11 - 17%

FY12 - 17%

FY13 - 16%

FY14 - 19%

FY15 - 19%

FY16 - 22%

FY17 - 17%

## PERFORMANCE AND REWARD

Our Share Schemes have been running since 2009, and we have found them to be an effective tool in incentivising and motivating employees. In September 2017 participating eligible employees will be given the opportunity to vest their awards under the 2011 Share Scheme, at a guaranteed minimum value of £3 per share (rising to £4 per share if vesting is postponed to September 2018).

The targets under the 2011 Share Scheme were:

2012: Underlying EBITDA of £215m - Achieved

2013: Underlying EBITDA of £250m - Achieved

2014: Underlying EBITDA of £260m - Achieved

2015: Underlying EBITDA of £300m - Achieved

Each target was successfully surpassed and during FY16 c.4m shares vested to c. 2,000 employees. A second, larger tranche of shares is due to vest in September 2017, which will benefit c.2,000 participating eligible employees, who will receive c.14m shares between them. This means that a minimum of £42m will be released during the vesting period.

The Group did not achieve the first underlying EBITDA target set by the 2015 Share Scheme and so this scheme has lapsed.

## DIVERSITY

Diversity within the Group is essential and we believe this plays an important role in a successful business. At all times we try to ensure that our people meet the diversity, cultures and values of our varied customer base. The Board is aware that, whilst there are a number of women among senior management, there are no female members of the Board following the departure of Claire Jenkins.

Women make up 28% of our senior management team. While we appreciate that work could be done to ensure that the figure is more balanced, we are satisfied that the team possesses the appropriate balance of skills and knowledge. As positions become available the necessary level of consideration will be given to ensuring diversity within the team.

Our overall UK workforce base consists of 48% females. We aim to ensure that both male and female candidates are provided with equal opportunities to apply for and work in all positions across the Group.

#### A BREAKDOWN OF GENDER DIVERSITY:

	Male	Female
Directors	6	1
Other senior managers	532	204
All UK workforce	9,019	8,326

#### TALENT AND CAPABILITY DEVELOPMENT

##### KEY HIGHLIGHTS:

Total workforce: c. 29,000

Hours invested in training: c. 65,000

##### STAFF TRAINING AND DEVELOPMENT

Our campus in Shirebrook is home to a purpose built training centre, which ensures that staff development is at the heart of everything we do. During FY17, the training centre went from strength to strength, as we celebrated the completion of brand showrooms from Nike, adidas, Puma and Under Armour. These initiatives have further strengthened the relationship between the Group and our major third party brand partners. The facilities ensure that our staff receive the very best education about product ranges, and they achieve a depth of knowledge which they are able to share with customers. The brand showroom suites are regularly used to support our sales teams during key product launches. We additionally have the use of a 500 seat auditorium on site.

The aim of our Staff Training and Development Department is to nurture our employees to enable them to deliver the requirements of the Group and its customers. Our goal is to give every employee from all areas of the business, the opportunity to be inspired, developed, motivated, and empowered to increase their contribution. In the past year, we invested c. 65,000 hours in training and development. We believe this commitment to ensuring our teams have the knowledge they need to perform at the highest level is paramount to the continued success of the business.

The training centre offers an experience that we are confident will inspire and stimulate all who visit. In addition to the new brand showrooms, there are six specialised training environments, which incorporate inspiration from the following areas:

- Running
- Football
- Women's Training

FY17 has also seen a review of the way that retail staff are inducted into our stores. Our new staff now participate in a welcome programme that guides them, and their manager, through the first four weeks on the shop floor. This provides the new member of staff with a structure that is common across all stores to help them settle into the business. At the end of every week there is a feedback process that helps to improve the competency of new staff at understanding and completing important tasks in store.

Across the business, we remain focused on the need to proactively develop our teams' competence base and leadership capabilities in order to meet the rapidly changing requirements of the Group. We offer a varied portfolio of training courses for our people, the majority of which are hosted in our own facilities. The Training and Development portfolio continues to grow across the following areas:

- Brand and Product Knowledge
- Customer Service Training
- E-Learning
- 'Home Grown' Talent Management
- Management Training

We continue to believe in the integration between coaching, organisational development and performance management to support any new initiative or change to improve performance within Sports Direct.

The training centre is a truly unique and state-of-the-art environment across the industry. Our objective is to ensure that every member of the SD family has an opportunity to develop and increase their effectiveness within the business.

#### BRAND AND PRODUCT KNOWLEDGE

##### BRAND TRAINING

The links between Sports Direct and the major brands is core to our effectiveness. An example of this is the training partnership between Sports Direct and adidas. This has flourished since 2015 with adidas organising many events at locations throughout the UK, which many Sports Direct managers have attended. The adidas showroom suite at Shirebrook contains its own 50 seat auditorium.

Sports Direct is also a major user of Nike SKU (Sports Knowledge Underground) and continues to be one of the front-runners in terms of percentage completion worldwide. The foundation knowledge this provides is taken to a higher level through the many Nike training days in Shirebrook, which are hosted by Nike Experts. Nike and Puma are also supporters of our training centre.

#### FOOTWEAR MASTERCLASS

The Footwear Masterclass is a three-day residential course focusing on one of the key departments within a Sports Direct store. Typical subjects covered include Merchandising, Staff Efficiency, Best Practice, Health and Safety, and Policies and Procedures. We also focus on management style and behaviour, ensuring our managers become the positive role models and leaders we expect. The success of this course has allowed it to also be cascaded to those responsible for the footwear department at a more junior level.

**CORPORATE SOCIAL RESPONSIBILITY REPORT****PREMIUM LIFESTYLE**

The Training and Development Department offers training initiatives to our Premium Lifestyle teams, as the demand for training in this area continues to grow in line with the increasing offering of fashion products in our stores across our many fascias. The premier retail side of the business is rapidly growing, and with a number of area managers looking after multi fascia stores it's important that they understand all aspects of the different stores.

**CUSTOMER SERVICE TRAINING**

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

- Smile
- Talk
- Ask
- Recommend
- Sale

**E-LEARNING**

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

In addition to our enhanced welcome programme in stores, we have an existing interactive induction programme for all staff that creates pride in the Group and offers consistency and structure in foundation training, ensuring we engage new starters and re-energise existing colleagues.

In order to achieve this, the training team commissioned an e-learning company to develop an online induction that would complement the existing face-to-face training. It is important for staff to be able to access this learning on the go, so our courses are accessible via tablets and employees' smartphones, as well as desktop computers. The current modules we offer are focussed on five main areas: Knowledge of the Company, Sales & Service, Health & Safety, Merchandising principals, and day-to-day Operational Information. Currently we have over 17,000 users who benefit from this initiative.

**'HOME GROWN' TALENT MANAGEMENT PROGRAMME**

Our talent management activities are open to the majority of our people, and offer opportunities to those who show potential and ambition. As in previous years, developing high-potential employees and growing future Store Managers / Leaders is a key objective. We aim to produce a common standard of behaviour for those in leadership roles, which will strengthen and improve our ability to deliver the Group's strategic goals.

Our structured programme assists the Group to identify and develop talent, as well as continually develop our leaders. It helps the Group to have the right member of staff in the right position at the right time and provides an opportunity to perform better and to progress. It also helps retain talented and key employees and reduce staff turnover, as well as recruitment costs.

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

Since its inception almost four years ago, the programme has seen hundreds of our junior managers attend, with in excess of 90% of those being promoted into a senior managerial position. This demonstrates the Group's culture and commitment to developing our people.

**MANAGEMENT TRAINING****Management Induction**

New members of senior management joining the business [and some existing managers] attend our four week induction programme. This consists of an initial week at the training centre at our Shirebrook campus, combining a mixture of shop floor based training and classroom centred activities. Typical subjects covered would be merchandising, delivery process, health and safety, shop closedown process, product training, and retail business / commerciality skills – focussing on the importance of being "World Class."

The following two weeks are spent refining and honing their new-found skills in their own store as they begin to settle into the role, putting into practice the 'World Class Basics' that have helped Sports Direct establish itself as the number 1 sports retailer on the high street.

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

**Management Refresh Programme**

Members of the team who need further support and coaching to improve their level of performance in store will attend the Operational & Managerial Refresh Programme. This is a five-day residential course that consists of shop floor operational training, combined with style and behaviour modules covering communication, leadership and decision-making.

**MODERN SLAVERY ACT 2015**

The Company respects all people and is committed to equal treatment. We will continue to endeavour to ensure that no slavery or human trafficking takes place within our business or supply chain, and will take immediate steps to deal with any organisations or individuals found to be involved in such practices so that our standards and values are maintained.

We are committed to taking reasonable steps to address the risk of modern slavery or human trafficking occurring in our supply chain or in any part of our business recognising that this is an ongoing challenge which virtually all businesses face. We have a proactive policy of reporting any suspicious activity to police which has resulted in the conviction of two individuals who were brought to justice after being reported to police by the Transline Agency and Sports Direct in February 2016. It sends a clear message that we will not tolerate this kind of behaviour. We have a range of measures in place including videos and literature to educate staff about their rights and the channels for reporting any concerns confidentially.

Our Anti-Slavery Policy reflects our commitment to acting ethically and with integrity in our business relationships and to implementing and enforcing effective systems and controls aimed at reducing the risk that modern slavery or human trafficking may be taking place anywhere in our business or supply chain.

## HEALTH AND SAFETY

As we continue 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. During FY17, the Head of Health & Safety and the team have undertaken a full review of Health and Safety policies and procedures and improved accident reporting/investigation and accident trend analysis are now a reality, with the introduction of a bespoke online Accident/Incident reporting system.

The Group's rate of Reporting of Injuries, Disease and Dangerous Occurrences (RIDDOR) incidents has reduced over the year. The Health & Safety team meets with the Derbyshire local authority with responsibility for Shirebrook on a quarterly basis and works closely with other authorities when required. All accidents and incidents are investigated in a timely manner, to prevent recurrence.

A newly formatted induction, handbook and training review is having a positive impact. Improved Supervisor training and selection will support the momentum of the Group's standards and performance.

The number of accidents involving the store, office and distribution workforce in the UK increased slightly over the period, however this was to be anticipated with the introduction of the new bespoke online accident / incident reporting system in November 2016 providing more accurate and timely reporting, allowing us to take any necessary actions and secure evidence more efficiently.

The Health & Safety team are working on continuous improvements enhancing the Group's Health and Safety guidance in training and education packs, including the Management Induction and Refresher Training Programmes. These initiatives are helping to raise general safety awareness and also target specific areas where vigilance is required.

In relation to the general public we have calculated the number of accidents per £10m store turnover using a 12-month rolling average. The number of accidents involving the general public has reduced over the course of the year. With enhancements to the training packs for staff, and improved communications, we are building a positive safety culture. Indeed, one of our store managers was recently invited to a garden party at Buckingham Palace in recognition of his swift action in administering first aid to a child who made a full recovery after being involved a choking incident at a shopping centre.

Sports Direct is now a corporate member of the British Safety Council and we attend a quarterly Retail Health & Safety forum which promotes the sharing of ideas and solutions. During FY17 there were no environmental prosecutions or work-related fatalities.

## CUSTOMERS

Customer service is at the forefront of our business. We aim to provide customers with an enjoyable experience both in-store and online and ensure all our products are safe and fit for purpose.

Regular external customer experience visits are undertaken in our stores and gyms to identify areas for improvement and also recognise staff providing exceptional customer service.

Monitoring customer satisfaction and responding to queries is a continuous process. All written complaints are recorded, including an analysis of the nature of the complaint so that trends can be assessed and appropriate action taken.

We are continuously working to improve customer service at all levels within the Group from the retail stores, Head Office and our website.

## COMMUNITY

### Supply Chain

We are committed to responsible business practices in our own business and within our supply chain. We continue to procure goods from suppliers who have proved to uphold ethical employment and trading practices, and we have a strict Code of Conduct that we require every supplier to adhere to. The Code of Conduct provides for the fair treatment of workers, ensuring a safe environment in accordance with the local and national laws and that workers are treated with respect and paid fairly for what they do. The Code of Conduct also prohibits child labour and the use of illegal means or materials in the production of goods.

We have longstanding relationships with our suppliers who have demonstrated that their work practices are consistent with Sports Direct's standards. Approximately 40% of our current suppliers have been working with the Group for 10 years or more. We have worked with two leading supply chain companies in Singapore and South Korea for a number of years. Using their local knowledge and experience helps benefit the business and the communities in which they operate. Both supply chain businesses have the highest social and business ethics code which aligns with our own Code of Conduct, the BSCI Code of Conduct (which is based upon the United Nations Declaration of Human Rights) and the Social Accountability 8000 (SA8000) Code.

Sports Direct relies on both supply chain companies to inspect the premises of all suppliers and manufacturers. Frequent inspections are carried out randomly to ensure that goods meet our quality standards as well as assessing continued compliance with SA8000 and our Code of Conduct. We cease immediately to work with suppliers who do not meet our criteria.

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

**CORPORATE SOCIAL RESPONSIBILITY REPORT****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 Derbyshire constabulary and county and local council groups make use of the facility free of charge.

Sport is the Group's passion. We believe that everyone should have a chance to participate in sports and enjoy the health and lifestyle benefits it brings, and to work towards achieving this we provide a wide range of equipment and clothing to promote sports participation amongst people of all abilities, including those who would not normally have access to equipment and facilities. Our charitable programme is compiled each year through various levels of the Group. This year, Sports Direct has engaged with a number of local organisations in Shirebrook and the surrounding area, these include: Willow Tree Family Farm, Shirebrook Town Council, Shirebrook Rangers Football Club, Shirebrook Gymnastics Club, Kings Mill Hospital and Mansfield Soup Kitchen.

The Group Brands also supports local communities and causes in various ways. Lonsdale is the proud sponsor of the RAF annual Novice Championships, The Lord Wakefields, and Everlast has also served as a proud supporter of The Breast Cancer Research Foundation® since 2006.

**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 circa 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 permanently located stand 40ft containers for export and one permanently located stand trailer going to a local paper mill.

**Plastic**

The recycling of plastic has transformed into a totally separate baling operation using four new HSM v press balers handling plastic only. This change has stopped end of bale contamination. Previously, we would have used the downtime available on the cardboard balers. 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 and we load it up 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 and a greater rebate.

**Transport**

As the Group's existing fleet of around 100 Scania Trucks is replaced, by 2018 all vehicles will be crossed over to Euro 6 standard using Ad Blue, which is a fuel additive stored in a separate tank on the truck and injected into the exhaust system to remove dangerous particulates. By better routing of the trucks to stores a fuel saving was made last year of c. 100,000 Litres.

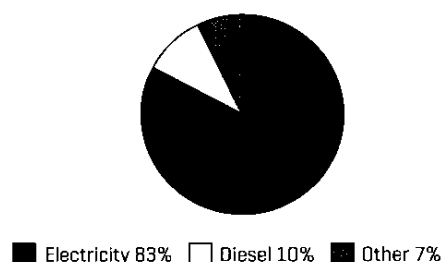
**Energy Efficiency**

All our newer retail stores are equipped with smart meters to monitor energy usage. This is managed centrally thus ensuring a consistent measurement across our retail footprint. We have embarked on a significant energy reduction programme culminating in the delivery of our very efficient Warehouse C. This has been supplemented with a number of pilot projects to create further energy saving opportunities.

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 continue to comply with the Government's Carbon Reduction Commitment, and are continuously aiming to reduce our carbon footprint. We have identified key areas where we can make a difference. The single most significant element is electricity, which makes up 83% of the footprint. We are looking to actively reduce energy usage in our stores, transport and waste management.

The carbon footprint spread across all UK sites is detailed in the chart below:

**CARBON FOOTPRINT ANALYSIS 1 APRIL 2016 - 31 MARCH 2017**

The growth of our Company has increased the number of our stores and therefore the absolute GHG emissions. Our chosen intensity ratio of electricity-related emissions per £m revenue has increased by 16%; which is a result in part due to efficiencies and in part due to the reduced CRC factors.



## GREENHOUSE GAS (GHG) EMISSIONS REPORTING

Reporting period <sup>(1)</sup>	1 April 2016 - 31 March 2017
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 2016 – 31 March 2017 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 2016 – 31 March 2017 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	2017	2016
<b>Scope 1 CO2e emissions</b>	12,624	15,571
<b>Scope 2 CO2e emissions</b>	112,692	120,102
<b>Total Scope 1 and Scope 2 CO2e emissions (Tonnes)</b>	125,316	135,674
<b>CO2e Emissions (Tonnes/£m)</b>	38.7	46.7
<b>CO2e Emissions vs Turnover Index (2015: 100)</b>	84.0	101.4

## WASTE REDUCTION

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

### THIS YEAR WE RECYCLED:

- 5,548 units of electrical equipment (2016: 5,679 units)
- 607 tonnes of waste paper (2016: 76 tonnes)
- 12,203 tonnes of cardboard (2016: 10,000 tonnes)
- 384 tonnes of metal (2016: 308 tonnes)
- 1,023 tonnes of plastic (2016: 710 tonnes)

All stores now use biodegradable carrier bags and provide the option of a "bag for life". This is actively promoted in-store through high levels of staff engagement.

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

**Mike Ashley**  
Chief Executive

19 July 2017

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

## THE GROUP'S APPROACH TO RISK

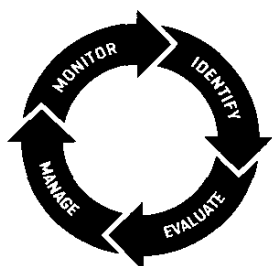
The identification and management of risk is a continuous process, and the Group's system of internal controls and the business continuity programmes are key elements of that. The Group maintains a system of controls to manage the business and to protect its assets with the development of contingency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

### 1. RISKS ARE IDENTIFIED

### 2. RISKS ARE EVALUATED

### 3. ACTION IS TAKEN TO MANAGE THE RISKS

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



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

The Board ensures that the appropriate arrangements are in place under which staff can raise concerns about possible financial or other impropriety, which are then appropriately investigated.

The Board is assisted by the Audit Committee in fulfilling its overview responsibilities, reviewing the reporting of financial and non-financial information to shareholders and the audit process, satisfying itself that appropriate systems of internal control and risk management are in place and are serving to identify and manage risk.

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

The 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, and the Board believes that the Group has maintained throughout the year, and up to the date of approval of the Annual Report and Accounts, an effective embedded system of internal control and has complied with the FRC's Risk Guidance.

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

## RISK POLICIES AND PROCEDURES

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

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

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

## KEY RISKS

### Control Environment

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

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

## CONTROL PROCEDURES

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

## FINANCIAL REPORTING PROCESS

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

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

#### PRINCIPAL RISKS AFFECTING THE GROUP

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

#### SUPPLY CHAIN

The Group operates internationally so is reliant on the successful distribution of goods from when they are distributed by the manufacturer to when they are sold in the stores.

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

**Risk:** The Group is subject to the risks associated with international trade and transport as well as those relating to exposure to different legal and other standards. Particular risks 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.

#### KEY SUPPLIERS

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.

#### TREASURY AND FINANCIAL RISK

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

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

Following the outcome of the EU referendum the Group noted the associated market volatility and in particular material changes to sterling/US dollar and sterling/Euro exchange rates, and the lack of transparency as to those rates in the short to medium term.

**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.

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

**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 1.24. As per our announcement on 9 June 2017, the sterling / dollar exchange rate is fully hedged for FY18 at 1.31.

The Group also holds assets overseas in local currency, and these assets are revalued in accordance with currency movements. This currency risk is not hedged.

The Group is cash generative and maintains appropriate debt levels to mitigate interest rate risk and at year end has debt levels of less than 1x underlying EBITDA.

#### CREDIT AND LIQUIDITY RISK

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

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

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

The Group's objective is to maintain sufficient funding and liquidity for its requirements, but the availability of adequate cash resources from bank facilities and achieving continuity of funding in the current financial climate could be a risk to the Group in future years.

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

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

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

**Mitigation:** The Group's key suppliers also face credit risks and as such the Group regularly assesses the viability of its suppliers and ensures there are plans to source from alternative businesses should key suppliers fail.

Rigorous procedures are in place to mitigate this credit risk. The Group has a credit policy in place and the exposure to risk is monitored on an on-going basis.

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

Investment of cash surplus, borrowings and derivative investments are made through banks and companies which have credit ratings and investment criteria approved by the Board.

The Group mitigates liquidity risk by keeping debt levels low and the current finance facility is held with a syndicate of 14 banks, thereby spreading the risk.

### TAXATION

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

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

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

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

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

### SUCCESSION PLANNING

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

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

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

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

Our structured talent management programmes, and specialist masterclasses, encourage internal progression within the Group. Executive development is important to us and we aim to promote internally rather than recruit external individuals who are unknown to the Group.

Our Share Schemes seek to reward and retain our key members of staff. The Nomination Committee reviews the succession plan of the Group, and discusses who would take over roles if key team members were to leave.

### MARKET FORCES

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

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

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

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

A number of key brands are owned by the Group, providing an internal level of control and certainty on margins.

### OPERATIONAL

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

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

**Risk:** Any disruption to the Head Office, National Distribution Centre or the fleet of vehicles might significantly impact the Group's ability to manage its operations, distribute products to its stores and maintain its supply chain.

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

Terrorist attacks, armed conflicts, government actions or adverse weather affecting the road networks within the UK could result in a significant reduction in consumer confidence, which would in turn have an adverse effect on sales in stores.

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

The Board is confident that as far as it is practical, the risks and uncertainties that face the Group are being monitored and managed and that, where required, appropriate action is being taken.

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

The 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.

### 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 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 ongoing 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, employee IT security awareness training and GDPR planning.

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 & Safety, with Qual Safe and the British Safety Council respectively. We have recruited a Health & Safety Training Officer and additional Health & Safety Officer based within Head Office. The Regional Health & 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.

Additional day to day safety support for stores has also been recruited, with two new Regional Health & Safety Officers.

### 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 stock of rival retailers, to ensure that our rights are not infringed and where these are infringed, to take appropriate action.

The legal team carefully draft contractual agreements to ensure that documentation is clear and legally binding. Standard templates and key points are shared so that processes are streamlined and legal spend is reduced.

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

### SALES

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

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

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

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

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

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

### BREXIT

The referendum decision for the UK to leave the European Union could have persistent adverse consequences for economic activity in the UK.

**Risk:** A period of heightened economic uncertainty would reduce consumer confidence, holding back spending decisions and tighten financial conditions by creating extra risk thus impacting on the cost of finance and reducing its availability.

**Mitigation:** Although we are unable to fully protect the Group from what is potentially a completely new economic landscape, we are taking a number of measures to protect our business. Brexit is a regular agenda item at Board meetings. We are also monitoring movements in customer behaviour and have begun negotiations with lenders.

# VIABILITY STATEMENT

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

The Board chose to review these over a three-year period as this best reflects the budgeting and planning process of the Company and the expected timescales for strategy implementation. Key areas included reflect our key risks and uncertainties:

- macro-economic factors, including prevailing market conditions in key geographic areas, key currency requirements and the uncertainty relating to Brexit for both investment confidence and customer confidence;
- internal factors including planned store openings, sales modelling profiles and expected capital expenditure requirements, brand profiles and supplier relationships; and
- operational risks.

When assessing the viability of the Group, the Board has reviewed the Group modelling of the impact of each risk and stress testing of the risk mitigation proposals, with regard to both income and profitability, and net debt impact. The Board has particularly noted the proposals for future capital expenditure, and the ongoing impact of currency movements and exposure under forward contract and written currency option arrangements.

The Group has a £788m banking facility in place until September 2018, and is currently negotiating appropriate arrangements with a range of potential lenders for a replacement facility post-September 2018.

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

The key risks and uncertainties can be found on pages 66 to 70 together with the steps the Company has taken to mitigate them.

The Strategic Report was approved by the Board on 19 July 2017, and signed on its behalf by:

**Mike Ashley**  
Chief Executive

## THE BOARD

### **DR KEITH HELLAWELL QPM**

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

**Appointed:** 24 November 2009

**Committees:** Nomination and Remuneration Committees

**Previous roles:** Prior to joining the team at Sports Direct International plc, Dr Hellawell spent over 40 years in public sector management being a former Chief Constable of two British police forces. While working directly for the Prime Minister between 1998 and 2002 he wrote and coordinated the United Kingdom national and international anti-drugs policy. Dr Hellawell has been involved in the private sector since 1998 when he joined Evans of Leeds, a fully listed property company. Since then he has served on the Boards of both Dalkia plc and Sterience Limited, subsidiaries of the French company Veolia Env. He was Non-Executive Chairman of Goldshield Group plc, a marketing-led pharmaceutical and consumer health company, from May 2006 to its sale in December 2009. He has held a number of other Non-Executive Board positions in private companies in sectors such as vehicle manufacturing and IT.

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

**Key skills and experiences:** Dr Hellawell has worked in both the public and private sector for over 50 years. Throughout this time he has built up a wealth of experience which he brings to the Group to ensure the successful and effective operation of the Board.

### **MIKE ASHLEY**

**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 Chairman 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.

### **SIMON BENTLEY**

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

**Appointed:** 02 March 2007

**Committees:** Audit, Nomination and Remuneration Committees

**Previous roles:** Simon qualified as a Chartered Accountant in 1980 and in 1987 joined Blacks Leisure Group Plc where he was Chairman and Chief Executive for 12 years.

**Present roles:** Simon chairs and is on the board of a range of companies and organisations. Among these, he is Chairman of the hair brand Umberto Giannini, is the principal owner and Chairman of the leading mobile ATM operator Cash on the Move, is a Supervisory Board Director of Global Home, a designer and manufacturer of indoor furniture for retailers, based in Vietnam, and is Chairman of Yad Vashem UK Foundation.

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

### **DAVE SINGLETON**

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

**Appointed:** 27 October 2007

**Committees:** Audit, Nomination and Remuneration Committees

**Previous roles:** Dave spent 25 years with Reebok International Limited. He stepped down in April 2007 having assisted with the successful integration of Reebok following its acquisition by adidas Group in January 2006. For eight years he was Vice President of Northern Europe Region & UK and then was Senior Vice President of Europe, Middle East & Africa. Dave will retire from the Board at the 2017 AGM.

**Present roles:** Dave is Chairman of Bolton Lads & Girls Club and Bolton Community Leisure Trust. He is also a Trustee at Bolton Wanderers Community Trust.

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

### **DAVID BRAYSHAW**

**Non-Executive Director**

**Appointed:** 8 December 2016

**Committees:** Audit Committee

**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 experiences:** 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.



# DIRECTORS' REPORT

The Directors of Sports Direct International plc present their Annual Report and Accounts for the year ended 30 April 2017.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Chief Executive's Report on pages 48 to 55 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 66 to 70. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Financial Review on pages 56 to 59. The Corporate Social Responsibility Report on pages 60 to 65 reports on environmental matters, including the impact of the Group's businesses on the environment, the Group's workforce, and on social and community issues.

The principal activities of the Group during the year remained unchanged and were:

- retailing of sports and leisure clothing, footwear and equipment;
- wholesale distribution and sale of sports and leisure clothing, footwear and equipment under Group-owned or licensed brands; and
- licensing of Group Brands.

Further information on the Group's principal activities is set out in the front of this document and in the Chief Executive's Report on pages 48 to 55.

## RESULTS FOR THE YEAR AND DIVIDENDS

Revenue for the 53 weeks ended 30 April 2017 was £3,245.3m and profit before tax was £281.6m compared with £2,904.3m and £361.8m in the prior year. The trading results for the year and the Group's financial position as at the end of the year are shown in the attached Financial Statements, and discussed further in the Chief Executive's Report and Business Review and in the Financial Review on pages 48 to 55 and 56 to 59 respectively.

The Board has decided not to propose a dividend in relation to FY17. 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 19 July 2017, there are 640,602,369 ordinary shares of 10p in issue and fully paid, of which 111,013,411 were held in treasury. As at the year end there were 79,310,534 ordinary shares held in treasury.

Further information regarding the Group's issued share capital can be found on pages 125 to 126 of the Financial Statements.

Details of our Share Schemes are also set out on pages 125 to 126.

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

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

The Directors were authorised to allot shares in the capital of the Group up to an aggregate nominal amount of £19,948,829 [being approximately one third of the then issued share capital] for the period expiring at 6 September 2017, the date of the 2017 AGM.

In line with guidance from the Association of British Insurers the Company was also granted authority to issue a further third of the issued share capital to a nominal amount of £39,897,658 in connection with a rights issue.

An authority to allot shares up to a maximum nominal value of £2,992,324 [being approximately 5% of the then issued share capital] as if statutory pre-emption rights did not apply, was also approved. In addition, the Directors were granted a further authority to allot up to a maximum nominal value of £2,992,324 [being approximately 5% of the then issued share capital] as if statutory pre-emption rights did not apply 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 Dis-applying 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 89,709,882 representing 14.99% of the Company's issued ordinary share capital at the 2016 AGM. The above authority expires at the close of the next AGM of the Company.

During the period to 30 April 2017 the Company has purchased 31,173,026 ordinary shares at a cost of £108,689,056 [excluding purchasing costs] and representing 5.80% of the issued share capital. The maximum number of shares held in treasury by the Company during the period was 79,310,534 representing 12.38% of the issued share capital. No shares have been disposed of by the Company.

As at 18 July 2017 the Company has purchased an additional 31,702,877 ordinary shares at a cost of £93,482,879 [excluding purchasing costs] and representing 4.95% of the issued share capital. 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 6.1.40. 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 30 April 2017, 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	58.01%	Indirect
Odey Asset Management LLP <sup>(2)</sup>	28,011,702	4.98%	Direct
FIL Limited <sup>(3)</sup>	28,656,107	5.07%	Indirect
Phoenix Asset Management Partners Limited <sup>(4)</sup>	18,119,748	3.03%	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 (53.35% of the issued ordinary share capital of the Company) and 26,492,540 ordinary shares (4.66% of the issued ordinary share capital of the Company) respectively.

[2] These figures are as at 6 April 2017, being the last date on which the Company was notified of a change in the percentage of shares.

[3] These figures are as at 28 March 2017, being the last date on which the Company was notified of a change in the percentage of shares.

[4] These figures are correct as at 11 July 2016, being the last date on which the Company was notified of a change in the percentage of shares.

Between 30 April 2017 and 19 July 2017 (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
Mike Ashley <sup>(1)</sup>	330,000,000	62.06%	Indirect

[1] Mike Ashley holds the shares through two companies, namely MASH Beta Limited and MASH Holdings Limited, which hold 303,507,460 ordinary shares (57.08% of the issued ordinary share capital of the Company) and 26,492,540 (4.98% of the issued ordinary share capital of the Company) respectively. These figures are as at 13 July 2017, 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 86 to 91.

## SHARE SCHEMES

Details of the Executive Share Schemes are set out in the Directors' Remuneration Report on pages 86 to 91 and details of the Share Schemes for participating employees on page 60 of the Corporate Social Responsibility Report.

## STAFF INVOLVEMENT

The Group currently has a c.29,000 strong workforce in its stores, offices and warehouses.

The 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. During the year, a Workers' Representative was elected to attend all Board meetings and provide feedback from SD Family members to the Board. The Company also introduced "Your Company, Your Voice" 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. Training programmes and induction courses provide the workforce with opportunities to keep up to date with the latest developments of the Group. Our annual conference offers attendees an opportunity to mix with teams with which they wouldn't ordinarily mix, to learn about the Group's aspirations, and to keep up to date with the latest changes in the Group. This is a full day event and also has a range of activities tailored to the specific area in which each individual works. Further information on relationships with our people can be found in the Corporate Social Responsibility Report on pages 60 to 65 and on pages 45 to 46 of Our Business review.

## DIRECTORS' REPORT

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

With the aim of restoring a balance of female representation on our Board, we are actively seeking applications from potential female Non-Executive Directors.

Further information on our diversity policy can be found in the Corporate Social Responsibility Report on pages 60 to 65.

### RESEARCH AND DEVELOPMENT

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

### CHARITABLE AND POLITICAL DONATIONS

During the year, the Group made charitable cash donations of £117k (2016: £5k) in the UK. No political donations were made (2016: nil). There have been a number of further donations of sporting equipment made to worthy causes, and these are set out on page 64.

### DIRECTORS

Details of current Directors, dates of appointment, their roles, responsibilities and significant external commitments are set out on page 71. David Daly will join the Board as a Non-Executive Director with effect from 2 October 2017.

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

Information on service contracts and details of the interests of the Directors and their persons closely associated (PCAs) in the share capital of the Company at 30 April 2017 and at the date of this report is shown in the Directors' Remuneration Report on pages 86 to 91.

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

No Director has a directorship in common or other significant links with any other Director (except in the case of Executive Directors holding directorships of subsidiary companies of the Group).

### DIRECTORS' CONFLICTS OF INTEREST

The Board has formal procedures to deal with Directors' conflicts of interest. During the year the Board reviewed and, where appropriate, approved certain situational conflicts of interest that were reported to it by Directors, and a 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.

### 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 during the 53 weeks ended 30 April 2017.

### 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 88
(12) Shareholder waivers of dividends	Page 75
(13) Shareholder waivers of future dividends	N/A
(14) Agreements with controlling shareholders	Page 73

**GREENHOUSE GAS EMISSIONS**

See pages 64 to 65.

**ANNUAL GENERAL MEETING**

The 2017 AGM will be held on 6 September 2017 at The auditorium Unit D, Brook Park East, Shirebrook, NG20 8RY. The meeting will commence at 11am. The Board encourages shareholders to attend and participate in the meeting.

**GOING CONCERN**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 48 to 55.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 56 to 59. In addition, the Financial Statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group is profitable, highly cash generative and has considerable financial resources. The Group is able to operate comfortably within its banking facilities and covenants, which run until September 2018, and is well placed to take advantage of strategic opportunities as they arise. The Group is currently in discussions regarding arrangements for post-2018.

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

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

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

**ACCOUNTABILITY AND AUDIT**

A statement by the Auditor can be found on page 96 detailing their reporting responsibilities. The Directors fulfil their responsibilities and these are set out in the responsibility statement on page 92.

**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 40 of the Annual Accounts.

By Order of the Board

**Cameron Olsen**  
Company Secretary

19 July 2017

# CORPORATE GOVERNANCE REPORT

*The Group is committed to high standards of Corporate Governance. The following section will detail how the UK Corporate Governance Code has been applied during the year.*

## CHAIRMAN'S INTRODUCTION

I am pleased to introduce the Corporate Governance Report, which confirms that for the year ended 30 April 2017, the Group has complied with the 2014 UK Corporate Governance Code.

We announced in January our decision to undertake a further 360 review of the Company to include working practices and corporate governance, which would be led by RPC (legal advisors to the Company). In FY17 this process primarily focused on our people. During this ongoing work, the Board and management team, as well as RPC, have identified both strengths and areas requiring improvement in the Company's approach to managing its people. A number of existing practices have been strengthened and new practices have been introduced which have benefitted our people and the Company.

It is important to ensure the Company has the right mix of experience and knowledge and skills on the Board. We have taken steps to strengthen the Board and have appointed David Brayshaw as a Non-Executive Director and recently announced that David Daly will also be joining the Board as a Non-Executive Director in October 2017. In our search for Non-Executive Directors, we are encouraging applications from women. We are actively seeking a Chief Financial Officer following the departure of the Acting Chief Financial Officer, Matt Pearson. The Company has been supported by Herbert Monteith who was appointed to the role of Interim Head of Finance in place of Matt, and we strengthened the Finance team to build further support whilst the search for a permanent replacement continues.

During the year, and in accordance with its Engagement Statement, which can be viewed on the Investor Relations Section of our website, the Company has undertaken collective face-to-face briefings for analysts and investors on announcement of the half year and annual results. In addition to the briefings at these times, the Company also hosted a collective meeting for the Company's major shareholders to provide shareholders with an extended opportunity to engage with management. Additionally in September 2016 the Company hosted an open day which included a site tour, presentation on the company's strategic initiatives and people strategy, and a question and answer session.

Throughout the year one-to-one meetings have been held between Executive and Non-Executive Board members in order that Non-Executive Board members can gain a fuller understanding of what is taking place in the Group.

## COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The overall responsibility for the Group's risk management and internal controls systems sits with the Board. This is an ongoing process which relates to the identification, evaluation, management and monitoring of significant risks. This complies with the UK Corporate Governance Code.

The Board is subject to the UK Corporate Governance Code. The main principles of the Code are:

## LEADERSHIP EFFECTIVENESS ACCOUNTABILITY REMUNERATION RELATIONS WITH SHAREHOLDERS

The Board has reviewed the Company's corporate governance processes and policies, and has concluded that during the 53 weeks ended 30 April 2017 the Company complied with the provisions of the Code.

## THE BOARD

The Board consists of the Non-Executive Chairman, Keith Hellawell, the Chief Executive, Mike Ashley, and three further Non-Executive Directors. The names, skills and short profiles of each member of the Board are set out on page 72.

The size and composition of the Board is regularly reviewed by the Board to ensure that there is the appropriate balance of skills and experience. The Board is seeking to appoint a Chief Financial Officer following the departure of Acting Chief Financial Officer, Matt Pearson.

## ROLE OF THE BOARD

The role of the Board is to ensure the overall long-term success of the Group. This is achieved through the review, development and implementation of the Group's strategy. The Board also maintains responsibility for corporate responsibility, accountability and to ensure effective leadership is delegated to management for the day to day running of the Group and ensures an appropriate strategy is in place for succession planning.

The Board has a programme in place to enable it to discharge its responsibility of providing effective and entrepreneurial leadership to the Group within a framework of prudent and effective controls.

The Board plans to meet on a formal basis five times during the year with up to four additional strategy meetings at convenient times throughout the year when broader issues concerning the strategic future of the Group will be discussed. The Board will meet on other occasions as and when the business demands. During FY17 the Board formally met on 13 occasions.

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, reports on meetings with investors, reports from Committees of the Board and specific proposals where the approval of the Board is sought. The Board will monitor and question monthly performance and review anticipated results. Areas discussed include investor relations, human resources and health and safety. The Board also receives updates on areas including risk management and internal control systems.

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

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

**CORPORATE GOVERNANCE REPORT**

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.

**KEY ACTIVITIES**

- Ensuring the long-term success of the Group
- Considering the obligations to shareholders and other stakeholders
- Considering the effect the Group's activities have on the environment and community in which it operates
- Maintaining a high business reputation
- Maintaining relationships with suppliers, customers and the wider community

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

**MATTERS RESERVED FOR THE BOARD**

- Setting of budgets
- Monitoring and review of strategy and business performance
- Approval of acquisitions, expansions into other regions / countries above materiality level
- Appointments and removal of Board members
- Succession planning
- Overall responsibility for internal control and risk management as described on pages 66 to 70

**THE CHAIRMAN AND CHIEF EXECUTIVE**

The division of responsibilities between the Non-Executive Chairman and the Chief Executive is in writing and has been agreed by the Board. However, they work closely together to ensure effective decision making and the successful delivery of the Group's strategy.

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and that all Directors are able to play a full part in the activities of the Company. He ensures that the Directors receive accurate, timely and clear information.

The Chairman officiates effective communication with shareholders and ensures that the Board understands the views of major investors, and is available to provide advice and support to members of the Executive team.

The Company has entered into a Relationship Agreement with Chief Executive Mike Ashley, (the former Executive Deputy Chairman), whose wholly-owned companies, MASH Holdings Limited and MASH Beta Limited, currently hold approximately 4.98% and 57.08% respectively of the issued share capital of the Company (excluding treasury shares) as at 13 July 2017. This agreement is described in the Directors' Report on page 73.

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

**THE NON-EXECUTIVE DIRECTORS**

The rest of the Board consists of three 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.

Simon Bentley is the Senior Independent Non-Executive Director. He supports the Chairman and Non-Executive Directors and is available to shareholders if they have concerns. Although Simon has served on the Board for longer than the recommended nine years, the Board maintains the view that Simon continues to be independent, that there are no issues likely to affect his independent judgement and that he is not financially dependent upon the fee he receives from the Company.

**THE NON-EXECUTIVE DIRECTORS - EXTERNAL APPOINTMENTS**

Non-Executive Directors are required to disclose prior appointments and other significant commitments to the Board and are required to inform the Board of any changes to or additional commitments. Details of the Non-Executive Directors' external appointments can be found on page 72.

Before accepting new appointments, Non-Executive Directors are required to obtain approval from the Chairman, and the Chairman requires the approval of the whole Board. It is essential that no appointment causes a conflict of interest or jeopardises the Non-Executive Directors' commitment and time spent with the Group in their existing appointment.

**THE NON-EXECUTIVE DIRECTORS - INDEPENDENCE**

The Group considers the Non-Executive Directors to be independent in accordance with the UK Corporate Governance Code. Each year the Board evaluations consider the independence of each Board member. The most recent evaluations did not highlight any Directors who lacked independence. The Board continues to support our longest serving Non-Executive Director, Simon Bentley, who has been a Board member since 2007. The Board greatly values Simon's independent experience and his strong contribution to debate. In supporting Simon the Board has taken full account of the Code's requirement's to consider carefully a Non-Executive Director's independence where that director has served on the Board for more than nine years from the date of their first election. The Board is of the view that Simon continues to be independent, that there are no issues likely to affect his independent judgement and that he is not financially dependent upon the fee he receives from the Company.

**EXECUTIVE AND NON-EXECUTIVE DIRECTORS - RE-ELECTION**

The Group complies with the UK Corporate Governance Code and all Directors offer themselves for re-election every year.

The Board has determined that all Directors must put themselves forward for re-election at the 2017 AGM to comply with the UK Corporate Governance Code. Retiring Directors may seek reappointment if willing and eligible to do so and if so recommended by the Nomination Committee. All Directors appointed by the Board are appointed after consideration of the recommendations of the Nomination Committee, and those so appointed must stand for reappointment at the following AGM.

Details of Executive Directors' service contracts, and of the Chairman's and the Non-Executive Directors' appointment letters, are given on page 88. Copies of service contracts and of appointment letters are available for inspection at the Company's registered office during normal business hours and at the AGM.

**EXECUTIVE AND NON-EXECUTIVE - TRAINING AND DEVELOPMENT**

All newly appointed Directors are provided with an induction programme which is tailored to their existing skills and experience. The Board is informed of any material changes to laws and regulations affecting the Group's business.

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

**EXECUTIVE AND NON-EXECUTIVE DIRECTORS - PERFORMANCE EVALUATION**

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

The most recent Board evaluation was conducted externally in FY17 by NJMD Corporate Services Limited ["NJMD"]. NJMD are an independent consultancy specialising in board performance evaluation and have no other connection to the Company other than undertaking the external board evaluation in 2014. NJMD made a number of recommendations which the Board will address.

**BOARD COMMITTEES**

To assist the Board with their duties, there are three principal Board Committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee. The Committees are governed by terms of reference which provide detail of matters delegated to each Committee and the authority they have to make decisions. Full terms of reference are available on request and on the Company's website.

Attendance by Directors at Board and Committee meetings during the year and the total number of meetings that they could have attended are set out in the table below. All Directors attended all meetings of the Board and of Committees of the Board of which they were members unless prevented from doing so by prior commitments. The Board is satisfied that currently no one Director exercises a disproportionate influence.

	Board Meetings-Scheduled	Board Meetings-Unscheduled	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Keith Hellawell	4/4	9/9	-	3/3	2/2
Mike Ashley	4/4	9/9	-	-	-
Simon Bentley	4/4	9/9	5/5	3/3	2/2
Dave Forsey <sup>(1)</sup>	2/2	4/4	-	-	-
Dave Singleton	4/4	9/9	5/5	3/3	2/2
Claire Jenkins	4/4	9/9	5/5	3/3	2/2
Matt Pearson <sup>(2)</sup>	3/3	9/9	-	-	-
David Brayshaw <sup>(3)</sup>	1/1	1/1	2/2	-	-

(1) Meetings attended by Dave Forsey up to his resignation date of 22 September 2016

(2) Meetings attended by Matt Pearson up to his resignation date of 31 December 2016

(3) Meetings attended by David Brayshaw following his appointment on 8 December 2016

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.

The meetings which took place throughout the year were a mixture of both scheduled meetings, for general matters, and unscheduled meetings, for more urgent matters. All meetings were attended by all Board members.

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

**CORPORATE GOVERNANCE REPORT****AUDIT COMMITTEE****AUDIT COMMITTEE REPORT 2017**

Dear Shareholder,

*I am pleased to present the Audit Committee Report for the 53 weeks ended 30 April 2017.*

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 2018.

**MEMBERSHIP**

I am Chairman of the Committee and the other members are Dave Singleton and David Brayshaw. Prior to stepping down from the Board on 3 May 2017, Claire Jenkins was also a member of the Committee. Biographical details of each Committee member are set out in the Directors' profiles on page 72 of this Annual Report.

As Chairman 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 that the Committee as a whole has competence relevant to the retail sector in which the Group operates.

**MEETINGS**

The Committee met five times during the year. Non-Committee members of the Board and the management team, including Mike Ashley, 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 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 four Committee meetings during the year and our internal audit advisers, BDO LLP, attended one meeting. After the Committee meetings at which Grant Thornton were present, the Committee members met with Grant Thornton without any of the Non-Committee members of the Board or management team present. In my capacity as Chairman of the Committee, I also met with Philip Westerman, the lead audit partner at Grant Thornton, on four additional occasions during the year as part of the Committee's assessment of Grant Thornton's effectiveness as our external auditors. Further details of this assessment are set out below.

**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 the internal audit plan 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 auditors' 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 and the effectiveness of our external advisers on internal audit;
- 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 2018;
- 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 Corporate Governance Report on pages 77 to 85 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.

BDO, our external advisors on internal audit, performed an initial audit needs assessment in 2015, shortly after their appointment, based on their understanding of the retail sector and potential risks facing the Group. In consultation with the Committee, BDO developed a programme of targeted internal audits to provide assurance to the Committee regarding the management of specific priority areas. This programme of audits was approved by the Committee in 2015 and has informed the specific internal audit plans approved by the Committee in each subsequent year.

The internal audit plan is reviewed and revised each year by the Committee, in conjunction with management, and its effectiveness and appropriateness is then monitored by the Committee throughout the year in order to ensure that it is aligned to the key risks of the business.

This year has been one of significant change in the macroeconomic environment in which the Group operates, particularly following the result of the UK's referendum on membership of the European Union. In addition, there have been a number of changes in the Group's senior management, including the departure of Dave Forsey as Group Chief Executive and of Matthew Pearson as Acting Chief Financial Officer. As a result, BDO's internal audit programme was put on hold and no internal audit work was undertaken during the year by BDO. Nevertheless, the Committee focused on a number of significant areas of internal control during the year, including:

- Stock valuation and the calculation of associated provisions;
- External banking arrangements;
- The preparation and review of management accounts;
- Monitoring and reporting procedures in relation to budget variance;
- Ledger entry processes;
- Accounts payable entry processes and the ageing of ledgers;
- Accounts receivable entry processes, petty cash and expenses;
- Staff search procedures, including a review of progress in the implementation of agreed changes;
- Policies and procedures in relation to health and safety, including a review of progress in the implementation of a Major Emergency Policy; and
- The implementation of a third party-administered confidential employee hotline.

Whilst the Committee remains of the view that the Group's internal controls continue to be effective, it will be reviewing and revising its 2018 internal audit plan, having regard to the evolving needs of the Group and the changing risk environment. In particular, the Committee will be considering the 2018 internal audit plan in the light of the Working Practices Report that was completed in September 2016.

In addition to its assessment of the effectiveness of the Group's internal controls, the Committee has delegated responsibility from the Board for considering operational, financial and compliance risks on a regular basis, which it has done throughout the year and will continue to do in 2018.

#### EXTERNAL AUDITORS

Our current external auditors, Grant Thornton, have been in place since the listing in February 2007. Following a competitive tender process, overseen by the Committee, a recommendation to reappoint Grant Thornton was approved by shareholders at the Company's annual general meeting in 2016.

To maintain the objectivity of the audit process, the external auditors are required to rotate audit partners for the Group audit every five years. The current lead audit partner at Grant Thornton, Philip Westerman, has been in place for four years.

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.

This year, the Committee has given particular consideration to the results of the FRC's Audit Quality Inspection into Grant Thornton, published in May 2016. I have discussed these with Philip Westerman with a particular focus on the FRC's key findings requiring action by Grant Thornton. The Committee has also given due consideration to the FRC's ongoing investigation into the preparation, approval and audit of the Group's financial statements for the 52 weeks ended 24 April 2016, as mentioned below.

**CORPORATE GOVERNANCE REPORT**

The Group engaged Grant Thornton and member firms of Grant Thornton International to provide a number of non-audit services to the Group during the year. The nature of these services were as follows:

- Transactions advisory services;
- Taxation compliance services; and
- Taxation advisory services.

Non-audit fees charged by Grant Thornton for its UK services during the year were £3.4m. This compares to UK audit fees of £0.8m and other assurance fees of £0.1m.

A significant component of these non-audit services related to a specific and non-recurring transaction advisory services engagement in respect of the Group's disposal of the Dunlop business. Non-audit fees for this engagement amounted to £1.3m. The remainder of these non-audit services related to tax advisory and compliance services.

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 totalling £0.7m. These non-audit services related primarily to tax compliance and advisory services. Fees for international audit services were £0.6m.

More detail on fees charged by Grant Thornton is included in note 7 to the financial statements contained on page 113 of this Annual Report.

During the year, the Committee has regularly reviewed and challenged the non-audit services being provided by Grant Thornton to the Group. In particular, Grant Thornton met with the Board and the Committee in February 2017 to provide a detailed update on the level of non-audit fees compared to audit fees expected during the year, to outline the nature of the services provided and to explain the safeguards implemented to ensure that objectivity and independence was maintained in relation to the external audit.

As a result of its review of the provision of non-audit services from Grant Thornton, the Committee concluded that, due to the nature of the work and the safeguards in place, this 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 purchase these non-audit services from the external auditors because of Grant Thornton's deep understanding of the business and expertise in the relevant areas.

The FRC's Revised Ethical Standard for audit engagements came into effect on 17 June 2016. It is applicable for accounting periods commencing on or after this date. For Sports Direct, this is therefore applicable for the first time from 1 May 2017.

A number of services historically provided to the Group by Grant Thornton are now prohibited under the Revised Ethical Standard, including any tax-related work. The Committee carefully reviewed the Revised Ethical Standard in conjunction with Grant Thornton and the provision of all services that are now prohibited ceased with effect from 1 May 2017.

The Committee has agreed that, in the future, any proposed non-audit services 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.

The Committee anticipates a significant reduction in the level of non-audit services provided by Grant Thornton during 2018 as a result of the introduction of the Revised Ethical Standard.

Overall, following its detailed assessment and discussions with Grant Thornton, the Committee believes that Grant Thornton's independence, the objectivity of the external audit and the effectiveness of the audit process is safeguarded and remains strong and that high standards for external audit have been maintained. This is evident to the Committee in Grant Thornton's robust internal processes, their continuing challenge, their focused reporting and their discussions with both management and the Committee.

The Committee has therefore concluded that Grant Thornton remain effective as external auditors and has recommended to the Board that Grant Thornton be reappointed as the Group's external auditors for the 2018 financial year.

**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 53 weeks ended 30 April 2017. 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 (for example, in relation to the FRC's Revised Ethical Standard, referred to above);
- 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 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.

#### INTERACTIONS WITH THE FRC

During the year, the Board engaged with the FRC in relation to matters concerning its annual report and accounts for the 52 weeks ended 26 April 2015. The principal issue arising related to whether, in the FRC's view, the 2015 strategic report complied with the Companies Act 2006 requirements to be balanced and comprehensive.

The Audit Committee worked closely with the Board, the finance team and with management to formulate its responses to the FRC's enquiries and the Group now includes specific commentary concerning its international operations in its narrative reporting, including the strategic report, and has presented separately segmental information about these stores in the Group's financial statements. This information is contained on pages 109 to 112 of this Annual Report. The Board, with the assistance of the Committee, will continue to ensure that best practice in its narrative reporting is maintained.

Separately, on 28 November 2016, the FRC's Conduct Committee announced an investigation in relation to the preparation, approval and audit of the Group's financial statements for the 52 weeks ended 24 April 2016 and, specifically, certain arrangements between the Group and Barlin Delivery Limited. The Group is not a subject of the investigation. The nature of this arrangement was disclosed in the interim results as at 8 December 2016 and again in this year's financial statements and it should be noted that, subsequent to year end, this arrangement has ceased.

#### FINANCIAL REPORTING

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

- Adequacy of inventory provisioning and assumptions inherent in the provision calculation;
- Completeness of onerous lease and other material provisions and accruals;
- Revenue recognition accounting policies;
- Completeness and disclosure of related party and other commercial relationships;
- Acquisitions in the year, accounting, control and recoverability of any year end receivables to controlled entities and investments;
- Quality of systems and management override of controls;
- Foreign currency impact on trading and eligibility for hedge accounting of forward currency contracts, financial instruments and hedging strategy; and
- Capital expenditure on freehold and other property assets.

#### REVIEW OF THE COMMITTEE'S EFFECTIVENESS

During the year, the Board commissioned a performance evaluation, externally facilitated by NJMD Corporate Services, in relation to the effectiveness of the Board and its committees, including the Audit Committee. The Board has concluded that the Committee continued to discharge its responsibilities effectively for the year but recognises the need to make plans for orderly succession and to maintain an appropriate balance of skills and experience.

Accordingly, in the year ahead, in addition to its main responsibilities (as set out above) the Committee intends to focus on succession planning both in relation to its own membership and also those members of the Board and management team with responsibility for the quality and effectiveness of the Group's financial reporting and external audit process as well as its internal controls and risk management. Recognising the length of my service as a Director of Sports Direct International plc, that will include my own succession.

#### Simon Bentley

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

19 July 2017

**CORPORATE GOVERNANCE REPORT****REMUNERATION COMMITTEE**

Biographical details of each member are shown in the Board of Directors' profiles on page 72.

The Remuneration Committee consists solely of Non-Executive Directors who are considered independent. The purpose of the Committee is to assist the Board to ensure that Executive and Non-Executive Directors receive appropriate levels of pay and benefits. A key priority is to ensure that remuneration policy is aligned with strategy to achieve the long-term success of the Group. The Committee ensures that it complies with the requirements of regulatory and governance bodies including the UK Corporate Governance Code while meeting stakeholder, shareholder and staff expectations.

**THE RESPONSIBILITIES OF THE REMUNERATION COMMITTEE INCLUDE:**

- Determining the Company's policy on Executive remuneration, including the design of bonus schemes and targets and payments made thereunder.
- Determining the levels of remuneration for the Chairman and each of the Executive Directors.
- Monitoring the remuneration of senior management and making recommendations in respect thereof.
- Agreeing any compensation for loss of office of any Executive Director.

The Remuneration Committee meets at least three times a year and met on three occasions during FY17.

A report on the remuneration of Directors appears on pages 86 to 91.

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

- Worked on the Share Scheme, including announcements.
- Reviewed the Directors' Remuneration policy.
- Received updates on the vesting of the 2011 share schemes.
- Considered the introduction of a new employee share scheme.
- Agreed to guarantee minimum share price values on the final vesting under the 2011 share scheme.
- Reviewed and approved the Directors' Remuneration Report contained on pages 86 to 91.

Full details of Directors' remuneration can be found in the Remuneration Report on pages 86 to 91.

**Dave Singleton**

Chairman of the Remuneration Committee

19 July 2017

**NOMINATION COMMITTEE**

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

Biographical details of each member are shown in the Board of Directors' profiles on page 72.

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

The Nomination Committee will usually meet twice a year and will also meet when appropriate. The Committee met formally on two occasions during FY17. All of the Nomination Committee members are Non-Executive Directors and are considered to be independent. See page 78 regarding Simon Bentley's independence.

**THE RESPONSIBILITIES OF THE NOMINATION COMMITTEE INCLUDE:**

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

The Board has established a Nomination Committee to ensure a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

The Nomination Committee also determines succession plans for the Chairman and the Chief Executive who are not present at meetings when the matter is discussed. Succession plans are reviewed by the Nomination Committee at least once a year.

## WHAT HAS THE COMMITTEE DONE DURING THE YEAR?

- Considered the appointment of a workers' representative to the Board and agreed the framework for appointing a workers' representative to attend Board meetings to facilitate a healthy and constructive dialogue on behalf of the Sports Direct family.
- Reviewed its terms of reference in line with current best practice.
- Facilitated the search for Non-Executive Directors and a Chief Financial Officer and reviewed the steps taken towards making an appointment. Candidates met with members of the Committee in order that the Committee were able to form a conclusion regarding recommendations.
- Reviewed the top management structure in place. Made recommendations as to changes which may be required in order to strengthen the position of the Group in future.
- Considered prospective candidates to be appointed to the role of Chief Financial Officer.
- Met with stakeholders and reviewed the feedback given.

### Dr Keith Hellawell QPM

Chairman of the Nomination Committee and Chairman of the Board

## UK BRIBERY ACT

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

## BUSINESS MODEL

Our business model, which sets out the basis on which the Company generates or preserves value over the longer term, and the strategy for delivering the objectives of the Company, can be found at pages 44 to 47.

## WHISTLE-BLOWING

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

## RELATIONS WITH SHAREHOLDERS

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

The Chairman and the Chief Executive regularly meet with the Company's institutional shareholders to discuss the Group's strategy and financial performance within the constraints of information already available to the public in accordance with the Company's published Engagement Statement. All other Board members are also available to meet with shareholders, as and when required.

## REMUNERATION

The Remuneration Committee is responsible for determining and reviewing remuneration policy and setting remuneration levels. See Remuneration Report on pages 86 to 91.

## SHARE DEALING CODES

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

Details concerning the share capital structure of the Company can be found in the Director's Report on page 73.

## RISKS AND UNCERTAINTIES

The key features of the Group's system of internal control and risk management systems in relation to the financial reporting process and the preparation of the Group accounts are set out below or cross-referred to in other parts of the Annual Report where relevant.

The Board of Directors has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and for maintaining sound risk management and internal control systems, and for reviewing their effectiveness. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable but not absolute assurance against material misstatement or loss.

## ASSESSMENT OF BUSINESS RISK

A system to identify, assess, and evaluate business risk is embedded within the management processes throughout the Group. Strategic risks are regularly reviewed by the Board and its Committees. Risks relating to the key activities within the subsidiary operating units are assessed continuously.

Further details of the risks and uncertainties relating to the Group's business, and how the Group seeks to mitigate these, can be found on pages 66 to 70.

By Order of the Board

### Cameron Olsen

Company Secretary

19 July 2017

# DIRECTORS' REMUNERATION REPORT

## STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

### Dear Shareholder

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.

### Basic Salaries and benefits

The salaries for the Executive Directors' in role at the start of FY17 were set at the level of £150,000 in the case of Dave Forsey and £80,000 in the case of Matt Pearson. Neither Mr Forsey nor Mr Pearson received any additional benefits. This basic reward has remained the same since 2002 and is reflective of the Company philosophy that remuneration should be simple, transparent and that it support the long-term delivery of business strategy, high performance and shareholder return. Executives will only be rewarded for high and sustained performance.

Following Mr Forsey's resignation, Mike Ashley was appointed Chief Executive on 22 September 2016. Mike Ashley has not received any remuneration from the Company since before the public offering in February 2007 and has declined any remuneration in his new role.

### Incentive Remuneration

In accordance with our shareholder approved Director's Remuneration Policy, the Executive Directors were not eligible to receive an annual bonus whilst the 2015 Share Scheme was in place. Incentive has been strongly based upon the driving of long-term business performance through granting larger up-front awards which only vest if significant and consistent growth in line with annual published performance targets, is delivered year on year.

As reported in the FY16 Annual Report, the 2015 Share Scheme, which was approved by shareholders on 2 July 2014, lapsed with the failure to reach the published FY16 Underlying EBITDA target. The Committee announced that there was no immediate intention to present to shareholders a new scheme for Executive Directors, nor did the Committee propose to use its discretion to grant further awards under the 2010 Executive Share Scheme, given the 2015 Share Scheme was no longer in place, or offer an annual bonus scheme. Rather, the Executive Directors focus in FY17 would be on "improving shareholder value and the earnings potential of our people for their commitment and performance". This focus remains in place for FY18.

### Directorate changes

Neither Dave Forsey nor Matt Pearson received any compensation as a result of their resignation. Also, Matt Pearson's outstanding award under the 2011 Share Scheme lapsed, while Dave Forsey's award under the Executive Share Scheme lapsed in June 2016. However, Dave Forsey was paid his basic salary for the remainder of FY17 during which time he completed an orderly handover to Mike Ashley. More information is given on page 89.

### Employee reward

FY17 was a very difficult period for the Company which has also seen a significant reduction in share value. The Committee and Board felt very strongly that this fall in share value was not a result of the performance of the Company's wider and loyal workforce. As such the Committee and Board used their discretion in December 2016 to announce a guaranteed minimum share price value of £3 to eligible employees on the vesting of the final tranche of shares under the 2011 Share Scheme due in September 2017, and in May 2017 announced that those employees who elect to defer the vesting of their share awards until September 2018 will receive a minimum share value guarantee of £4.

During FY17 the Committee considered 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.

It is worth noting 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 £184m since their introduction. In 2012, eligible employees received an average of £12,689, in 2013 an average of £69,017, and in 2015, an average of £16,284.

In addition to share schemes, the Company operates other bonus and incentive awards for its workforce. Over the ten years since 2007 we have paid out just under £108m in such bonuses and awards. By way of recent examples, in FY16 our UK retail workers received a total of £19m in bonus and incentive awards, and this figure increased to £20m in FY17. 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 a large and loyal workforce.

As announced on 12 July 2017, I shall retire from the Board and Remuneration Committee following the conclusion of the 2017 AGM. Upon my retirement David Brayshaw will take my place as Chairman of the Remuneration Committee.

### Dave Singleton

Chairman of the Remuneration Committee

19 July 2017

## DIRECTORS' REMUNERATION POLICY

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

For ease of reference, we have set out below the Future Policy Table for Executive Directors as included in the approved Remuneration Policy, except that: [1] to reflect that the 2015 Share Scheme has lapsed and Mike Ashley, the only current Executive Director, is not eligible to participate in the Executive Share Scheme, we have removed the Long Term Incentive Pay section of the Policy; and [2] we have made consequential amendments to the text of other parts of the table to reflect the lapse of the 2015 Share Scheme and to update specific date references.

### FUTURE POLICY TABLE

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

#### ELEMENT OF REMUNERATION: BASE SALARY

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

**OPERATION:** Base salaries are normally reviewed annually. Mike Ashley does not currently receive a salary for his role.

**MAXIMUM:** Although salaries for Executive Directors (other than Mike Ashley, who does not currently receive a salary) 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 47 to 48 of the 2015 Annual Report.

**PERFORMANCE MEASURES:** Not applicable.

#### ELEMENT OF REMUNERATION: BENEFITS

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

**OPERATION:** Mike Ashley does not receive any additional benefits. There is currently no intention to change this. Benefits may be provided in line with market practice to recruit a new Executive Director taking into account individual circumstances. Such benefits may include relocation expenses.

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

**PERFORMANCE MEASURES:** Not applicable.

#### ELEMENT OF REMUNERATION: RETIREMENT BENEFITS

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

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

**MAXIMUM:** The current maximum employer contribution to the stakeholder pension scheme is 1%, increasing to 2% with effect from 6 April 2018. The Company retains the discretion to set retirement benefits (including pension contributions and/or a salary supplement in lieu of a pension contribution) for any Executive Directors in accordance with the Committee's approach to recruitment remuneration, as described on pages 47 to 48 of the 2015 Annual Report.

**PERFORMANCE MEASURES:** Not applicable.

#### ELEMENT OF REMUNERATION: ANNUAL BONUS

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

**OPERATION:** The Committee has determined that no annual bonus scheme will be operated for Executive Directors while the 2015 Share Scheme is in place. Although the 2015 Share Scheme has lapsed, the Committee does not propose to introduce an annual bonus for FY18.

**MAXIMUM:** Although the 2015 Share Scheme has lapsed, the Committee does not propose to introduce an annual bonus for FY18. The annual bonus opportunity for any newly recruited Executive Director will be set in accordance with the Committee's approach to recruitment remuneration as described on pages 47 to 48 of the 2015 Annual Report.

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

#### 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.

**DIRECTORS' REMUNERATION REPORT****EXECUTIVE DIRECTORS**

Details of each current service contract are set out below:

	<b>Contract Date</b>	<b>Unexpired term / notice period</b>	<b>Proper law</b>
Mike Ashley	11/02/2007	12 months	England & Wales

**NON-EXECUTIVE DIRECTORS**

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

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

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

Details of the letters of appointment are set out below.

	<b>Position</b>	<b>Date of letter of appointment</b>
Keith Hellawell	Non-Executive Chairman	February 2010
Simon Bentley	Non-Executive Director	11 July 2017
Dave Singleton	Non-Executive Director	11 July 2017
David Brayshaw	Non-Executive Director	8 December 2016

**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 30 April 2017 and how our Directors' Remuneration Policy will be applied in the year commencing 1 May 2017.



**SINGLE FIGURE TABLE (AUDITED)**

The aggregate remuneration provided to individuals who have served as Directors in the period ended 30 April 2017 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	
	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16	FY17	FY16
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>EXECUTIVE</b>												
Mike Ashley	-	-	-	-	-	-	-	-	-	-	-	-
Dave Forsey <sup>(1)</sup>	62.5	150	-	-	-	-	-	-	-	-	62.5	150
Matt Pearson <sup>(2)</sup>	53.5	73	-	-	-	-	-	-	-	-	53.5	73
<b>NON-EXECUTIVE</b>												
Keith Hellawell	155	155	-	-	-	-	-	-	-	-	155	155
Simon Bentley	50	50	-	-	-	-	-	-	-	-	50	50
Dave Singleton	50	50	-	-	-	-	-	-	-	-	50	50
Claire Jenkins	50	50	-	-	-	-	-	-	-	-	50	50
David Brayshaw <sup>(3)</sup>	20	N/A	-	N/A	-	N/A	-	N/A	-	N/A	20	N/A

(1) Dave Forsey's remuneration for FY17 is his remuneration for the period from 25 April 2016 until 22 September 2016 when he ceased to be an Executive Director. Details of amounts paid to Mr Forsey following his resignation are set out below.

(2) Matt Pearson was appointed as an Executive Director with effect from 4 June 2015. His remuneration for FY16 as set out in the above table is his remuneration for the period from the date of his appointment until 24 April 2016. His remuneration for FY17 is his remuneration for the period from 25 April 2016 until 31 December 2016 when he ceased to be an Executive Director. No payment was made to Mr Pearson following his resignation.

(3) David Brayshaw did not serve as a Director in FY16, accordingly no values are included in respect of FY16. David Brayshaw was appointed as a Non-Executive Director with effect from 8 December 2016. His remuneration for FY17 as set out in the above table is his remuneration for the period from the date of his appointment to the end of FY17.

**NOTES TO THE SINGLE FIGURE TABLE AND IMPLEMENTATION OF POLICY IN THE YEAR ENDING 29 APRIL 2018****BASE SALARY AND FEES**

Mike Ashley does not receive a salary for his role.

Fees for Non-Executive Directors are normally reviewed annually. In the review in FY17 fees were not increased. Fees for Non-Executive Directors will not be increased for FY18.

**ANNUAL BONUS SCHEME**

Notwithstanding that Mike Ashley does not receive a salary for his role, nor is he eligible to participate in the 2010 Executive Share Scheme, the Committee does not propose to introduce an annual bonus for FY18.

**EXECUTIVE SHARE SCHEME**

Mike Ashley is not eligible to be granted awards under the Executive Share Scheme.

**DIRECTORATE CHANGES**

Dave Forsey resigned as a Director with effect from 22 September 2016 and Matt Pearson resigned as a Director with effect from 31 December 2016. Neither Mr Forsey nor Mr Pearson received any payment for loss of office during the period ended 30 April 2017 or will receive any such payment in the future.

Dave Forsey received payments in respect of salary and accrued unused holiday payments totalling £106,048 following his resignation as an Executive Director until 28 April 2017 when he ceased to be an employee of the Company. No payments were made to Matt Pearson following his resignation.

As noted in last year's Directors' Remuneration Report, on 6 June 2016 Dave Forsey decided to forego his outstanding bonus share award over 1 million shares. Matt Pearson's remaining bonus share scheme award over 20,625 shares which was scheduled to vest on 7 September 2017 lapsed on his resignation.

The remuneration package for any Executive Director to be appointed in FY18 will be determined in accordance with the Directors' Remuneration Policy approved at the 2015 AGM.

**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.

## DIRECTORS' REMUNERATION REPORT

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 30 April 2017 or if earlier the date of resignation	Ordinary Shares 24 April 2016 or if later the date of appointment
<b>Directors as at 30 April 2017</b>		
Mike Ashley	330,000,000	330,000,000
Simon Bentley	10,000	10,000
Keith Hellawell <sup>(1)</sup>	50,000	50,000
Claire Jenkins	21,725	21,725
Dave Singleton <sup>(2)</sup>	42,000	42,000
David Brayshaw	10,276	- <sup>(3)</sup>
<b>Former Directors</b>		
Dave Forsey <sup>(4)</sup>	50,000	50,000
Matt Pearson <sup>(5)</sup>	-	-

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

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

(3) David Brayshaw was appointed as a Director on 8 December 2016.

(4) Dave Forsey resigned with effect from 22 September 2016.

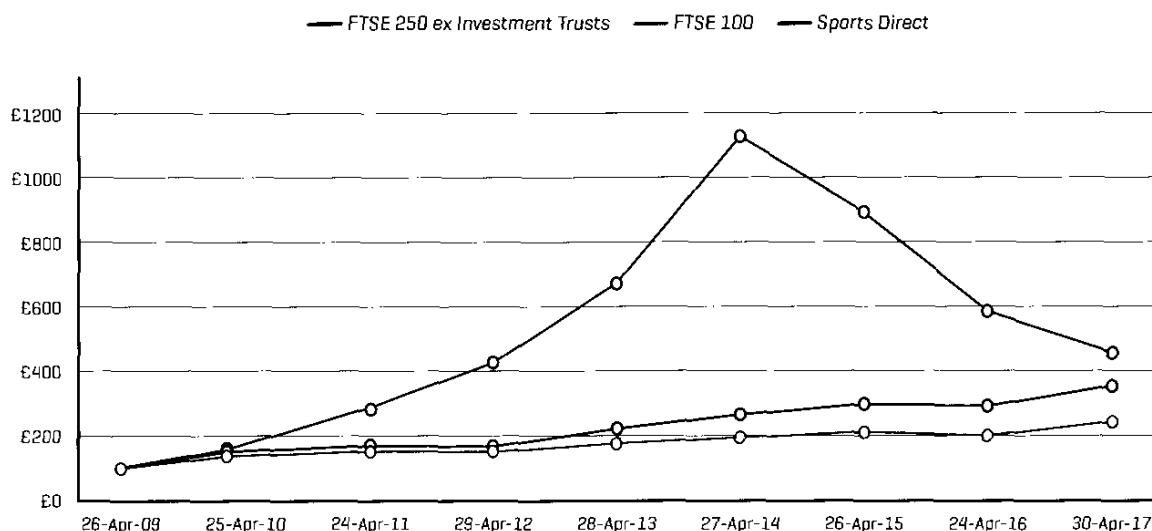
(5) Matt Pearson resigned with effect from 31 December 2016.

There has been no change to the interests reported above between 30 April 2017 and 19 July 2017. Other than noted on page 74 the Company did not receive any notifications under DTR 5 between 30 April 2017 and 19 July 2017.

As noted in last year's Directors' Remuneration Report and above, Dave Forsey decided to forego his outstanding bonus share award. Matt Pearson's remaining bonus share award lapsed on his resignation. Mike Ashley does not 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).



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 Officer over the last eight financial years.

	Total remuneration	Executive Share Scheme as a % of maximum opportunity
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>(2)</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 1 million 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 1 million 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 FY17 as compared to the amounts for FY16. Because Mr Forsey was Chief Executive in FY16 and in the first five months of FY17, the table relates to his remuneration and is based, in the case of salary, on his annualised rate of salary for FY17.

Element of remuneration	Mike Ashley / % change	UK head office employee average / % change
Salary	-	3.8%
Taxable benefits	0% (no taxable benefits were provided to Dave Forsey in either year)	8.2%
Annual bonus	0% (no annual bonus arrangement was operated for Dave Forsey in either year)	8.3%

#### RELATIVE IMPORTANCE OF SPEND ON PAY

The table below sets out the Group's distributions to shareholders by way of dividends and share buybacks, total Group-wide expenditure on pay for all staff, as reported in the audited Financial Statements for FY17 and FY16, and the Company's share price, calculated as at the close of business on the last day of FY17 and FY16.

	FY17	FY16	PERCENTAGE CHANGE
Distributions to shareholders by way of dividend and share buyback	£108,689,056	-	N/A
Investment*	£407,192,242	£439,667,000	(7.4)%
Group-wide expenditure on pay for all employees	£386,717,000	£344,010,000**	12.4%
Share price (pence)	306.8***	404.5***	(24.2)%

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

\*\*This increase is reflective of the Group's acquisitions and retail expansion in Europe.

\*\*\*For these purposes, the share price for FY17 and the share price for FY16 is calculated at the close of business on 28 April 2017 and 22 April 2016 respectively, being the last working days prior to the year ends.

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

During FY17 the Committee consisted of Simon Bentley, Dave Singleton and Claire Jenkins, who are independent Non-Executive Directors, and Keith Hellawell, who is the Non-Executive Chairman. Dave Singleton is the Chairman of the Committee. Claire Jenkins retired from the Board and the Committee on 4 May 2017. Dave Singleton shall retire from the Board and the Committee following the conclusion of the 2017 AGM.

The role and main responsibilities of the Committee are detailed in the Corporate Governance Report on page 84.

Attendance at the meetings held during the year is detailed on page 79.

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

#### ADVISERS TO THE COMMITTEE

Dave Forsey, the former Chief Executive, Matt Pearson, the former Acting Chief Financial Officer, and Mike Ashley, the former Executive Deputy Chairman and current Chief Executive, have advised or materially assisted the Committee throughout FY17 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 24 April 2016 at the 2016 AGM and the resolution to approve the Directors' Remuneration Policy at the 2015 AGM.

	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Directors' Remuneration Report for the year ended 24 April 2016	498,744,800	93.59	34,184,194	6.41	532,928,994	392,483
Directors' Remuneration Policy	426,150,848	81.4	97,167,282	18.6	523,318,130	1,825,428

#### Dave Singleton

Chairman of the Remuneration Committee

19 July 2017

## DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

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

The Directors confirm that:

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

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

To the best of our knowledge:

(a) the Annual Report, including the strategic report, prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit of the Company and of the undertakings included in the consolidation taken as a whole;

and

(b) the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

On behalf of the Board

**Mike Ashley**  
Chief Executive

19 July 2017

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

## OUR OPINION ON THE GROUP FINANCIAL STATEMENTS IS UNMODIFIED

### IN OUR OPINION THE GROUP FINANCIAL STATEMENTS:

- Give a true and fair view of the state of the Group's affairs as at 30 April 2017 and its profit for the 53-week period then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

### WHO WE ARE REPORTING TO

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

### WHAT WE HAVE AUDITED

Sports Direct International plc's Group financial statements for the 53-week period ended 30 April 2017 comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

### OVERVIEW OF OUR AUDIT APPROACH

- Overall Group materiality: £9.5m, which represents 3.5% of the Group's underlying<sup>1</sup> earnings before interest, tax, depreciation and amortisation (underlying EBITDA);
- We performed:
  - Full scope audit procedures on the main trading company within the UK Sports Retail division, Sportsdirect.com Retail Limited and the parent company of the Group;
  - Targeted audit procedures over the Premium Lifestyles division, SDI (Brook UK) Limited, SDI (Brook EU) Limited, SDI Property and overseas components in Austria, Ireland, Belgium and the United States of America; and
  - Analytical audit procedures on all remaining entities across the Group.
- Key audit risks were identified as revenue recognition, related party disclosures, accounting for foreign currency forward contracts & option arrangements, carrying value of inventory and property provisions.

### OUR ASSESSMENT OF RISK

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

#### AUDIT RISK

##### REVENUE RECOGNITION

Revenue is recognised in accordance with the Group's accounting policy and International Accounting Standard (IAS) 18: Revenue. The majority of Group revenue is recorded through Electronic Point

of Sale (EPOS) transactions. Key to the appropriate recognition of this revenue is the capture of the EPOS data and the Group operates a control to ensure the completeness and accuracy of this data as it is transferred into the accounting system. Other material sources of revenue are from web sales, wholesale sales and from licencing agreements for brands owned by the Group.

Under International Standard on Auditing (ISA) (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. 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. Therefore, we identified revenue recognition as a significant risk.

During the period, management revised their segmental reporting of revenue and related disclosures to present UK Sports Retail and International Sports Retail separately. This decision was taken following the result of the referendum on the UK's membership of the EU and in light of the challenges facing the International business. This change also reflects the outcome of the Group's discussions with the Financial Reporting Council (FRC) on this matter.

This risk is unchanged from the prior period.

### HOW WE RESPONDED TO THE RISK

Our audit work included, but was not restricted to:

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

The Group's accounting policy on revenue recognition is shown in note 1 to the financial statements and segmental analysis of revenue is included in note 4. The Audit Committee identified risk of fraud in revenue recognition as an area of significance in its report on page 83, where the Committee also described the action that it has taken to address this area.

### RELATED PARTY DISCLOSURES

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

We have identified related party disclosures as a significant risk for the current period audit given that this has the potential to impact assessments of the Group's operations by users of the financial statements. There is also significant media and regulator interest in the Group.

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

This risk is unchanged from the prior period.

Our audit work included, but was not restricted to:

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

The Group's related party disclosures are included in note 37. The Audit Committee identified related parties as an area of significance in its report on page 83, where the Committee also described the action that it has taken to address this area.

#### ACCOUNTING FOR FOREIGN CURRENCY FORWARD CONTRACTS AND OPTION ARRANGEMENTS

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

We have identified accounting for forward currency contracts and option arrangements as a significant risk for the current period audit due to the quantum of instruments entered into in the current and prior period. The potential impact of the fair value movements of these instruments on the consolidated income statement and consolidated statement of other comprehensive income, the material asset and liabilities at the consolidated balance sheet date, and the significant judgements and estimates inherent in both the inception and period end valuations.

The long-term nature of these instruments could have a material impact on the future results of the Group.

This risk is unchanged from the prior period.

Our audit work included, but was not restricted to:

- Reviewing the documentation of hedging strategy and risk management objectives;
- Obtaining details of foreign exchange contracts from banking institutions and agreeing those instruments held to management's hedge effectiveness assessment;
- Review of the banks' valuations and comparing them to management's external valuation and investigating any significant differences;
- Testing the calculations prepared by management to confirm the hedging arrangements remained effective in accordance with the requirement of IAS 39; and
- Verifying the prospective and retrospective tests to ensure that the hedge effectiveness requirements were met at inception and
- Continued to be met throughout the period and at the reporting date.

The Group's accounting policy on forward currency contracts and option arrangements is shown in note 1 and related disclosures are included in note 29 and in the strategic report. The Audit Committee identified the accounting for forward currency contracts and option arrangements as a risk in its report on page 83, where the Committee also described the action that it has taken to address this risk.

#### CARRYING VALUE OF INVENTORY

The carrying value of inventory is stated net of provisions for obsolete or slow moving inventory. During the period, management adapted their methodology to calculating provision levels by applying an approach based on risk assessments covering seasonal stock, Group brands, stock type, and expected sale coverage.

We have identified the carrying value of inventory as a risk because of the complexity of this calculation and the judgement and assumptions applied by management in assessing the amount of provision required to record inventory at the lower of cost and net realisable value.

This risk is unchanged from the prior period.

Our audit work included, but was not restricted to:

- Testing the underlying stock provision model used for mathematical accuracy by re-performing the calculations
- Considering the appropriateness and consistency of the underlying assumptions within the model;
- Challenging management's assessment of the assumptions applied, and reviewing the reports management use to verify the ongoing appropriateness of provision levels;
- Testing the selling price of inventory sold post period end against its carrying value; and
- Challenging key estimates and judgements in management's overall stock provision risk assessment paper.

The Group's accounting policy on inventories is shown in note 1 and related disclosures are included in note 20. The Audit Committee identified the carrying value of inventory as an area of significance in its report on page 83, where the Committee also described the action that it has taken to address this area.

#### PROPERTY 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.

Property provisions in the period have increased across the Group, particularly as a result of loss making stores in the International Sports Retail segment.

We have identified the valuation of property provisions, being dilapidations and onerous leases, as a significant risk due to the judgement in determining the requirement for a provision and the assumptions underpinning the calculations.

Our audit work included, but was not restricted to:

- Reviewing the calculations in respect of property provisions;
- Challenging the estimates, assumptions and valuation methodology used by management;
- Testing the recognition of provisions meets the IAS 37 criteria; and
- Ensuring the disclosures within the financial statements are complete.

The Group's accounting policy on property provisions is shown in note 1 and related disclosures are included in note 28. The Audit Committee identified the completeness of onerous lease provisions as an area of significance in its report on page 83, where the Committee also described the action that it has taken to address this area.

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

### MATERIALITY

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

We determined materiality for the audit of the Group financial statements as a whole to be £9.5m, which is 3.5% of the Group's underlying earnings before interest, tax, depreciation and amortisation (underlying EBITDA). This benchmark is considered the most appropriate because this is the measure against which the performance of the Group is measured both internally and externally.

Materiality for the current period is lower than the level that we determined for the 52-week period ended 24 April 2016 reflecting the decrease in reported underlying EBITDA in the period. The measurement percentage used of 3.5% remains unchanged from the prior period.

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

We determined the threshold at which we will communicate misstatements to the audit committee to be £475,000. In addition, we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

### OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

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

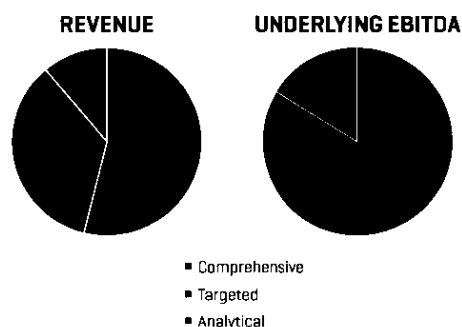
Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included:

- Working with management to evolve our audit approach, which resulted in advanced audit procedures during the Interim review (Period 6) and January 2017 (Period 9). Our procedures focused on revenue occurrence testing, reviewing the updated inventory provision, testing of property, plant and equipment additions and disposals, testing of available-for-sale investments and review of accounting for foreign currency forward contracts and option arrangements;
- Evaluation by the Group audit team of identified components within the Group to assess the significance of that component and to determine the planned audit response based on a measure of materiality considering each as a percentage of total

Group assets, liabilities, revenues and underlying EBITDA;

- For those components that were evaluated as significant, either a full-scope or targeted approach was taken based on their relative materiality to the Group and our assessment of the audit risk. For significant components requiring a full-scope approach we evaluated controls over the financial reporting systems identified as part of our risk assessment and addressed critical accounting matters. We then undertook substantive testing on significant transactions and material account balances;
- In order to address the audit risks described above and identified during our planning procedures, we performed a full-scope audit of the financial statements of the parent company, Sports Direct International plc and the main trading company within the UK Sports Retail division, SportsDirect.com Retail Limited. The operations that were subject to full-scope audit procedures made up 54% of consolidated revenues and 84% of underlying EBITDA;
- Targeted procedures were performed to address the significant risks described above on the Premium Lifestyle division, SDI Brook (UK) Limited, SDI (Brook EU) Limited, SDI Property and four components within the International Sports Retail division located in Belgium, Ireland, Austria and the United States of America;
- The operations that were subject to targeted audit procedures made up 35% of consolidated revenues and 16% of underlying EBITDA;
- The remaining operations of the Group were subject to analytical procedures over the balance sheet and income statements of the related entities with a focus on applicable risks identified above and the significance to the Group's results and financial position; and
- Where the work was performed by component auditors we determined the level of involvement we needed to have in their audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Detailed audit instructions were issued to the component auditors where a targeted audit approach had been identified. The instructions detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported back to the group audit team. We were involved in the planning for overseas components and performed site visits to client locations in Austria and Ireland, which included a review of the work performed by the component auditors. Where targeted components were not physically visited a review of working papers was conducted remotely. The group audit team communicated with all component auditors throughout the planning, fieldwork and concluding stages of local audits.

The chart below demonstrates the coverage of our audit procedures:



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

**OTHER REPORTING REQUIRED BY REGULATIONS****OUR OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 ARE UNMODIFIED**

In our opinion, based on the work undertaken in the course of our audit:

- The information given in the Strategic Report and the Directors' Report for the financial period for which the Group financial statements are prepared is consistent with the financial statements;
- The Strategic Report and the Directors' Report 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 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**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules, we are required to review:

- The Directors' statement, in relation to going concern and longer-term viability, set out on pages 71 and 76 respectively; and
- The part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

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

In particular, we are required to report to you if:

- We have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable; or

- The annual report does not appropriately disclose those matters that were communicated to the audit committee which we consider should have been disclosed.

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

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

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

**RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT****What the directors are responsible for:**

As explained more fully in the Directors' Responsibilities Statement set out on page 92, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

**What we are responsible for:**

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

**OTHER MATTER**

We have reported separately on the parent company financial statements of Sports Direct International plc for the period ended 30 April 2017 and on the information in the Directors' Remuneration Report that is described as having been audited.

**Philip Westerman**

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London

19 July 2017

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



# CONSOLIDATED INCOME STATEMENT

For the 53 weeks ended 30 April 2017

		53 weeks ended	52 weeks ended
	Note	30 April 2017 [£m]	24 April 2016 [£m]
<b>Revenue</b>	1,4	<b>3,245.3</b>	2,904.3
Cost of sales		<b>(1,914.7)</b>	(1,619.7)
<b>Gross profit</b>		<b>1,330.6</b>	1,284.6
Selling, distribution and administrative expenses		<b>(1,255.6)</b>	(1,021.7)
Other operating income	5	<b>22.5</b>	11.1
Exceptional items	6	<b>(17.3)</b>	(50.8)
Profit on disposal of subsidiary	32	<b>79.9</b>	-
<b>Operating profit</b>	4,7	<b>160.1</b>	223.2
Investment income	9	<b>162.5</b>	148.1
Investment costs	10	<b>(51.2)</b>	-
Finance income	11	<b>18.8</b>	3.4
Finance costs	12	<b>(9.4)</b>	(15.3)
Share of profit of associated undertakings	18	<b>0.8</b>	2.4
<b>Profit before taxation</b>		<b>281.6</b>	361.8
Taxation	13	<b>(49.9)</b>	(82.8)
<b>Profit for the period</b>	4	<b>231.7</b>	279.0

## ATTRIBUTABLE TO:

Equity holders of the Group		<b>229.9</b>	277.4
Non-controlling interests		<b>1.8</b>	1.6
<b>Profit for the period</b>	4	<b>231.7</b>	279.0

## EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS

		Pence per share	Pence per share
Basic earnings per share	14	<b>39.4</b>	46.8
Diluted earnings per share	14	<b>38.3</b>	45.5
Underlying basic earnings per share	14	<b>11.4</b>	35.5
Diluted underlying basic earnings per share	14	<b>11.1</b>	34.5

The consolidated income statement has been prepared on the basis that all operations are continuing.

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 53 weeks ended 30 April 2017

		53 Weeks Ended	52 weeks ended
	Note	30 April 2017 [£m]	24 April 2016 [£m]
Profit for the period	4	231.7	279.0
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>			
Actuarial losses on defined benefit pension schemes	26	(8.8)	-
Taxation on Items recognised in other comprehensive income		1.7	-
<b>ITEMS THAT WILL BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</b>			
Exchange differences on translation of foreign operations		50.3	12.4
Exchange differences on hedged contracts - recognised in the period	29	(31.3)	(5.7)
Exchange differences on hedged contracts - reclassified and reported in sales	29	8.7	0.1
Exchange differences on hedged contracts - reclassified and reported in cost of sales	29	(18.2)	(63.8)
Exchange differences on hedged contracts - taxation taken to reserves		7.7	16.4
Fair value adjustment in respect of available-for-sale financial assets - recognised in the period	19	23.7	115.3
Fair value adjustment in respect of available-for-sale financial assets - reclassified in the period	19	(129.3)	(106.2)
Fair value adjustment in respect of available-for-sale financial assets - taxation		(1.8)	(1.8)
<b>OTHER COMPREHENSIVE COST FOR THE PERIOD, NET OF TAX</b>		<b>(97.3)</b>	<b>(33.3)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>134.4</b>	<b>245.7</b>
<b>ATTRIBUTABLE TO:</b>			
Equity holders of the Group		132.8	244.1
Non-controlling interest		1.8	1.6
		<b>134.4</b>	<b>245.7</b>

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

# CONSOLIDATED BALANCE SHEET

At 30 April 2017

	Note	30 April 2017 (£m)	24 April 2016 (£m)
<b>ASSETS - NON-CURRENT</b>			
Property, plant and equipment	15	842.0	585.9
Investment properties	16	23.1	-
Intangible assets	17	185.7	208.6
Investments in associated undertakings	18	26.4	16.6
Available-for-sale financial assets	19	63.9	193.4
Deferred tax assets	27	33.7	43.9
		<b>1,174.8</b>	1,048.4
<b>ASSETS - CURRENT</b>			
Inventories	20	629.2	702.2
Trade and other receivables	21	397.1	292.6
Derivative financial assets	29	43.0	82.5
Cash and cash equivalents	22	204.7	234.2
		<b>1,274.0</b>	1,311.5
<b>TOTAL ASSETS</b>		<b>2,448.8</b>	2,359.9
<b>EQUITY AND LIABILITIES</b>			
Share capital	23	64.1	64.1
Share premium	24	874.3	874.3
Treasury shares reserve	24	(329.5)	(56.2)
Permanent contribution to capital	24	0.1	0.1
Capital redemption reserve	24	8.0	8.0
Foreign currency translation reserve	24	77.1	26.8
Reverse combination reserve	24	(987.3)	(987.3)
Own share reserve	24	(33.7)	(33.7)
Hedging reserve	24	(25.1)	8.0
Retained earnings		1,581.0	1,482.3
Issued capital and reserves attributable to owners of the parent		<b>1,238.0</b>	1,386.4
Non-controlling interests		(0.7)	(1.7)
<b>TOTAL EQUITY</b>		<b>1,238.3</b>	1,384.7
<b>LIABILITIES - NON-CURRENT</b>			
Borrowings	25	317.3	333.1
Retirement benefit obligations	26	3.4	13.1
Deferred tax liabilities	27	18.7	21.6
Provisions	28	130.2	66.7
		<b>469.6</b>	434.5
<b>LIABILITIES - CURRENT</b>			
Derivative financial liabilities	29	75.2	61.7
Trade and other payables	30	584.8	426.7
Borrowings	25	69.5	0.8
Current tax liabilities		11.3	51.5
		<b>740.8</b>	540.7
<b>TOTAL LIABILITIES</b>		<b>1,210.5</b>	975.2
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,448.8</b>	2,359.9

The accompanying accounting policies and notes form part of these Financial Statements. The Financial Statements were approved by the Board on 19 July 2017 and were signed on its behalf by:

**Mike Ashley**  
Chief Executive

Company number: 06035106

# CONSOLIDATED CASH FLOW STATEMENT

For the 53 weeks ended 30 April 2017

		53 weeks ended	52 weeks ended
	Note	30 April 2017 [£m]	24 April 2016 [£m]
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	33	<b>269.2</b>	135.6
Income taxes paid		(75.3)	[69.9]
<b>Net cash inflow from operating activities</b>		<b>193.9</b>	65.7
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds on disposal of property, plant and equipment		2.4	44.0
Proceeds on disposal of listed investments		190.2	181.3
Proceeds on disposal of subsidiary	32	109.5	-
Purchase of associate, net of cash acquired	18	(9.0)	[9.1]
Purchase of subsidiaries, net of cash acquired	31	(8.1)	[24.0]
Exercise of option over non-controlling interests		(5.5)	-
Purchase of property, plant and equipment	15	(413.5)	[207.0]
Purchase of investment properties	16	(6.0)	-
Purchase of intangible assets	17	-	[0.1]
Purchase of listed investments	19	(24.7)	[89.2]
Investment income received		0.5	2.8
Finance income received		0.5	3.4
<b>Net cash outflow from investing activities</b>		<b>(163.7)</b>	[97.9]
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Finance costs paid		(2.8)	[7.7]
Borrowings drawn down		328.0	267.4
Borrowings repaid		(344.1)	[71.3]
Purchase of own shares		(109.8)	-
<b>Net cash outflow from financing activities</b>		<b>(128.7)</b>	188.4
<b>Net (decrease) / increase in cash and cash equivalents including overdrafts</b>		<b>(98.5)</b>	156.2
<b>Cash and cash equivalents including overdrafts at beginning of period</b>		<b>233.7</b>	77.5
<b>Cash and cash equivalents including overdrafts at the period end</b>	22	<b>135.2</b>	233.7

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 53 weeks ended 30 April 2017

	Treasury shares (£m)	Foreign currency translation (£m)	Own share reserve (£m)	Retained earnings (£m)	Other reserves (£m)	Total attributable to owners of parent (£m)	Non-controlling interests (£m)	Total (£m)
At 26 April 2015	(56.2)	14.4	(13.3)	1,181.5	38.0	1,164.4	(2.8)	1,161.6
Credit to equity for share-based payment	-	-	-	4.2	-	4.2	-	4.2
Vesting of share-based payments	-	-	9.0	(9.0)	-	-	-	-
Current tax on share scheme	-	-	-	3.2	-	3.2	-	3.2
Purchase of own shares	-	-	(29.4)	-	-	(29.4)	-	(29.4)
Non-controlling interests - acquisitions	-	-	-	-	-	-	(0.4)	(0.4)
<b>Transactions with owners</b>	-	-	(20.4)	(1.6)	-	(22.0)	(0.4)	(22.4)
Profit for the financial period	-	-	-	277.4	-	277.4	1.5	278.9
<b>OTHER COMPREHENSIVE INCOME</b>								
Cash flow hedges - recognised in the period	-	-	-	-	(5.7)	(5.7)	-	(5.7)
Cash flow hedges - reclassified and reported in sales	-	-	-	-	0.1	0.1	-	0.1
Cash flow hedges - reclassified and reported in cost of sales	-	-	-	-	(63.8)	(63.8)	-	(63.8)
Cash flow hedges - taxation	-	-	-	-	16.3	16.3	-	16.3
Cash flow hedges - prior year taxation reclassified	-	-	-	17.7	(17.7)	-	-	-
Fair value adjustment in respect of available-for-sale financial assets - reclassified	-	-	-	(106.2)	-	(106.2)	-	(106.2)
Fair value adjustment in respect of available-for-sale financial assets - recognised	-	-	-	115.3	-	115.3	-	115.3
Taxation	-	-	-	(1.8)	-	(1.8)	-	(1.8)
Translation differences - Group	-	12.4	-	-	-	12.4	-	12.4
<b>Total comprehensive income for the period</b>	-	12.4	-	302.4	(70.8)	244.0	1.5	245.5
<b>At 24 April 2016</b>	<b>(56.2)</b>	<b>26.8</b>	<b>(33.7)</b>	<b>1,482.3</b>	<b>(32.8)</b>	<b>1,386.4</b>	<b>(1.7)</b>	<b>1,384.7</b>
Credit to equity for share-based payment	-	-	-	1.9	-	1.9	-	1.9
Deferred tax on share schemes	-	-	-	(1.3)	-	(1.3)	-	(1.3)
Purchase of own shares	(109.8)	-	-	-	-	(109.8)	-	(109.8)
Fair valuation of share buyback	(163.5)	-	-	-	-	(163.5)	-	(163.5)
Non-controlling interests - acquisitions	-	-	-	(7.3)	-	(7.3)	(0.6)	(8.1)
<b>Transactions with owners</b>	<b>(273.3)</b>	<b>-</b>	<b>-</b>	<b>(6.7)</b>	<b>-</b>	<b>(280.0)</b>	<b>(0.6)</b>	<b>(280.6)</b>
Profit for the financial period	-	-	-	229.9	-	229.9	1.8	231.7
<b>OTHER COMPREHENSIVE INCOME</b>								
Cash flow hedges - recognised in the period	-	-	-	-	(31.3)	(31.3)	-	(31.3)
Cash flow hedges - reclassified and reported in sales	-	-	-	-	8.7	8.7	-	8.7
Cash flow hedges - reclassified and reported in cost of sales	-	-	-	-	(18.2)	(18.2)	-	(18.2)
Cash flow hedges - taxation	-	-	-	-	7.7	7.7	-	7.7
Actuarial losses on defined benefit pension schemes	-	-	-	(8.8)	-	(8.8)	-	(8.8)
Fair value adjustment in respect of available-for-sale financial assets - recognised	-	-	-	23.7	-	23.7	-	23.7
Fair value adjustment in respect of available-for-sale financial assets - reclassified	-	-	-	(129.3)	-	(129.3)	-	(129.3)
Taxation	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Translation differences - Group	-	50.3	-	-	-	50.3	-	50.3
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>50.3</b>	<b>-</b>	<b>115.4</b>	<b>(33.1)</b>	<b>132.6</b>	<b>1.8</b>	<b>134.4</b>
<b>At 30 April 2017</b>	<b>(329.5)</b>	<b>77.1</b>	<b>(33.7)</b>	<b>1,591.0</b>	<b>(85.9)</b>	<b>1,239.0</b>	<b>(0.7)</b>	<b>1,238.3</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

## 1. ACCOUNTING POLICIES

The consolidated Financial Statements of Sports Direct International plc (the Company) and its subsidiaries (together the "Group") have been prepared in accordance with international financial reporting standards as adopted by the European Union ("IFRS").

### BASIS OF PREPARATION

The consolidated Financial Statements have been prepared in accordance with IFRS as adopted for use in the European Union (including International Accounting Standards) ("IAS") and International Financial Reporting Standards Interpretations Committee ("IFRSIC") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted for use in the European Union. The consolidated Financial Statements have been prepared under the historical cost convention, as modified to include fair valuation of certain financial assets and derivative financial instruments.

### CONSOLIDATION

The consolidated Financial Statements consolidate the revenues, costs, assets, liabilities and cash flows of the Company and its subsidiaries, being those entities that the Group is deemed to have control over. It will be deemed to have control when it has power over the entity, is exposed to or has rights to variable returns from the entity and has the ability to use its power over the entity to affect the amount of the entity's returns.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of fair value of the consideration transferred over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of fair value of consideration transferred below the fair values of the identifiable net assets acquired is credited to the consolidated income statement in the period of acquisition. The non-controlling interest is stated at the non-controlling interest's proportion of the fair values of the assets, liabilities and contingent liabilities recognised. Costs incurred relating to acquisitions are expensed to the income statement.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

### ASSOCIATES

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

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

If the Group's share of losses in an associate equals or exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the associate. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity.

## INVESTMENTS

Available-for-sale investments are initially recognised at fair value. Where fair value is different to cost, this is recognised in the income statement on initial recognition. Subsequent gains and losses arising from changes in fair value are recognised in the statement of other comprehensive income. When the security is disposed of, de-recognised or is determined to be impaired the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment within other comprehensive income.

### ACQUISITIONS

For business combinations achieved in stages, the Group re-measures its previously held equity interest in the acquiree at its acquisition date fair value and recognises the resulting gain or loss, if any, in the income statement as appropriate.

### GOODWILL

Goodwill arising on consolidation is recognised as an asset and reviewed for impairment at least annually or when a change in circumstances or situation indicates that the goodwill has suffered an impairment loss. The need for impairment is tested by comparing the 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 trade marks can be maintained indefinitely. The Group carries out an impairment review of indefinite life intangibles, at least annually, or when a change in circumstances or situation indicates that those intangibles have suffered an impairment loss. Impairment is measured by comparing the carrying amount of the intangible asset as part of the CGU with the recoverable amount of the CGU, that is, the higher of its fair value less costs to sell and its value in use. Value in use is calculated by using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Amortisation is provided on other brands, 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 - over the term of the lease - 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.

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 Director's 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease 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.

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 is measured at the fair value of the consideration received, or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes.

In the case of goods sold through retail stores, revenue is recognised at the point of sale of a product to the customer, less provision for returns. Accumulated experience is used to estimate and provide for such returns at the time of the sale. Retail sales are usually in cash, by debit card or by credit card.

In the case of goods sold on the internet, revenue is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of delivery to the customer. Transactions are settled by credit card or payment card. Provisions are made for internet credit notes based on the expected level of returns, which in turn is based upon the historical rate of returns.

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

In the case of income generated from trademarks and licences, revenue is recognised on an accruals basis in accordance with the relevant agreements or on a transactional basis when revenue is linked to sale or purchase volumes.

**NOTES TO THE FINANCIAL STATEMENTS**

For the 53 weeks ended 30 April 2017

**EXCEPTIONAL ITEMS**

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

**INTEREST INCOME**

Interest income is reported on an 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 disposal is recognised.

In order to mitigate its exposure to certain foreign exchange risks, the Group enters into forward contracts [see Chief Executive's report and the cash flow hedging accounting policy on pages 105 to 106].

**INVENTORIES**

Inventories are valued at lower of cost and net realisable value. Cost includes the purchase price of the manufactured products, materials, direct labour, transport costs and a proportion of applicable overheads. Cost is calculated using the weighted average cost method. Net realisable value is based on the estimated selling price less all estimated selling costs.

The Company receives trade discounts and rebates from suppliers based upon the volume of orders placed in a given time window. Where there is sufficient certainty that a discount or rebate will be received in the future that relates to historic purchases this is reflected in the cost of inventories.

**LOANS AND RECEIVABLES**

Loans and receivables are recognised initially at fair value plus transaction costs and subsequently measured at amortised cost under the effective interest method less provision for impairment. Provision for impairment is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivable. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**TRADE AND OTHER PAYABLES**

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

**TAXATION**

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

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated Financial Statements. However, if the deferred tax arises from the initial recognition of goodwill or initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets. Deferred tax is determined using tax rates and laws that have been enacted (or substantively enacted) by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in current and deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recorded in other comprehensive income or charged or credited directly to equity in which case the related deferred tax is also charged to other comprehensive income or credited directly to equity. Deferred tax assets and liabilities are not discounted.

**PENSIONS**

The Group operates pension plans for the benefit of certain employees, including both defined contribution and defined benefit plans.



In relation to its defined contribution plans, the Group makes contributions to independently administered plans, the contributions being recognised as an expense when they fall due. The Group has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

In relation to its defined benefit schemes, the Group recognises in its balance sheet the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the schemes liabilities is included in finance costs.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating the terms of the related pension liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in other comprehensive income in the period in which they arise.

#### **BORROWINGS AND BORROWING COSTS**

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. Borrowing costs, being interest and other costs incurred in connection with the servicing of borrowings, are recognised as an expense when incurred.

#### **PROVISIONS**

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Group provides for its legal responsibility for dilapidation costs following advice from chartered surveyors and previous experience of exit costs. The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. The capital element is 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 2 and note 28. The Group provides for bad debts that arise on outstanding debtor balances.

#### **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.

#### **DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING**

The most significant exposure to foreign exchange fluctuations relates to purchases and sales made in foreign currencies, principally the US Dollar and Euro. The Group's policy is to substantially reduce the risk associated with purchases and sales denominated in foreign currencies by using forward fixed rate currency purchase contracts, taking into account any foreign currency cash flows.

Derivative financial instruments are measured at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on re-measurement are immediately recognised in the income statement. Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedge relationship and the item being hedged.

In order to qualify for hedge accounting, the Group is required to document from inception the relationship between the item being hedged and the hedging instrument. The Group is also required to document and demonstrate an assessment of the relationship between the hedged item and the hedging instrument, which shows that the hedge will be highly effective on an on-going basis. This effectiveness testing is performed at each reporting date to ensure that the hedge remains highly effective.

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

#### **CASH FLOW HEDGING**

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

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

The effective element of any gain or loss from re-measuring the derivative instrument is recognised directly in other comprehensive income.

The associated cumulative gain or loss is reclassified from other comprehensive income in the same period or periods during which the hedged transaction affects the profit or loss. The classification of the effective portion when recognised in the income statement is the same as the classification of the hedged transaction. Any element of the re-measurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the income statement within finance income or costs. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs upon which the cumulative gain is reclassified from Other Comprehensive Income to the Income Statement. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is reclassified from equity to the income statement as a reclassification adjustment.

**TREASURY SHARES**

The purchase price of the Group's own shares that it acquires is recognised as 'Treasury shares' within equity. When shares are transferred out of treasury the difference between the market value and the average purchase price of shares sold out of treasury is transferred to retained earnings.

**EMPLOYEE BENEFIT TRUST**

An Employee Benefit Trust has been established for the purposes of satisfying certain share-based awards. The Group has 'de-facto' control over the special purpose entity. This Trust is fully consolidated within the accounts. The cost of shares acquired by the Sports Direct Employee Benefit Trust is recognised within 'own share-reserve' in equity.

**SHARE-BASED PAYMENTS**

The Group issues equity-settled share-based payments to certain Directors and employees. These are measured at fair value at the date of grant, which is expensed to the consolidated income statement on a straight-line basis over the vesting period, with the corresponding credit going to equity.

Non-market vesting conditions are not taken into account in determining grant date fair value. Instead, they are taken into account by adjusting the number of equity instruments to vest.

Fair value is based on the market share price on the grant date. The expected staff numbers used in the model 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 profit and loss for the period.

A share-based payment charge of £2.8m was recognised in selling, distribution and administrative expenses for the 53

weeks ended 30 April 2017. The key details in respect of the share scheme charges are set out in note 23.

The credit for the share based payment charge does not equal the charge per the income statement as it excludes amounts recognised in the balance sheet in relation to the expected national insurance contributions for the shares.

**EQUITY INSTRUMENTS**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of any direct issue costs.

**DIVIDENDS**

Dividends are recognised as a liability in the Group's Financial Statements and as a deduction from equity in the period in which the dividends are declared. Where such dividends are proposed subject to the approval of shareholders, the dividends are regarded as declared once shareholder approval has been obtained.

**MATERIALITY**

In preparing the Financial Statements, the Board considers both quantitative and qualitative factors in forming its judgements, and related disclosures, and are mindful of the need to best serve the interests of its stakeholders and to avoid unnecessary clutter borne of the disclosure of immaterial items.

In making this assessment the Board considers the nature of each item, as well as its size, in assessing whether any disclosure omissions or misstatements could influence the decisions of users of the Financial Statements.

The Board has applied a typical materiality threshold of 5% of the underlying EBITDA, the Group's primary profit measure, in order to calculate materiality levels. For the Financial Year ended 30 April 2017, the current year EBITDA of £272.7m gives a materiality level for FY17 of £13.6m.

**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 are not effective for, and have not been applied in, the preparation of the consolidated Financial Statements:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (IASB effective 1 January 2018)
- IFRS 16 Leases (IASB effective 1 January 2019)

Although no formal assessment has been made, the directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Financial Statements of the Group, except for IFRS 16, which will result in the majority of operating leases being recognised

within assets on the Balance Sheet with a corresponding liability. For current operating lease information see note 34.

## 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgements made by the Group regarding the future or other key sources of estimation, uncertainty and judgement that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial year are:

### 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:

1. Core stock
2. Seasonal stock lines – specifically seasons that have now finished
3. Third party versus own brand inventory
4. Ageing of inventory
5. Local economic conditions
6. Divisional specific factors
7. Increased cost of stock and lower margins with the devaluation of the pound

Estimates are then applied to the various categories of inventory to calculate an appropriate level of provision. These estimates are formed using a combination of factors including historical experience, management's knowledge of the industry, group discounting and 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 provisions made. The additional cost of repricing stock and handling charges are considered in arriving at the appropriate percentage provision.

### 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. Where an onerous lease has been identified, the assets dedicated to that store are also reviewed for impairment.

Specific assumptions which involve the use of estimates to determine the appropriate level of provision include:

1. Forecast sales in stores, reflecting historic and expected future performance
2. Forecast wages and direct store cost inflation
3. The impact to gross margins due to currency fluctuations
4. Impact of Elevation of Sports Retail strategy in UK has been

considered in determining future forecast individual store performance

5. Planned store closures, re-locations and re-brandings

6. Lease obligations calculated to end of the lease or where applicable break clause

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 28.

### 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.

Other provisions relate to managements best estimates of provisions required for restructuring, employment, commercial, legal and regulatory claims and ongoing non-UK tax enquiries. Where applicable these are inclusive of any estimated penalties, interest and legal costs, and are net of any associated recoverable amounts. See note 28.

### OTHER RECEIVABLES

Other receivables 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 terms of the monies advanced, forecast performance of the underlying borrower, and where relevant, the groups intentions for the companies to which monies have been advanced.

### 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 Parties. 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. Where the Group are aware that relationships exist that they do not consider to meet the definition of related parties, but believe that the arrangements will be of interest to the users of the accounts, these are disclosed under "Commercial Arrangements". See note 38 for more details.

### IMPAIRMENT OF GOODWILL

The calculation for considering the impairment of the carrying amount of goodwill requires a comparison of the present value of the CGU's to which the goodwill has been allocated to the value of goodwill and associated assets in the balance sheet. The calculation of present values requires an estimation of the future cash flows expected to arise from the CGU's and the selection of a suitable discount rate. The key assumptions made in relation to the impairment review of goodwill are set out in note 17.

### IMPAIRMENT OF OTHER INTANGIBLE ASSETS

The calculation for considering the impairment of the carrying amount of other intangible assets with an indefinite life,

**NOTES TO THE FINANCIAL STATEMENTS**

For the 53 weeks ended 30 April 2017

specifically brands, trademarks and licences, requires a comparison of the present value of the related cash flows to the value of the other intangible assets in the balance sheet. The calculation of present value requires an estimation of the future cash flows expected to arise from the other intangible assets and the selection of a suitable discount rate. The key assumptions made in relation to the impairment review of other intangible assets are set out in note 17.

**CONTROL AND SIGNIFICANT INFLUENCE OVER CERTAIN ENTITIES**

When assessing the level of control that management have over certain entities, management will consider the various aspects that allow management to influence decision making. These 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.

**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 segments 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.*

**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 29.*

b. *Transactional exposure from sale of goods, where those sales are denominated in a currency other than the functional currency of the selling company. Transactional exposures that could significantly impact the income statement are hedged. These exposures are hedged via forward foreign currency contracts which are designated as cash flow hedges. The notional and fair value of these contracts is shown in note 29.*

c. *Net investment exposure, from the fair value of net investments outside the UK. The Group hedges its international investments via foreign currency transactions and borrowings in matching currencies.*

d. *Loans to non-UK subsidiaries. These are hedged via foreign currency transactions and borrowings in matching currencies,*

*which are not formally designated as hedges, as gains and losses on hedges and hedged loans will naturally offset.*

e. *Exposures in respect of written options to sell Euros or buy USD as explained in the Financial Review. These are not hedged and movements in fair value could significantly impact the profit and loss account in future periods. See note 29.*

**INTEREST RATE RISK**

The Group has net borrowings, which are principally at floating interest rates linked to bank base rates or LIBOR. The Group does not currently use interest rate financial instruments to hedge its exposure to interest rate movements. The Group regularly monitors and reacts accordingly to any exposure to fluctuations in interest rates and the impact on its monetary assets and liabilities.

**CREDIT RISK**

The Directors have a credit policy in place and the exposure to credit risk is monitored on an 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 AFS 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. The investments are continuously monitored and voting rights arising from these equity instruments are utilised in the Group's favour.

**CAPITAL MANAGEMENT**

A description of the Group's objectives, policies and processes for managing capital are included in note 29.

#### 4. SEGMENTAL ANALYSIS

Management have determined to present its segmental disclosures in a different way to that previously reported. Following our recent interaction with the Conduct Committee of the FRC in relation to this matter, and recognising the potential impact of Brexit on the economic characteristics of the countries we trade in through our European retail operations, and reconsidering the prolonged challenges this business is facing and the impact on long term financial performance expectations this will have, we have now presented our International Sports Retail segment separately from UK Sports Retail. 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 Sports Retail – includes the results of the UK retail network of sports stores along with related websites;
2. International Retail – includes the results of the International retail network of sports stores;
3. Premium Lifestyle – includes the results of the premium and lifestyle retail businesses such as USC, Cruise and Flannels; and
4. Brands – includes the results of the Group's portfolio of internationally recognised brands such as Everlast, Lonsdale and Slazenger.

The comparative information for the period ended 24 April 2016 has been restated.

Information regarding the Group's reportable segments for the 53 weeks ended 30 April 2017, as well as a reconciliation of reported profit for the period to underlying EBITDA, is presented on pages 52 to 54.

Segmental information for the 53 weeks ended 30 April 2017:

				Retail (£m)	Brands (£m)	Eliminations (£m)	Total (£m)
	UK Sports Retail	International Sports Retail	Premium Lifestyle	Total			
Sales to external customers	2,136.4	665.6	202.2	3,004.2	241.1	-	<b>3,245.3</b>
Sales to other segments	-	-	-	-	30.1	(30.1)	-
<b>Revenue</b>	<b>2,136.4</b>	<b>665.6</b>	<b>202.2</b>	<b>3,004.2</b>	<b>271.2</b>	<b>(30.1)</b>	<b>3,245.3</b>
<b>Gross profit</b>	<b>879.4</b>	<b>287.3</b>	<b>76.1</b>	<b>1,242.8</b>	<b>87.8</b>	<b>-</b>	<b>1,330.6</b>
Operating profit/loss before foreign exchange and exceptional items	166.6	(61.9)	(4.0)	100.7	20.5	-	<b>121.2</b>
<b>Operating profit/loss</b>	<b>157.4</b>	<b>(69.2)</b>	<b>(4.2)</b>	<b>84.0</b>	<b>76.1</b>	<b>-</b>	<b>160.1</b>
Other investment income							<b>111.3</b>
Finance income							<b>18.8</b>
Finance costs							<b>(9.4)</b>
Share of profits of associated undertakings							<b>0.8</b>
Profit before taxation							<b>281.6</b>
Taxation							<b>(49.9)</b>
<b>Profit for the period</b>							<b>231.7</b>

Sales to other segments are priced at cost plus a 10% mark-up.

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

Other segment items included in the income statement for the 53 weeks ended 30 April 2017:

	UK Sports Retail (£m)	International Sports Retail (£m)	Premium Lifestyle (£m)	Retail (£m)	Brands (£m)	Total (£m)
				Total		
Depreciation	94.8	41.2	2.4	138.4	2.2	140.6
Amortisation	1.2	1.1	1.3	3.6	3.7	7.3

Information regarding segment assets and liabilities as at 30 April 2017 and capital expenditure for the 53 weeks then ended:

	Sports Retail (£m)	International Sports Retail (£m)	Premium Lifestyle (£m)	Brands (£m)	Eliminations (£m)	Total (£m)
Investments in associated undertakings	25.8	0.6	-	-	-	26.4
Other assets	2,194.5	374.1	19.1	357.6	(522.9)	2,422.4
<b>Total assets</b>	<b>2,220.3</b>	<b>374.7</b>	<b>19.1</b>	<b>357.6</b>	<b>(522.9)</b>	<b>2,448.8</b>
Total liabilities	(1,008.6)	(538.6)	(64.5)	(121.7)	522.9	(1,210.5)
Tangible asset additions	399.5	14.6	3.0	2.4	-	419.5
Intangible asset additions	2.3	-	-	5.1	-	7.4
<b>Total capital expenditure</b>	<b>401.8</b>	<b>14.6</b>	<b>3.0</b>	<b>7.5</b>	<b>-</b>	<b>426.9</b>

Segmental information for the 52 weeks ended 24 April 2016:

	UK Sports Retail (£m)	International Sports Retail (£m)	Premium Lifestyle (£m)	Retail (£m)	Brands (£m)	Eliminations (£m)	Total (£m)
				Total			
Sales to external customers	2,009.3	482.3	181.2	2,672.8	231.5	-	2,904.3
Sales to other segments	-	-	-	-	40.5	(40.5)	-
<b>Revenue</b>	<b>2,009.3</b>	<b>482.3</b>	<b>181.2</b>	<b>2,672.8</b>	<b>272.0</b>	<b>(40.5)</b>	<b>2,904.3</b>
<b>Gross profit</b>	<b>894.9</b>	<b>216.0</b>	<b>76.2</b>	<b>1,187.1</b>	<b>97.5</b>	<b>-</b>	<b>1,284.6</b>
Operating profit / (loss) before foreign exchange and exceptional items	282.3	(28.6)	(9.7)	244.0	32.3	-	276.3
<b>Operating profit / (loss)</b>	<b>274.9</b>	<b>(52.4)</b>	<b>(23.2)</b>	<b>199.3</b>	<b>23.9</b>	<b>-</b>	<b>223.2</b>
Other investment income							148.1
Finance income							3.4
Finance costs							(15.3)
Share of profits of associated undertakings							2.4
Profit before taxation							361.8
Taxation							(82.8)
<b>Profit for the period</b>							<b>279.0</b>

Other segment items included in the income statement for the 52 weeks ended 24 April 2016:

	UK Sports Retail [£m]	International Sports Retail [£m]	Premium Lifestyle [£m]	Retail [£m]	Brands [£m]	Total [£m]
				Total		
Depreciation	65.4	17.4	4.0	86.8	2.4	<b>89.2</b>
Amortisation	0.8	2.2	0.7	3.7	2.7	<b>6.4</b>

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

	UK Sports Retail [£m]	International Sports Retail [£m]	Premium Lifestyle [£m]	Brands [£m]	Eliminations [£m]	Total [£m]
Investments in associated undertakings and joint ventures	16.4	0.2	-	-	-	<b>16.6</b>
Other assets	2,102.6	268.6	24.3	222.8	(275.0)	<b>2,343.3</b>
<b>Total assets</b>	<b>2,119.0</b>	<b>268.8</b>	<b>24.3</b>	<b>222.8</b>	<b>(275.0)</b>	<b>2,359.9</b>
Total liabilities	(795.7)	(314.7)	(64.4)	(75.4)	275.0	<b>(975.2)</b>
Tangible asset additions	188.2	86.6	1.2	0.4	-	<b>276.4</b>
Intangible asset additions	0.1	3.9	-	-	-	<b>4.0</b>
<b>Total capital expenditure</b>	<b>188.3</b>	<b>90.5</b>	<b>1.2</b>	<b>0.4</b>	<b>-</b>	<b>280.4</b>

#### GEOGRAPHIC INFORMATION

Segmental information for the 53 weeks ended 30 April 2017

	UK [£m]	Non-UK [£m]	Eliminations [£m]	Total [£m]
Segmental revenue from external customers	2,408.6	836.7	-	<b>3,245.3</b>
Total capital expenditure	410.1	16.8	-	<b>426.9</b>
Non-current segmental assets*	738.9	338.3	-	<b>1,077.2</b>
Total segmental assets	2,350.4	573.6	(475.2)	<b>2,448.8</b>

\*Excludes deferred tax and financial instruments.

Segmental information for the 52 weeks ended 24 April 2016:

	UK [£m]	Non-UK [£m]	Eliminations [£m]	Total [£m]
Segmental revenue from external customers	2,281.1	623.2	-	<b>2,904.3</b>
Total capital expenditure	189.7	90.7	-	<b>280.4</b>
Non-current segmental assets*	464.7	346.4	-	<b>811.1</b>
Total segmental assets	2,151.3	439.1	(230.5)	<b>2,359.9</b>

\*Excludes deferred tax and financial instruments.

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

	USA [£m]	Belgium [£m]	Austria [£m]	Estonia [£m]	ROI [£m]
FY17	164.2	32.6	64.0	15.2	58.2
FY16	149.4	9.3	62.6	18.3	74.0

## NOTES TO THE FINANCIAL STATEMENTS

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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 53 week period ended 30 April 2017:

	UK Sports Retail [£m]	International Sports Retail [£m]	Premium Lifestyle [£m]	Brands [£m]	Total [£m]
<b>Operating profit / (loss)</b>	157.4	(69.2)	[4.2]	76.1	<b>160.1</b>
Depreciation	94.8	41.2	2.4	2.2	<b>140.6</b>
Amortisation	1.2	1.1	1.3	3.7	<b>7.3</b>
Share of profit of associated undertakings	0.4	0.4	-	-	<b>0.8</b>
<b>Reported EBITDA</b>	<b>253.8</b>	<b>[26.5]</b>	<b>[0.5]</b>	<b>82.0</b>	<b>308.8</b>
Charges for the share scheme	2.8	-	-	-	<b>2.8</b>
Disposal of subsidiary	-	-	-	(79.9)	<b>(79.9)</b>
Exceptional items	2.9	4.5	0.2	9.7	<b>17.3</b>
Realised FX loss	6.2	2.9	-	14.6	<b>23.7</b>
<b>Underlying EBITDA</b>	<b>265.7</b>	<b>[19.1]</b>	<b>[0.3]</b>	<b>26.4</b>	<b>272.7</b>

Reconciliation of operating profit to underlying EBITDA for the 52 week period ended 24 April 2016:

	Sports Retail [£m]	International Sports Retail [£m]	Premium Lifestyle [£m]	Brands [£m]	Total [£m]
<b>Operating profit / (loss)</b>	274.7	[52.2]	[23.2]	23.9	<b>223.2</b>
Depreciation	65.4	17.4	4.0	2.4	<b>89.2</b>
Amortisation	0.8	2.2	0.6	2.8	<b>6.4</b>
Share of profit / (loss) of associated undertakings	[0.1]	2.5	-	-	<b>2.4</b>
<b>Reported EBITDA</b>	<b>340.8</b>	<b>[30.1]</b>	<b>[18.6]</b>	<b>29.1</b>	<b>321.2</b>
Charges for the share scheme	7.1	-	-	-	<b>7.1</b>
Exceptional items	1.9	25.2	13.7	10.0	<b>50.8</b>
Realised FX loss/gain	4.1	-	[0.2]	[1.6]	<b>2.3</b>
<b>Underlying EBITDA</b>	<b>353.9</b>	<b>[4.9]</b>	<b>[5.1]</b>	<b>37.5</b>	<b>381.4</b>

## 5. OTHER OPERATING INCOME

	53 weeks ended 30 April 2017 [£m]	52 weeks ended 24 April 2016 [£m]
Rent receivable	12.3	3.8
Other	10.2	7.3
	<b>22.5</b>	<b>11.1</b>

Other operating income relates to lease surrender premiums, ad hoc income and sundry charges to third parties.



## 6. EXCEPTIONAL ITEMS

	53 weeks ended 30 April 2017 (£m)	52 weeks ended 24 April 2016 (£m)
Profit on sale of freehold property	-	13.5
Impairment	(17.3)	(58.5)
Provision against receivables & other	-	(5.8)
	(17.3)	(50.8)

The impairment 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. OPERATING PROFIT

Operating profit for the period is stated after charging:

	53 weeks ended 30 April 2017 (£m)	52 weeks ended 24 April 2016 (£m)
Foreign exchange losses	23.7	2.4
Depreciation of property, plant and equipment		
- owned assets	140.6	89.2
Amortisation of intangible assets	7.3	6.4
Operating Lease Rentals		
- Land and buildings	194.7	134.5
- Other	0.9	0.7

## SERVICES PROVIDED BY THE GROUP'S AUDITOR

For the 53 weeks ended 30 April 2017 the remuneration of the auditors, Grant Thornton UK LLP and associated firms, was as detailed below:

	53 weeks ended 30 April 2017 (£m)	52 weeks ended 24 April 2016 (£m)
<b>AUDIT SERVICES</b>		
Audit of the Group and company	0.8	0.7
Audit of subsidiary companies	0.6	0.2
Audit related assurance services	0.1	-
<b>NON-AUDIT SERVICES</b>		
Taxation compliance services	0.3	0.4
All other taxation advisory services	2.5	0.6
Services relating to corporate finance	1.3	0.3

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

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

**8. PAYROLL COSTS**

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

	<b>53 weeks ended</b>	52 weeks ended
	<b>30 April 2017</b>	24 April 2016
	<b>(Number)</b>	(Number)
Retail stores	<b>13,820</b>	14,579
Distribution, administration and other	<b>3,725</b>	3,701
	<b>17,345</b>	18,280

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

	<b>53 weeks ended</b>	52 weeks ended
	<b>30 April 2017</b>	24 April 2016
	<b>(£m)</b>	(£m)
Wages and salaries	<b>355.7</b>	313.1
Social security costs	<b>30.1</b>	29.1
Pension costs	<b>3.3</b>	1.8
	<b>389.1</b>	344.0

A share-based payment charge of £2.8m (FY16: £7.1m) 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:

	<b>53 weeks ended</b>	52 weeks ended
	<b>30 April 2017</b>	24 April 2016
	<b>(£m)</b>	(£m)
Aggregate emoluments	<b>0.6</b>	0.6

Further details of Directors' remuneration are given in the Directors' Remuneration Report on pages 86 to 91.

Details of key management remuneration are given in note 37.

**9. INVESTMENT INCOME**

	<b>53 weeks ended</b>	52 weeks ended
	<b>30 April 2017</b>	24 April 2016
	<b>(£m)</b>	(£m)
Profit on disposal of available-for-sale financial assets and equity derivative financial instruments	<b>158.5</b>	135.6
Fair value gain on equity derivative financial instruments	<b>5.5</b>	11.0
Dividend income from investments	<b>0.5</b>	1.5
	<b>162.5</b>	148.1

Profit on disposal of available-for-sale financial assets and equity derivative financial instruments mainly relates to the profit on disposal of JD Sports Fashion plc shares in the period.

The net fair value loss on equity derivative financial instruments is £30.8m representing a gain of £5.5m and a loss of £36.3m (note 10).

## 10. INVESTMENT COSTS

	53 weeks ended	52 weeks ended
	30 April 2017	24 April 2016
	(£m)	(£m)
Loss on disposal of available-for-sale financial assets and equity derivative financial instruments	2.7	-
Fair value loss on equity derivative financial instruments	36.3	-
Impairment of available-for-sale financial assets	12.2	-
	<b>51.2</b>	-

The net fair value loss on equity derivative financial instruments is £30.8m representing a gain of £5.5m (note 9) and a loss of £36.3m. The fair value loss on equity derivative financial instruments is principally due to the decline in the fair value of the strategic stakes held through assets held for sale and equity derivative financial instruments which includes the Debenhams option.

The impairment on available-for-sale financial assets is mainly due to the impairment of the Level 3 unlisted investment held in House of Fraser to management's estimate of the fair value of the enterprise (see note 29a).

## 11. FINANCE INCOME

	53 weeks ended	52 weeks ended
	30 April 2017	24 April 2016
	(£m)	(£m)
Bank interest receivable	0.2	3.4
Other interest receivable	0.4	-
Fair value adjustment to unhedged foreign currency contracts <sup>(1)</sup>	18.2	-
	<b>18.8</b>	3.4

<sup>(1)</sup> 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.

## 12. FINANCE COSTS

	53 weeks ended	52 weeks ended
	30 April 2017	24 April 2016
	(£m)	(£m)
Interest on bank loans and overdrafts	2.5	7.5
Other interest and finance leases	6.6	0.6
Interest on retirement benefit obligations (note 26)	0.3	0.4
Fair value adjustment to unhedged foreign currency contracts <sup>(1)</sup>	-	6.8
	<b>9.4</b>	15.3

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

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

## 13. TAXATION

	53 weeks ended	52 weeks ended
	30 April 2017	24 April 2016
	(£m)	(£m)
Current tax	61.4	99.1
Adjustment in respect of prior periods	(20.8)	0.3
	40.8	99.4
Deferred tax (note 27)	9.1	[16.6]
	49.9	82.8
<b>TAX RECONCILIATION</b>		
Profit before taxation	281.6	361.8
Taxation at the standard rate of tax in the UK of 20% (2016: 20%)	56.3	72.4
Tax effects of:		
Non-taxable income	(37.1)	-
Expenses not deductible for tax purposes	18.8	2.6
Overseas tax losses	3.1	6.1
Other tax adjustments	7.0	-
Adjustments in respect of prior periods - Current tax	(20.8)	0.3
Deferred tax asset write down	-	0.8
Change in deferred tax rate	1.1	0.3
Adjustments in respect of prior periods - Deferred tax	21.3	0.3
	49.9	82.8

Non-taxable income includes disposal of subsidiaries and investments that qualify for Substantial Shareholder Relief. Prior period adjustments include income that is now considered to qualify for substantial shareholder relief, and a reduction in deferred tax assets for overseas losses no longer considered recoverable. Expenses not deductible for tax purposes include non-qualifying depreciation and goodwill impairments.

## 14. 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, 583,501,473 (2016: 592,573,254), is adjusted to assume conversion of all dilutive potential ordinary shares under the Group's Share Schemes, being 16,667,000 (2016: 17,667,000), to give the diluted weighted average number of shares of 600,168,473 (2016: 610,240,254).

## BASIC AND DILUTED EARNINGS PER SHARE

	53 weeks ended		52 weeks ended	
	30 April 2017	30 April 2017	24 April 2016	24 April 2016
	Basic	Diluted	Basic	Diluted
	(£m)	(£m)	(£m)	(£m)
Profit for the period	229.9	229.9	277.4	277.4
	Number in thousands		Number in thousands	
Weighted average number of shares	583,501	600,168	592,573	610,240
	Pence per share		Pence per share	
Earnings per share	39.4	38.3	46.8	45.5

## UNDERLYING EARNINGS PER SHARE

The underlying earnings per share reflects the underlying performance of the business compared with the prior year and is calculated by dividing underlying earnings by the weighted average number of shares for the period. Underlying earnings is used by management as a measure of profitability within the Group. Underlying earnings is defined as profit for the period attributable to equity holders of the parent for each financial period but excluding the post-tax effect of certain non-trading items. Tax has been calculated with reference to the effective rate of tax for the Group.

The Directors believe that the underlying earnings before exceptional items and underlying earnings per share measures provide additional useful information for shareholders on the underlying performance of the business, and are consistent with how business performance is measured internally. Underlying earnings is not a recognised profit measure under IFRS and may not be directly comparable with "adjusted" profit measures used by other companies.

	53 weeks ended		52 weeks ended	
	30 April 2017 Basic (£m)	30 April 2017 Diluted (£m)	24 April 2016 Basic (£m)	24 April 2016 Diluted (£m)
Profit for the period	229.9	229.9	277.4	277.4
<b>Post tax adjustments to profit for the period for the following non-trading items:</b>				
Realised loss on forward exchange contracts	18.5	18.5	1.8	1.8
Fair value adjustment to forward foreign exchange contracts	(14.3)	(14.3)	5.2	5.2
Fair value adjustment to derivative financial instruments	24.0	24.0	(8.4)	(8.4)
Profit on disposal of listed investments	(141.5)	(141.5)	(104.5)	(104.5)
Impairment of fixed assets	-	-	4.4	4.4
Profit on disposal of property	-	-	(10.4)	(10.4)
Profit on disposal of subsidiary	(79.9)	(79.9)	-	-
Impairment	17.3	17.3	45.1	45.1
Write off of deferred tax assets	12.5	12.5	-	-
Underlying profit for the period	66.5	66.5	210.6	210.6
	<b>Number in thousands</b>		<b>Number in thousands</b>	
Weighted average number of shares	583,501	600,168	592,573	610,240
	<b>Pence per share</b>		<b>Pence per share</b>	
Underlying earnings per share	11.4	11.1	35.5	34.5

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings [£m]	Long-term leasehold [£m]	Short-term leasehold improvements [£m]	Plant and equipment [£m]	Total [£m]
<b>COST</b>					
At 26 April 2015	323.4	12.8	117.5	470.6	924.3
Exchange differences	2.8	[0.9]	[0.1]	16.0	17.8
Acquisitions	25.5	10.3	10.8	22.8	69.4
Additions	116.4	11.2	15.9	63.5	207.0
Eliminated on disposals	[34.5]	-	[2.6]	[15.7]	[52.8]
At 24 April 2016	433.6	33.4	141.5	557.2	1,165.7
Exchange differences	10.7	1.8	[0.5]	6.7	18.7
Transfers	[40.9]	-	-	-	[40.9]
Additions	284.0	36.8	5.3	87.4	413.5
Eliminated on disposals	[10.6]	-	[10.2]	[42.7]	[63.5]
<b>At 30 April 2017</b>	<b>676.8</b>	<b>72.0</b>	<b>136.1</b>	<b>808.8</b>	<b>1,493.5</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>					
At 26 April 2015	[50.1]	[5.3]	[88.9]	[357.3]	[501.6]
Exchange differences	[0.5]	0.2	0.2	[4.7]	[4.8]
Charge for the period	[21.8]	[1.2]	[12.1]	[54.1]	[89.2]
Impairment	[6.5]	-	-	-	[6.5]
Eliminated on disposals	4.1	-	3.3	14.9	22.3
At 24 April 2016	[74.8]	[6.3]	[97.5]	[401.2]	[579.8]
Exchange differences	[2.8]	[0.1]	1.1	0.8	[1.0]
Transfers	22.8	-	-	-	22.8
Charge for the period	[40.9]	[7.3]	[11.5]	[79.9]	[139.6]
Eliminated on disposals	5.9	-	2.8	37.4	46.1
<b>At 30 April 2017</b>	<b>(89.8)</b>	<b>(13.7)</b>	<b>(105.1)</b>	<b>(442.9)</b>	<b>(651.5)</b>
<b>NET BOOK VALUE</b>					
<b>At 30 April 2017</b>	<b>587.0</b>	<b>58.3</b>	<b>31.0</b>	<b>165.7</b>	<b>842.0</b>
At 24 April 2016	358.8	27.1	44.0	156.0	585.9

Included within freehold land and buildings are UK properties with a net book value of £27.7m for which sales contracts have been exchanged but for which completion has not taken place at year end, carrying value is below fair value based on selling price.

The group has reviewed and revised the estimated useful economic lives of property, plant and equipment in the current year. The impact on the income statement for the year ended 30 April 2017 of this revision to accounting estimates is an additional depreciation charge of approximately £26.0m, the majority of which relates to the International Sports Retail segment.

## 16. INVESTMENT PROPERTIES

	<b>Freehold Land and Buildings (£m)</b>
<b>COST</b>	
As at 26 April 2015 and 24 April 2016	-
Transfers	40.9
Additions	6.0
<b>At 30 April 2017</b>	<b>46.9</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>	
At 26 April 2015 and 24 April 2016	-
Transfers	(22.8)
Charge for the period	(1.0)
<b>At 30 April 2017</b>	<b>(23.8)</b>
<b>NET BOOK VALUE</b>	
<b>At 30 April 2017</b>	<b>23.1</b>
At 24 April 2016	-

During the course of the financial period ended 30 April 2017, in the context of IAS40, the decision and therefore current intention to hold a number of freehold properties for the purposes of obtaining rental income or for capital appreciation was taken by management and has resulted in the transfer of properties with a net book value of £18.1m from property, plant and equipment to investment properties.

The fair values of the group's investment properties as at 30 April 2017 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

## 17. INTANGIBLE ASSETS

	Goodwill (£m)	Trademarks and licences (£m)	Brands (£m)	Total (£m)
<b>COST</b>				
At 26 April 2015	175.8	63.9	79.9	319.6
Acquisitions	-	3.9	-	3.9
Other additions	-	0.1	-	0.1
Written off	[6.1]	-	-	[6.1]
Disposals	-	[0.6]	-	[0.6]
Exchange adjustment	3.9	2.6	1.3	7.8
At 24 April 2016	173.6	69.9	81.2	324.7
Acquisitions	-	7.4	-	7.4
Written off	-	[1.0]	-	[1.0]
Disposals	[20.0]	[1.0]	[2.0]	[23.0]
Exchange adjustment	7.7	0.2	9.4	17.3
<b>At 30 April 2017</b>	<b>161.3</b>	<b>75.5</b>	<b>88.6</b>	<b>325.4</b>
<b>AMORTISATION AND IMPAIRMENT</b>				
At 26 April 2015	[19.3]	[45.0]	-	[64.3]
Amortisation charge	-	[6.4]	-	[6.4]
Impairment	[45.6]	[6.5]	-	[52.1]
Written off	6.0	-	-	6.0
Disposals	-	0.6	-	0.6
Exchange adjustment	0.7	[0.6]	-	0.1
At 24 April 2016	[58.2]	[57.9]	-	[116.1]
Amortisation charge	-	[7.3]	-	[7.3]
Impairment	[14.1]	[3.2]	-	[17.3]
Written off	-	1.0	-	1.0
Disposals	-	1.3	-	1.3
Exchange adjustment	[1.1]	[0.2]	-	[1.3]
<b>At 30 April 2017</b>	<b>[73.4]</b>	<b>[66.3]</b>	<b>-</b>	<b>[139.7]</b>
<b>NET BOOK VALUE</b>				
<b>At 30 April 2017</b>	<b>87.9</b>	<b>9.2</b>	<b>88.6</b>	<b>185.7</b>
At 24 April 2016	115.4	12.0	81.2	208.6

Amortisation is charged to selling, distribution and administrative expenses in the consolidated income statement.

During the period the Group disposed of the Dunlop brand, see note 32.



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:

	<b>30 April 2017 (£m)</b>		<b>24 April 2016 (£m)</b>	
	<b>Goodwill (£m)</b>	<b>Brands (£m)</b>	<b>Goodwill (£m)</b>	<b>Brands (£m)</b>
International Sports Retail	7.7	-	3.1	-
Lifestyle & other	-	-	9.0	-
Brands (excl. Everlast)	25.8	2.4	48.9	6.4
Everlast	54.4	88.2	54.4	74.8
	<b>87.9</b>	<b>88.6</b>	<b>115.4</b>	<b>81.2</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 £392m.

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 30 April 2017 were as follows:

	<b>UK Sports Retail</b>	<b>International Retail</b>	<b>Brands (excl. Everlast)</b>	<b>Everlast</b>
Sales growth	0%-5%	0%-5%	0%-2%	0%-5%
Terminal sales growth	2 %	2 %	0%	2%
Gross margin	35%-50%	35%-50%	30%-40%	20%-30%
Capital expenditure	Nil - £1m	Nil - £1m	Nil - £1m	Nil - £1m
Discount rates	6.3%	6.3%	6.3%	11.0%

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

**18. INVESTMENTS IN ASSOCIATED UNDERTAKINGS**

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

	<b>Associates  (£m)</b>
At 26 April 2015	38.1
Additions	9.5
Disposals	(32.5)
Dividends paid	(0.9)
Share of profit	2.4
At 24 April 2016	16.6
Additions	9.0
Share of profit	0.8
<b>At 30 April 2017</b>	<b>26.4</b>

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

The addition in the year relates to the acquisition of a 49% ownership in Lovells Sports Ltd.

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

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

	<b>30 April 2017  (£m)</b>	24 April 2016 (£m)
Share of non-current assets	<b>25.2</b>	16.1
Share of current assets	<b>13.1</b>	9.2
Share of non-current liabilities	<b>(1.5)</b>	(0.6)
Share of current liabilities	<b>(10.4)</b>	(8.1)
	<b>26.4</b>	16.6

	<b>53 weeks ended 30 April 2017  (£m)</b>	<b>52 weeks ended 24 April 2016  (£m)</b>
Income	<b>48.6</b>	54.5
Expenses	<b>(45.2)</b>	(51.7)
Profit before taxation	<b>1.4</b>	2.8
Taxation	<b>(0.6)</b>	(0.4)
<b>Profit for the period</b>	<b>0.8</b>	2.4

## 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	30 April 2017 [£m]	24 April 2016 [£m]
Available-for-sale financial assets	63.9	193.4

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

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

	30 April 2017 [£m]	24 April 2016 [£m]
At beginning of period	193.4	140.8
Additions	24.7	89.2
Disposals	(36.4)	(45.6)
Impairment	(12.2)	-
Revaluation – exchange differences	-	(0.1)
Revaluation through other comprehensive income – recognised in the period	23.7	115.3
Revaluation through other comprehensive income – reclassified in the period	(129.3)	(106.2)
<b>At end of period</b>	<b>63.9</b>	<b>193.4</b>

At the year-end 30 April 2017 the Group held a direct interest of nil% in the following, having disposed of the following ordinary shares during the year:

- c.9.9m ordinary shares in JD Sports Fashion plc;
- c.0.5m ordinary shares in Goals Soccer Centres plc; and
- c.1.0m ordinary shares in Dicks Sporting Goods Inc.

During the year the Group acquired the following direct stakes of the following ordinary shares:

- On the 26 April 2016 c.11.0m shares in Findel plc representing 12.7% of the issued share capital of Findel plc, at the year-end the Group held a direct stake of 29.9%; and
- During February 2017 c.10.7m shares in French Connection Group plc representing 11.2% of the issued share capital, at the year-end the Group still held a direct stake of 11.2%.

In addition the Group continues to hold a 4.8% direct interest in Mysale Group plc and 11.1% in House of Fraser Limited. The impairment in the period principally relates to the unlisted stake in House of Fraser which was impaired to management's estimate of the fair value of the enterprise based on recoverability.

The fair value of the Group's holdings at 30 April 2017 was £63.9m [24 April 2016: £193.4m]. The movement in the fair value of the shares held has been recognised directly in Other Comprehensive Income.

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

The fair value of equity derivative agreements are included within the derivative financial assets balance of £43.0m and derivative financial liabilities balance of £75.2m. The derivative financial assets and derivative financial liabilities as at 30 April 2017 relate to strategic investments held of between 0.26% and 16.81% of share capital.

At 30 April 2017 and 24 April 2016 the Group had no available for sale financial assets in excess of 29.9% of share capital.

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

## 20. INVENTORIES

	30 April 2017 [£m]	24 April 2016 [£m]
Goods for resale	628.2	702.2

The following inventory costs have been recognised in cost of sales:

	30 April 2017 [£m]	24 April 2016 [£m]
Cost of inventories recognised as an expense	1,814.7	1,619.7

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 30 April 2017. Overall provisions have increased from £77.8m in FY16 to £98.4m as at 30 April 2017.

## 21. TRADE AND OTHER RECEIVABLES

	30 April 2017 [£m]	24 April 2016 [£m]
Trade receivables	39.3	54.4
Deposits in respect of derivative financial instruments	148.0	106.2
Amounts owed by related parties [see note 37]	40.8	1.2
Other debtors	136.8	105.6
Prepayments	32.1	25.2
	397.1	292.6

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of asset above, plus any cash balances.

Other debtors includes amounts advanced for the acquisition of Bob's Stores and Eastern Mountain Sports from US Chapter 11 alongside working capital loans, which completed post year end [see note 40], this will be accounted for under IFRS 3 in FY18, including an assessment of the fair value of consideration, assets, liabilities and identified intangibles. Other debtors 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.

Ageing of trade receivables:

	30 April 2017 [£m]	24 April 2016 [£m]
Current	26.0	44.9
0-30 days past due	7.3	4.3
30-60 days past due	2.0	1.4
60-90 days past due	1.8	0.9
Over 90 days past due	2.2	2.9
	39.3	54.4

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

The movement in the bad debt provision relating to trade and other receivables can be analysed as follows:

	53 weeks ended	52 weeks ended
	30 April 2017	24 April 2016
	(£m)	(£m)
Opening position	12.0	7.2
Amounts charged to the income statement	10.1	6.8
Amounts written off as uncollectable	(1.1)	(2.0)
Amounts recovered during the year	(1.5)	-
Closing position	19.5	12.0

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. These bad debt provisions / charges have been determined by reference to past default experience and knowledge of the individual circumstances of certain receivables.

## 22. CASH AND CASH EQUIVALENTS

	30 April 2017	24 April 2016
	(£m)	(£m)
Cash in bank and in hand - Sterling	53.5	23.9
Cash in bank and in hand - US Dollars	25.9	27.3
Cash in bank and in hand - Euros	122.4	182.3
Cash in bank and in hand - Other	2.9	0.7
	204.7	234.2
Bank overdraft (note 25)	(69.5)	(0.5)
Cash and cash equivalents including overdrafts at period end	135.2	233.7

The bank overdraft is part of a Group cash pooling arrangement.

## 23. SHARE CAPITAL

	30 April 2017	24 April 2016
	(£m)	(£m)
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
640,602,369 (2016: 640,602,369) ordinary shares of 10p each	64.1	64.1
<b>SHARE CAPITAL</b>		
At 24 April 2016 and 30 April 2017	64.1	64.1

The Group holds 79,310,534 shares in Treasury as at period end [FY16: 42,137,508] (see note 24).

## 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 86 to 91.

An award of 8,073,036 shares was granted on 10 September 2010 at a share price of 125.5 pence. 4m of these shares have since vested and 2m have since lapsed. These shares will only vest if all conditions are met. No consideration is payable in respect of these awards.

### Share Schemes

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

On 7 September 2015 3,772,383 shares sold by participants following exercise of awards under the Company's 2011 Share Scheme were acquired by Estera Trust (Jersey) Limited, formerly known as Appleby Trust (Jersey) Limited, as Trustee of the Sports Direct Employee Benefit Trust (Trustee), with the acquisition being funded by a loan advanced by the Company. The Shares were acquired at a price of 781 pence per share in an off-market transaction.

## NOTES TO THE FINANCIAL STATEMENTS

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The Trustee has purchased these shares in order to help meet future obligations arising under the Company's Share Schemes. Another 14m shares (including the Executive Share Scheme) are due to vest in the summer of 2017, subject to the individual participating employee's continued satisfactory personal performance.

A share-based payment charge of £2.3m was recognised in respect of these share awards for the 53 weeks ended 30 April 2017, based on the Directors' best estimate of the number of shares that will vest. The charge is calculated based on the fair value on the grant date, which is deemed to be the date on which the entity and counterparty reached a shared understanding of the scheme.

As announced in the interim results for the 26 weeks to 23 October 2016, management gave notification that they intended to underwrite the 2011 share scheme whereby the minimum value will be fixed at £3 for each share awarded. A flexible cash bonus will be awarded for up to four years from the vesting date to top-up share sales where the market price at exercise is below £3.

A share-based payment charge of £0.5m was recognised in respect of this cash settled award for the 53 weeks ended 30 April 2017, 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.

**24. 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]
At 26 April 2015	64.1	874.3	0.1	8.0	(987.3)	78.8	38.0
Cash flow hedges							
- recognised in the period	-	-	-	-	-	(5.7)	(5.7)
reclassified and reported in sales	-	-	-	-	-	0.1	0.1
- reclassified and reported in cost of sales	-	-	-	-	-	(63.8)	(63.8)
- taxation	-	-	-	-	-	16.4	16.4
- taxation: prior year reclassification	-	-	-	-	-	(17.8)	(17.8)
At 24 April 2016	64.1	874.3	0.1	8.0	(987.3)	8.0	(32.8)
Cash flow hedges							
- recognised in the period	-	-	-	-	-	(31.3)	(31.3)
- reclassified in the period and reported in sales	-	-	-	-	-	8.7	8.7
- reclassified and reported in cost of sales	-	-	-	-	-	(18.2)	(18.2)
- taxation	-	-	-	-	-	7.7	7.7
<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>

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, see note 23.

The Company announced on 28 April 2017 that it had instructed Citigroup Global Markets Limited in relation to an irrevocable non-discretionary share buyback programme to purchase the Company's shares during the closed period commencing on 30 April 2017 and ending on 20 July 2017. In line with IAS32 the Company recognised the full redemption amount of £163.5m 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 18 July 2017, £94.1m of shares have been repurchased under the closed period share buyback programme.

## 25. BORROWINGS

	30 April 2017 [£m]	24 April 2016 [£m]
<b>NON-CURRENT:</b>		
Bank and other loans	317.3	333.1
<b>CURRENT:</b>		
Bank overdrafts	69.5	0.5
Bank and other loans	-	0.3
	69.5	0.8
<b>TOTAL BORROWINGS:</b>		
Bank overdrafts	69.5	0.5
Bank and other loans	317.3	333.4
	386.8	333.9

An analysis of the Group's total borrowings other than bank overdrafts is as follows:

	30 April 2017 [£m]	24 April 2016 [£m]
Borrowings — Sterling	310.0	320.0
Borrowings — Other	7.3	13.4
	317.3	333.4

Loans are currently at a rate of interest of 1.15% over the interbank rate of the country within which the borrowing entity resides.

The Group's Working Capital Facility is at £788m (FY16: £788m). The facility is available until September 2018 and is not secured against any of the Group's fixed assets.

The overdraft is part of a Group cash pooling arrangement.

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 30 April 2017 was £182.1m (24 April 2016: £99.7m).

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**26. RETIREMENT BENEFIT OBLIGATIONS**

During the year, the Group disposed of the Dunlop brand and related companies including DSGHL, which held the Dunlop Pension Schemes.

The Group also operates a defined benefit scheme in Sport Eybl Holding GmbH. (EAG). Based on materiality, the assumptions and scheme movements are not shown in this note.

The amounts for the current and previous periods:

	<b>30 April 2017</b>	24 April 2016
	<b>(£m)</b>	(£m)
Total fair value of plan assets	-	59.8
Present value of plan liabilities	-	(72.9)
<i>Net plan obligations</i>	<b>(3.4)</b>	(13.1)
Experience adjustments on plan liabilities	-	(2.5)
Experience adjustments on plan assets	-	3.6

The cumulative amount of actuarial gains and losses recognised in other comprehensive income as at 30 April 2017 was an actuarial loss of £21.3m (FY16: actuarial loss of £12.5m).

There were no unrecognised actuarial gains or losses or past service costs as at 24 April 2016 or 30 April 2017.

Amounts recognised in the income statement are as follows:

	<b>Period ended</b>	
	<b>30 April 2017</b>	24 April 2016
	<b>(£m)</b>	(£m)
Net interest expense	<b>0.3</b>	0.4

The current service cost is included within cost of sales. The net interest expense is included within finance costs.

Amounts recognised in other comprehensive income is as follows:

	<b>Period ended</b>	
	<b>30 April 2017</b>	24 April 2016
	<b>(£m)</b>	(£m)
Actual return on scheme assets excluding amounts included in net interest income	<b>(9.5)</b>	(2.5)
Losses from changes to demographic assumptions	-	(1.2)
Actuarial losses relating to plan liabilities	<b>0.7</b>	3.6
<b>Amounts recognised in Other Comprehensive income relating to DSGHL</b>	<b>(8.8)</b>	(0.1)
<b>Amounts recognised in Other Comprehensive income relating to EAG</b>	-	0.1
<b>Total amounts recognised in Other Comprehensive Income</b>	<b>(8.8)</b>	-



The movements in the fair value of plan assets are as follows:

	Period ended	
	30 April 2017 [£m]	24 April 2016 [£m]
At the start of the period	59.8	59.9
Interest income based on discount rate	1.0	2.0
Actuarial gain/(loss)	9.5	[2.5]
Employer contributions	2.4	2.7
Benefits paid out	[1.4]	[2.3]
Disposal	[71.3]	-
<b>At the end of the period</b>	<b>-</b>	<b>59.8</b>

The plan asset mix was as follows:

	30 April 2017 [£m]	24 April 2016 [£m]
Equities	-	27.5
Bonds	-	31.8
Cash and other	-	0.5
	-	59.8

The fair values of the above investments are determined based on publicly available market prices wherever available. Unquoted investments are stated at fair value estimates provided by the manager of the investment or fund.

The principal assumptions underlying the actuarial assessments are:

	30 April 2017 [%]	24 April 2016 [%]
Inflation rate	3.4	3.1
Future pension increases	3.3	3.0
Discount rate	2.8	3.5

Mortality assumptions:

	30 April 2017 [£m]	24 April 2016 [£m]
Life expectancy at 65 at period end:		
Future pensioners - male	87.8	87.8
Future pensioners - female	90.3	90.3
Current pensioners - male	86.1	86.1
Current pensioners - female	88.4	88.4

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The movements in the present value of the plan liabilities are as follows:

	30 April 2017 (£m)	24 April 2016 (£m)
At the start of the period	(72.9)	(74.8)
Interest cost	(1.3)	(2.2)
Actuarial gain	15.0	3.6
Benefits paid out	1.4	2.3
Exchange gain	-	(1.8)
Disposal	54.4	-
<b>At the end of the period</b>	<b>(3.4)</b>	<b>(72.9)</b>

The net movements in the net present value of the plan liabilities were as follows:

	Period Ended	
	30 April 2017 (£m)	24 April 2016 (£m)
Net liability at the start of the period	(13.1)	(14.9)
Movement in fair value of plan assets	(59.8)	(0.1)
Movements in the present value of the plan liabilities	69.5	1.9
<b>Net liability at the end of the period</b>	<b>(3.4)</b>	<b>(13.1)</b>

In addition to the amounts recognised in relation to the defined benefit retirement plans, amounts of £1.8m and £3.3m have been recognised in the income statement for the periods ended 24 April 2016 and 30 April 2017 in relation to defined contribution retirement benefit plans.

## 27. DEFERRED TAX ASSET AND LIABILITIES

	Accounts depreciation exceeding tax depreciation (£m)	Tax losses recoverable (£m)	Pension plan liabilities (£m)	Bonus share scheme (£m)	Forward currency contracts (£m)	FV of Brands (£m)	Other temporary differences (£m)	Total (£m)
At 26 April 2015	9.8	7.0	3.0	17.3	(16.0)	(24.0)	1.2	(1.7)
Credited / (charged) to the income statement	4.9	7.0	(0.4)	-	1.4	2.6	1.1	16.6
Credited / (charged) to the statement of other comprehensive income	-	-	-	-	(1.9)	-	0.9	(1.0)
Credited / (charged) to hedging reserve	-	-	-	-	16.4	-	-	16.4
Credited to reserves in respect of Share Scheme	-	-	-	(8.0)	-	-	-	(8.0)
At 24 April 2016	14.7	14.0	2.6	9.3	(0.1)	(21.4)	3.2	22.3
Credited / (charged) to the income statement	3.6	(14.0)	-	0.6	2.4	3.2	(4.9)	(9.1)
Credited / (charged) to the statement of other comprehensive income	-	-	1.7	(1.3)	-	-	(0.2)	0.2
Credited / (charged) to hedging reserve	-	-	-	-	5.9	-	-	5.9
Disposal	-	-	(4.3)	-	-	-	-	(4.3)
<b>At 30 April 2017</b>	<b>18.3</b>	<b>-</b>	<b>-</b>	<b>8.6</b>	<b>8.2</b>	<b>(18.2)</b>	<b>(1.9)</b>	<b>15.0</b>

	30 April 2017 (£m)	24 April 2016 (£m)
Deferred tax assets	33.7	43.9
Deferred tax liabilities	(18.7)	(21.6)
<b>Net deferred tax balance</b>	<b>15.0</b>	<b>22.3</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 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.

## 28. PROVISIONS

	Property related (£m)	Other (£m)	Total (£m)
At 24 April 2016	56.5	10.2	66.7
Amounts provided	53.5	17.3	70.8
Amounts utilised / reclassified	(3.1)	(1.4)	(4.5)
Amounts reversed	(2.8)	-	(2.8)
<b>At 30 April 2017</b>	<b>104.1</b>	<b>26.1</b>	<b>130.2</b>

The property related provision contains the best estimate of the present value of expenditure expected to be incurred by the Group in order to satisfy its obligations to restore its leasehold premises to the condition required under the lease agreements at the end of the lease discounted at 5% per annum. The provision also contains provision in respect of onerous lease contracts representing the net cost of fulfilling the Group's obligations over the terms of these contracts discounted at 5% per annum. The provision is expected to be utilised over the period to the end of each specific lease. The unwinding of the discount on provision over time passes through the income statement.

During the period, onerous lease provisions were recognised due to an ongoing management review of the European store profile and strategy, resulting in additional provisions being made of £39.7m in the year. The balance of the charge relates to onerous lease provisions in respect of UK stores.

Other provisions relate to provisions for restructuring and employment (non-retirement related) and management's best estimate of the potential impact of claims including legal, commercial and regulatory claims and ongoing non-UK tax enquiries.

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## 29. FINANCIAL INSTRUMENTS

## (a) FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying values of financial assets and liabilities, which are principally denominated in Sterling or US Dollars, were as follows:

	Loans and receivables [£m]	Assets at fair value through profit and loss [£m]	Available for sale financial assets [£m]	Non-financial assets [£m]	Total [£m]
<b>ASSETS - 2017</b>					
Property, plant and equipment	-	-	-	842.0	<b>842.0</b>
Investment properties	-	-	-	23.1	<b>23.1</b>
Intangible assets	-	-	-	185.7	<b>185.7</b>
Investments in associated undertakings	-	-	-	26.4	<b>26.4</b>
Available-for-sale financial assets	-	-	63.9	-	<b>63.9</b>
Deferred tax assets	-	-	-	33.7	<b>33.7</b>
Inventories	-	-	-	629.2	<b>629.2</b>
Derivative financial assets	-	43.0	-	-	<b>43.0</b>
Trade and other receivables	397.1	-	-	-	<b>397.1</b>
Cash and cash equivalents	204.7	-	-	-	<b>204.7</b>
	<b>601.8</b>	<b>43.0</b>	<b>63.9</b>	<b>1,740.1</b>	<b>2,448.8</b>
<b>ASSETS - 2016</b>					
Property, plant and equipment	-	-	-	585.9	<b>585.9</b>
Intangible assets	-	-	-	208.6	<b>208.6</b>
Investments in associated undertakings	-	-	-	16.6	<b>16.6</b>
Available-for-sale financial assets	-	-	193.4	-	<b>193.4</b>
Deferred tax assets	-	-	-	43.9	<b>43.9</b>
Inventories	-	-	-	702.2	<b>702.2</b>
Derivative financial assets	-	82.5	-	-	<b>82.5</b>
Trade and other receivables	292.6	-	-	-	<b>292.6</b>
Cash and cash equivalents	234.2	-	-	-	<b>234.2</b>
	<b>526.8</b>	<b>82.5</b>	<b>193.4</b>	<b>1,557.2</b>	<b>2,359.9</b>

	Loans and payables (£m)	Liabilities at fair value through profit and loss (£m)	Fair value of share buy back (£m)	Non-financial liabilities (£m)	Total (£m)
<b>LIABILITIES - 2017</b>					
Non-current borrowings	317.3	-	-	-	317.3
Retirement benefit obligations	-	-	-	3.4	3.4
Deferred tax liabilities	-	-	-	18.7	18.7
Provisions	-	-	-	130.2	130.2
Derivative financial liabilities	-	75.2	-	-	75.2
Fair value of share buy back	-	-	163.5	-	163.5
Trade and other payables	133.3	-	-	288.1	421.4
Current borrowings	69.5	-	-	-	69.5
Current tax liabilities	-	-	-	11.3	11.3
	520.1	75.2	163.5	451.7	1,210.5
<b>LIABILITIES - 2016</b>					
Non-current borrowings	333.1	-	-	-	333.1
Retirement benefit obligations	-	-	-	13.1	13.1
Deferred tax liabilities	-	-	-	21.6	21.6
Provisions	-	-	-	66.7	66.7
Derivative financial liabilities	-	61.7	-	-	61.7
Trade and other payables	218.9	-	-	207.8	426.7
Current borrowings	0.8	-	-	-	0.8
Current tax liabilities	-	-	-	51.5	51.5
	552.8	61.7	-	360.7	975.2

Carrying values do not materially differ from fair value.

#### FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 30 April 2017, the only financial instruments held at fair value were derivative financial assets and liabilities.

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 year 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 year-end [these inputs include but are not restricted to the following – maturity date, quoted forward/option prices].

Available-for-sale financial assets are classified as Level 1 as the fair value is calculated using quoted prices, except for House of Fraser (UK & Ireland) Ltd (previously Highland Group Holdings) which is classified as Level 3. House of Fraser Ltd is held at management's estimate of the fair value of the enterprise based on publicly and non-publicly available data, management's assessment is that the fair value should be impaired to the estimated recoverable amount, this charge is reflected in the Income Statement.

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.

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Other equity derivatives relates to a put option referencing listed company shares - this is calculated using an equity valuation model of which the output is the result of a number of inputs including, the terms of the option, the share price, interest rates, the volatility of the underlying stock, and dividends paid by the underlying company. The volatility of the underlying stock is a significant input into the valuation model. Volatility is considered an unobservable input. Changing one or more of the unobservable inputs, for example the volatility of the underlying stock, in the valuation of the option, to reflect reasonably possible alternative assumptions, would not change the fair value materially. To the extent that the market price of these shares is less than an agreed price on expiry of the put option, the Group has the right to settle the put option by acquiring ordinary shares. If the market price of the shares is greater than an agreed price on expiry of the put option the counterparty will not exercise the option and the group will receive the premium. Sports Direct is required to transfer cash collateral to cover its obligations under the Put Option. The amount of collateral required during the life of the Put Option can increase or decrease by reference to the underlying market price of the shares.

**(b) DERIVATIVES: FOREIGN CURRENCY FORWARD PURCHASE CONTRACTS**

The most significant exposure to foreign exchange fluctuations relates to purchases made in foreign currencies, principally the US Dollar, and online sales 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.

The carrying values of the derivative financial instruments includes foreign currency purchase and sales contracts, written currency options and equity derivative contracts:

	30 April 2017 (£m)	24 April 2016 (£m)
<b>HEDGED</b>		
Foreign forward purchase and sales contracts - assets	16.2	62.1
<b>UNHEDGED</b>		
Foreign forward purchase and sales contracts - assets	17.9	-
Equity derivatives - contracts for difference	8.9	12.8
Equity derivatives - assets	-	7.6
Fair value of derivative financial instruments - assets	43.0	82.5
<b>HEDGED</b>		
Foreign purchase and sales contracts - liabilities	(8.7)	-
<b>UNHEDGED</b>		
Foreign forward and written options purchase and sales contracts - liabilities	(46.1)	(61.5)
Equity derivatives - contracts for difference	(3.8)	-
Equity derivatives - liabilities	(15.4)	-
Other	(0.2)	(0.2)
<b>FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS - (LIABILITIES)</b>	<b>(75.2)</b>	<b>(61.7)</b>

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

	30 April 2017 (£m)	24 April 2016 (£m)
US Dollar purchases	-	77.7
Contracted rates	-	1.46-1.71
	30 April 2017 (£m)	24 April 2016 (£m)
US Dollar sales	-	(38.5)
Contracted rates	-	1.5367-1.5808

	<b>30 April 2017 [£m]</b>	24 April 2016 [£m]
Euro sales	[777.3]	[703.1]
Contracted rates	1.069 - 1.24	1.14-1.289

	<b>30 April 2017 [£m]</b>	24 April 2016 [£m]
AUD sales	[12.5]	[5.2]
Contracted rates	1.6896 - 1.79	1.84

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

	<b>30 April 2017 [£m]</b>	24 April 2016 [£m]
Euro Sales*	[302.7]	-
Contracted rates	1.09-1.24	-

\*Value excludes SWAPS of 260.9m euros which are required for cash management purposes only.

The sterling principal amounts of unhedged written currency option contracts and contracted rates were as follows:

	<b>30 April 2017 [£m]</b>	24 April 2016 [£m]
US Dollar purchases	-	41.7
Contracted rates	-	1.46

	<b>30 April 2017 [£m]</b>	24 April 2016 [£m]
Euro sales	[1,080]	[703.1]
Contracted rates	1.069 - 1.09	1.14-1.289

	<b>30 April 2017 [£m]</b>	24 April 2016 [£m]
AUD sales	[12.5]	[5.2]
Contracted rates	1.6896 - 1.79	1.84

At 30 April 2017 £789.8m of forward contracts qualified for hedge accounting and the loss on fair valuation of these contracts of £31.3m has therefore been recognised in other comprehensive income. The profit on fair value of the written options and unhedged forward contracts of £18.2m has been included within finance income.

At 30 April 2017 £nil of purchase contracts had a maturity at inception of greater than 12 months [FY16: £78m of purchase contracts] and £934.9m of sales had a maturity at inception of greater than 12 months [FY16: £677m sales contracts].

At 30 April 2017 £nil of purchase contracts had a maturity at inception of greater than 12 months [2016: £42m of purchase contracts] and £1,395.2m of sales had a maturity at inception of greater than 12 months [2016: £677m sales contracts].

### (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.

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

Positive figures represent an increase in profit or equity:

	Income statement		Equity	
	30 April 2017	24 April 2016	30 April 2017	24 April 2016
	(£m)	(£m)	(£m)	(£m)
Sterling strengthens by 10%				
US Dollar	33.5	(5.4)	33.0	(30.2)
Euro	4.0	(17.6)	0.8	(20.1)
Sterling weakens by 10%				
US Dollar	(36.9)	6.0	(42.9)	33.2
Euro	(4.4)	19.3	(0.9)	22.1

## 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	
	30 April 2017	24 April 2016	30 April 2017	24 April 2016
	(£m)	(£m)	(£m)	(£m)
Interest rate increase of 0.5%	(1.9)	(1.7)	(1.9)	(1.7)
Interest rate decrease of 0.5%	1.9	1.7	1.9	1.7



#### (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>2017</b>					
<b>Non derivative financial liabilities</b>					
Bank loans and overdrafts	69.5	310.0	-	-	379.5
Obligations under finance leases	-	7.3	-	-	7.3
Trade and other payables	211.5	-	-	-	211.5
Share buyback	165.3				165.3
<b>Derivative financial instruments*</b>					
Cash inflows	(148.5)	(343.4)	(598.1)	-	(1,090.0)
Cash outflows	163.4	337.9	610.4	-	1,111.7
	461.2	311.8	12.3	-	785.3
<b>2018</b>					
Bank loans and overdrafts	0.8	325.7	5.7	-	332.2
Obligations under finance leases	0.8	6.3	-	-	7.1
Trade and other payables	226.8	-	-	-	226.8
<b>Derivative financial instruments</b>					
Cash inflows	(250.9)	(145.1)	(464.9)	-	(860.9)
Cash outflows	220.5	149.8	469.8	-	840.1
	198.0	336.7	10.6	-	545.3

\*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 underlying EBITDA, excluding charges for the Share Schemes, is 0.6 (2016: 0.26). The objective is to keep this figure below 3.0 (FY16: 2.5).

Based on this analysis, the Board determines the appropriate return to equity holders whilst ensuring sufficient capital is retained within the Group to meet its strategic objectives, including but not limited to, acquisition opportunities.

These capital management policies have remained unchanged from the prior year.

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

**30. TRADE AND OTHER PAYABLES**

	<b>30 April 2017 [£m]</b>	<b>24 April 2016 [£m]</b>
Trade payables	<b>133.3</b>	219.0
Amounts owed to related undertakings	<b>0.4</b>	0.2
Other taxes including social security costs	<b>69.5</b>	47.9
Other payables	<b>50.8</b>	50.1
Fair value of share buy back	<b>163.5</b>	-
Accruals	<b>167.6</b>	109.5
	<b>584.9</b>	426.7

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Fair valuation of share buyback relates to the post year acquisition of own shares – see note 24.

**31. ACQUISITIONS**

The principal acquisitions for the 53 weeks ended 30 April 2017 were:

- i. 17 June 2017: 100% of Community Bug Ltd
- ii. 10 February 2017: 100% of BSL Ltd (trading as The Sports Directory)
- iii. 8 February 2017: 100% of Vinecomb Investments Ltd (trading as Big & Tall)
- iv. 12 April 2017: 51% of 5 Pointz Ltd

	<b>Acquisitions [£m]</b>
Cash consideration	12.4
Fair value of assets acquired	(12.4)
<b>Goodwill</b>	-

The asset and liability values at acquisition are detailed below. We have reviewed the fair value of the assets and liabilities acquired, adjustments have been made to recognise the fair value of intangible assets.

	<b>Fair value of net assets acquired [£m]</b>
Intangible assets	7.4
Stock	1.0
Cash & cash equivalents	4.3
Trade and other receivables	0.7
Trade and other payables	(1.0)
	<b>12.4</b>

	<b>Acquisitions [£m]</b>
Cash consideration	12.4
Cash acquired	(4.3)
<b>Net cash outflow in the cash flow statement</b>	<b>8.1</b>

Since the date of control, the following balances have been included within the Group's financial statements for the period.

	<b>Acquisitions  (£m)</b>
Revenue	1.7
Operating loss	[0.1]
<b>Loss before tax</b>	<b>[0.1]</b>

Had the acquisition been included from the start of the period, £2.0m of revenue, £0.1m of operating loss and £0.1m of loss before tax would have been shown in the Group's financial statements.

There were no contingent liabilities acquired as a result of the above transaction.

As per the announcement on 21 April 2017, Sports Direct International plc received approval to acquire certain trade and assets of Bob's Stores and Eastern Mountain Sports out of Chapter 11 in the US. This process completed on 18 May 2017 when the Sports Direct Group is considered to have taken control.

### 32. DISPOSALS

On 26 December 2016, the Group entered into a sale agreement for the Dunlop brand and related wholesale and licensing companies, which is part of the Brands Division. The disposal was completed on 3 April 2017.

	<b>Disposal  (£m)</b>
Property, plant & equipment NBV	2.1
Investments	0.9
Intangible assets	20.4
Inventories	14.0
Trade receivables	13.4
Bank & cash	6.1
Retirement benefit obligations	[10.2]
Tax liability	-
Trade payables	[11.0]
	35.7
Gain on disposal	79.9
<b>Total consideration</b>	<b>115.6</b>

	<b>Acquisitions  (£m)</b>
Net cash inflow arising on disposal	115.6
Less cash disposed of	[6.1]
	<b>109.5</b>

The divestment of the Dunlop Business is in line with Sports Direct's stated aspiration to become the "Selfridges" of sport, including its renewed focus on its core retail business and the development of its relationships with third party brands.

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

**33. CASH INFLOW FROM OPERATING ACTIVITIES**

	53 weeks ended	52 weeks ended
	30 April 2017	24 April 2016
	(£m)	(£m)
Profit before taxation	281.6	361.8
Net finance (income)/costs	(9.4)	11.9
Investment income	(111.3)	(148.1)
Share of profits of associated undertakings	(0.8)	(2.4)
Operating profit	160.1	223.2
Depreciation	140.6	89.2
Amortisation	7.3	6.4
Impairment	17.3	58.5
Loss/(profit) on disposal of property, plant & equipment	6.8	(13.5)
Profit on disposal of subsidiary	(78.9)	-
Defined benefit pension plan employer contributions	(2.4)	(2.7)
Share-based payments	2.8	7.1
Operating cash inflow before changes in working capital	252.6	368.2
Increase in receivables	(118.0)	(97.0)
Decrease / (Increase) in inventories	60.0	(155.4)
Increase in payables	74.8	19.8
<b>Cash inflows from operating activities</b>	<b>269.2</b>	<b>135.6</b>

**34. OPERATING LEASE ARRANGEMENTS**

As at 30 April 2017 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	30 April 2017	24 April 2016
	(£m)	(£m)
<b>LAND AND BUILDINGS</b>		
Within one year	123.2	107.9
In the second to fifth years inclusive	357.0	328.8
After five years	305.7	268.9
	<b>785.9</b>	<b>705.6</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 leases, the annual net lease commitment is calculated using the estimated lease liability and any changes in the rental charge are accounted for when known. Amounts of £6.6m (FY16: £1.4m) 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 53 weeks ended 30 April 2017 was £12.3m (FY16: £3.8m).

As at 30 April 2017, the Group had contracts with sub-tenants for the following future minimum lease rentals::

	30 April 2017 [£m]	24 April 2016 [£m]
<b>LAND AND BUILDINGS</b>		
Within one year	12.3	6.1
In the second to fifth years inclusive	33.5	19.4
After five years	13.5	13.0
	<b>59.3</b>	<b>38.5</b>

### 35. CAPITAL COMMITMENTS

The Group had capital commitments of £13.9m as at 30 April 2017 (24 April 2016: £0.4m) mainly relating to store development.

### 36. CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets or liabilities at the balance sheet date.

### 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:

53 weeks ended 30 April 2017

	Relationship	Sales [£m]	Purchases [£m]	Trade and other receivables [£m]	Trade and other payables [£m]
<b>RELATED PARTY</b>					
Brasher Leisure Limited	Associate	15.6	0.8	6.4	0.1
Four Holdings Limited	Associate	0.2	-	32.9	-
Mike Ashley*	Director	0.7	-	0.3	-
Mash Holdings Limited	Parent company	-	-	0.1	-
NDS EHF	Associate	2.5	-	-	-
Rangers Retail Limited	Associate	1.8	1.5	0.2	0.1
Newcastle United Football Club	Connected persons	1.1	0.4	0.1	0.3

\*Charges for use of company jet and helicopter charged at commercial rates

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

52 weeks ended 24 April 2016

	Relationship	Sales (£m)	Purchases (£m)	Trade and other receivables (£m)	Trade and other payables (£m)
<b>RELATED PARTY</b>					
Brasher Leisure Limited	Associate	12.1	1.5	4.2	0.1
Mash Holdings Limited	Parent company	-	0.6	-	-
NDS EHF	Associate	2.3	-	0.4	-
Rangers Retail Limited	Associate	2.1	-	0.3	-
St James Holdings	Connected persons	0.1	-	-	-
Newcastle United Football Club	Connected persons	1.6	-	0.1	-
Queensdown Associates Limited	Associate	0.9	-	1.4	-

The Group has agreements with Rangers Retail Limited and Newcastle United Football Club, amongst other football clubs, whereby the Group provides procurement and warehousing services on behalf of the club. Store sales are received directly by the entities, for web sales a service fee is charged by the entities to the group and Sales disclosed above relate solely to goods bought from the Group.

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 licences the Group the exclusive rights to the cosmetic brand SPORT FX. No royalties or other fees are payable to Double Take for these rights until September 2019 at the earliest, when this fee arrangement will be reviewed on a going forwards basis. It should be noted that the Group (rather than Double Take) owns the rights to SPORT FX for clothing, footwear and sports equipment.

All related party transactions were undertaken on an arms-length basis.

**KEY MANAGEMENT, EXECUTIVE AND NON-EXECUTIVE DIRECTOR COMPENSATION**

	30 April 2017 (£m)	24 April 2016 (£m)
Salaries and short-term benefits	1.4	1.4
Share-based payments	0.7	1.0
Total	2.1	2.4

**38. COMMERCIAL ARRANGEMENTS**

The Company has a contract in place with Barlin Delivery Limited, a company 100% owned by John Ashley, who is the brother of Mike Ashley. This contractual arrangement was entered into under market terms, and made good commercial sense for the Company and its shareholders at that time. The profit and loss effect of the arrangement managed by Barlin Delivery Ltd to the Sports Direct Group did not exceed £0.2m p.a. Subsequent to the year end this arrangement ceased. As previously announced the directors do not consider Barlin Delivery Limited to be a related party under the definitions within IAS 24.

MM Prop Consultancy Ltd, 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 Ltd is primarily tasked with finding and negotiating the acquisition of new sites 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 both in the UK and in Europe.

MM Prop Consultancy Ltd fees are linked directly to value creation which is determined by the Company's non-executive directors who independently review performance bi-annually with a view to determining, at their absolute and sole discretion, the quantum of the fee payable. Under the terms of the agreement with MM Prop Consultancy Ltd no fees are payable until the earliest of 30 September 2018 so that the Company's independent non-executive directors have a sufficient amount of time to assess performance.

During the year ended 30 April 2017, Central London Projects Ltd, a company owned and controlled by Michael Murray, invoiced the Group £0.3m in respect of property planning & development costs. This was the final invoice in respect of a project undertaken by CLP on behalf of the Group to provide a turn-key design and construction of multiple (4) flats located above an existing Sports Direct Store. The total invoices raised by CLP to the Group for the entire project was £1.47m, and the project was completed in the year. At 30 April 2017 there was no balance due to CLP. The contract was under normal commercial terms and was entered into in 2014 before the current arrangement with MM Prop Consultancy Ltd was agreed and executed.

The Sports Direct Group has commercial arrangements in place with IBSL Consultancy Limited. Based on media coverage of the relationship between Justin Barnes, a director of IBSL Consultancy Limited, and Mike Ashley, Chief Executive Officer of the Sports Direct Group, management has considered whether a related party relationship exists and concluded that Justin Barnes and/or IBSL Consultancy Limited are acting in an advisory capacity only and are not performing key management functions that would indicate a related party relationship. Management decisions are made solely by the management of the Group.

### 39. 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 (57.07% of the issued ordinary share capital of the Company) and 26,492,540 (4.98% of the issued ordinary share capital of the Company) ordinary shares respectively at the year end.

### 40. POST BALANCE SHEET EVENTS

On 21 April 2017, the Group announced that it has approval to acquire certain assets of Eastern Outfitters LLC, comprising the businesses of Bob's Stores and Eastern Mountain Sports pursuant to a s.363 sale process, following the filing by Eastern Outfitters LLC (the parent company of Bob's Stores and Eastern Mountain Stores) under Chapter 11 in the US. The businesses to be acquired include (following closures) approximately 50 retail stores in the US under the Bob's Stores and Eastern Mountain Stores fascias selling predominantly sports and casual wear, and outdoor and camping equipment and clothing. The acquisition subsequently completed on 18 May 2017.

The Company announced on 28 April 2017 that it has instructed Citigroup Global Markets Limited in relation to an irrevocable non-discretionary share buyback programme to purchase the Company's shares during the closed period commencing on 30 April 2017 and ending on 20 July 2017. In line with IAS32 the Company recognised the full redemption amount of £163.5m 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 18 July 2017, £94.1m of shares have been repurchased under the closed period share buyback programme.

On 13 July 2017 the Group announced that it has acquired 44m shares in GAME Digital plc, equivalent to a 25.75% of the share capital of the Group.

The Group acquired material strategic stakes directly and/or indirectly through derivative financial instruments and/or physical share purchases – as at 19 July 2017 the Group holds the following material stakes:

- Debenhams plc 19.13%;
- Iconix Brand Group, Inc. 13.25%
- The Finish Line, Inc. 37.05%

### 41. SUBSIDIARY UNDERTAKINGS

The subsidiary undertakings of the Company at 30 April 2017 were as follows:

NAME	COUNTRY OF INCORPORATION	COMPANY NUMBER	PERCENTAGE OF ISSUED SHARE CAPITAL HELD
3237303 Canada Inc	Canada	3237303	100
5 Pointz Limited	England & Wales	6950214	51
Acre 653 Limited	England & Wales	4579745	100
Activator Brands Limited	England & Wales	5344658	100
Activator Products Limited	England & Wales	4204611	100
Active Apparel New Corp	United States	3270168	100
American Fitness Products Inc	United States	366835	100
Antigua Enterprises Inc.	United States	26660	100
AP Brands Holdings Ltd	Malaysia	4921-A	100
Beauty Brand Management Limited	England & Wales	5258421	100
Bellatrix Associates Limited	Isle of Man	1116710	100
Bellatrix Overseas Limited	Isle of Man	12888270	100
Bellatrix Unlimited	Isle of Man	1116700	100
Brands & Fashion NV	Belgium	0477-895-412	100
Brands 001 Limited	England & Wales	5347540	100
Brands Africa Limited	England & Wales	6836765	100
Brands Holdings Limited*	England & Wales	4087435	100
Brands Holdings Sponsorship Limited	England & Wales	10375418	100
Brands Inc Limited	England & Wales	3585719	100
BSL International Limited	England & Wales	2800425	100
Cañico - Comercio de Artigos de Desportos S.A.	Portugal	503751804	100
Campri Limited	England & Wales	5398677	100
Carlton Shuttlecocks Limited	England & Wales	480582	100
Carlton Sports Company Limited	England & Wales	457686	100

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CDS IP SA	Belgium	406461077	100
Climber & Rambler Limited	England & Wales	3938618	100
Community Bug Limited	England & Wales	6260240	100
Cruise Clothing Limited	Scotland	SC382991	100
David Geoffrey & Associates (UK) Limited	England & Wales	670530	100
Direct Fishing Limited	England & Wales	8203469	100
Direct Golf IP Limited	England & Wales	9911086	100
Direct Golf Retail Limited	England & Wales	9825889	100
Donnay International N.V.	Belgium	435392220	100
SC (ESOP) Limited	England & Wales	3408468	100
SC (Subco 2016) Limited	England & Wales	2030941	100
SC Sports (SG) PTE LTD	Singapore	198203096N	100
SC (TrustCo 2016) Ltd	England & Wales	3151573	100
SDI Sports (SC 2016) Ltd	England & Wales	429750	100
SDI Sports Group Americas Inc	United States	2047393	100
Eastchance Limited	Hong Kong	174348	100
Epoch Properties Limited	Jersey	74753	100
Etail Services Limited	England & Wales	5146997	100
European Branded Clearance Company Limited	England & Wales	4359910	100
Everlast Australia Limited	England & Wales	8103912	100
Everlast Fitness Mfg. Corp	United States	121961 (43-	100
Everlast Sports International Inc. Corp	United States	13-2811380	100
Everlast Sports Mfg. Corp	United States	13-1804772	100
Everlast World Boxing Headquarters Corporation	United States	13-1804773	100
Everlast Worldwide Acquisitions Inc. United States	United States	4379232	100
Everlast Worldwide Inc United States	United States	13-3672716	100
Exports Limited	England & Wales	2779040	100
Feniger And Blackburn Limited	England & Wales	639594	100
Field & Trek (UK) Ltd	England & Wales	5622577	100
Field & Trek Com Limited	England & Wales	3943377	100
Firetrap Limited	England & Wales	6836684	100
Forever Media Limited	England & Wales	8249185	100
Forever Models Limited	England & Wales	9666349	100
Forever Sports Limited	England & Wales	9489811	100
Freeshield Limited	England & Wales	6330786	100
Gaelic Boots Limited	ROI	520868	100
Gelert IP Limited	England & Wales	8576185	100
Gelert Limited	England & Wales	8576204	100
Global Apparel (HK) Limited	Hong Kong	1330162	100
Golddigga Brands Limited	England & Wales	6636173	100
Goudie Squash International Limited	England & Wales	980461	100
Gradidges Limited	England & Wales	278122	100
Graduate Clothing Limited	England & Wales	2511038	91
Gul IP Limited	England & Wales	8612478	100
Gul Watersports Limited	England & Wales	7589716	100
Heatons	Ireland	11229	100
Heatons (NI) Limited	Northern Ireland	NI035599	100
Heatons Logistics Limited	Northern Ireland	NI603177	100
Heatons Stores Limited	ROI	509525	100
Heatons Sports Limited	ROI	555623	100
Heaven or Hell Limited	England & Wales	5899282	100
HK Sports & Golf Aktiebolag	Sweden	556510-8189	100
Hot Tuna IP Limited	England & Wales	6836792	100
Hsports Limited	NI	NI628585	100
IBML Brand Services SA (Pty) Limited	South Africa	2006/016700/07	100



International Brand Management Limited*	England & Wales	5142123	100
James Lillywhites Limited	England & Wales	118840	100
Kangol Holdings Limited	England & Wales	3317738	100
Kangol Limited	England & Wales	3343793	100
Kangol Trustees Limited	England & Wales	3505512	100
Karrimor Limited	England & Wales	5215974	100
Keith Bishop Public Relations Limited	England & Wales	7895641	51
Kensington Health Clubs Limited	England & Wales	6021489	100
La Jolla (UK) Limited	England & Wales	5737550	100
Laneshift Limited	England & Wales	6146743	100
Lillywhites Limited	England & Wales	290939	100
Litesome Sportswear Limited	England & Wales	207867	100
Lonsdale Australia Limited	England & Wales	7665885	100
Lonsdale Boxing Limited	England & Wales	3912303	100
Lonsdale Sports Limited	England & Wales	4430781	100
Masters Holders Limited	England & Wales	8787718	100
Megavalue.com Limited	England & Wales	9544685	100
MegavalueDirect.com Limited	England & Wales	9545879	100
Megavalue Retail Limited	ROI	559110	100
Midtown Limited	England & Wales	9467997	100
Mississippi Manufacturing LLC	United States	3470413	100
Mountain Sports LLC	United States	6386224	100
Sports Direct MST Sdn Bhd	Malaysia	925116-M	51
Muddyfox Limited	England & Wales	4187350	100
NDS ehf	Iceland	6301121760	100
Nevea IP Limited	England & Wales	6836778	100
No Fear Brand Limited	England & Wales	5568043	100
No Fear International Limited	England & Wales	5532482	100
No Fear USA Limited	England & Wales	7712470	100
Oldco 10 Limited	England & Wales	5541144	100
Olympus Ventures Limited	England & Wales	3945752	100
OU Sportsdirect.com	Estonia	12845837	100
Outdoor Sports Direct Limited	England & Wales	2780756	100
P W P Sportbase Limited	England & Wales	1933891	100
Paddle Sport Limited	England & Wales	6836690	100
PDD Collection Services Limited	England & Wales	9918495	100
Propeller (U.K.) Limited	England & Wales	2770207	100
Queensberry Boxing IP Limited	England & Wales	7923363	100
Queensberry Rules Limited	England & Wales	6723660	100
Quickreply Limited	England & Wales	5904737	100
RR Limited	England & Wales	9210817	100
Republic IP Limited	England & Wales	5635015	100
Republic.com Retail Limited	England & Wales	8248997	100
Robinsons Country Leisure Limited	England & Wales	1204722	100
SBB Brands Limited	England & Wales	5635585	100
SD Equestrian Limited	England & Wales	8692780	100
SD Outdoor IP Limited	England & Wales	8560252	100
SD Outdoor Limited	England & Wales	8560260	100
SDB 2 S.A.	Belgium	0848.954.388	100
SDI (SP Holdings) Limited	England & Wales	10682050	100
SDI (Aberystwyth) Limited	England & Wales	2789996	100
SDI (Acqco 2) Limited	England & Wales	10161656	100
SDI (Acqco 5) Limited	England & Wales	10162904	100
SDI (Acqco 6) Limited	England & Wales	10640672	100
SDI (Acqco 7) Limited	England & Wales	10640776	100

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

SDI (Aintree) Limited	England & Wales	3352462	100
SDI (Ashford) Limited	England & Wales	7848460	100
SDI (Ashington) Limited	England & Wales	7849231	100
SDI (Ayr) Limited	England & Wales	5528267	100
SDI (Bangor) Limited	England & Wales	5529705	100
SDI (Barrow in Furness) Limited	England & Wales	7851574	100
SDI (Aberdeen) Limited	England & Wales	8512592	100
SDI (Beddgelert) Limited	England & Wales	8577551	100
SDI (Belfast) Limited	England & Wales	9872471	100
SDI (Berwick) Limited	England & Wales	2739957	100
SDI (Betws-y-Coed) Limited	England & Wales	6836673	100
SDI (Bexleyheath) Limited	England & Wales	9788372	100
SDI (Birkenhead) Limited	England & Wales	7849198	100
SDI (Bishop Auckland) Limited	England & Wales	3004246	100
SDI (Bridgwater) Limited	England & Wales	7852061	100
SDI (Brook EU) Limited	England & Wales	9336830	100
SDI (Brook ROW) Limited	England & Wales	9336806	100
SDI (Brook UK) Limited	England & Wales	9340379	100
SDI (Burton) Limited	England & Wales	8495632	100
SDI (Cardiff Flannels) Limited	England & Wales	10177359	100
SDI (Carlisle) Limited	England & Wales	7851959	100
SDI (Enfield) Limited	England & Wales	10086209	100
SDI (Chatham) Limited	England & Wales	6836679	100
SDI (China Online) Limited	England & Wales	10246762	100
SDI (Clacton) Limited	England & Wales	7852078	100
SDI (Coatbridge) Limited	England & Wales	9702004	100
SDI (Colchester) Limited	England & Wales	5632790	100
SDI (Croydon) Limited	England & Wales	9680128	100
SDI (Romford) Limited	England & Wales	10071547	100
SDI (Derry) Limited	England & Wales	9127160	100
SDI (Doncaster) Limited	England & Wales	9888670	100
SDI (Dunfermline) Limited	England & Wales	8483679	100
SDI (East Ham) Limited	England & Wales	9810378	100
SDI (East Kilbride) Limited	England & Wales	6656368	100
SDI (Doncaster Wheatley) Limited	England & Wales	6372181	100
SDI (Watford) Limited	England & Wales	6326505	100
SDI (Fulham) Limited	England & Wales	7852037	100
SDI (Gainsborough) Limited	England & Wales	6338907	100
SDI (Galashiels) Limited	England & Wales	7852091	100
SDI (Glasgow Fort) Limited	England & Wales	9861504	100
SDI (Glasgow Ingram Street) Limited	England & Wales	9925519	100
SDI (Gloucester) Limited	England & Wales	7852067	100
SDI (Hartlepool) Limited	England & Wales	8972499	100
SDI (Hastings) Limited	England & Wales	8625893	100
SDI (Hereford) Limited	England & Wales	9888642	100
SDI (Hofco) Limited	England & Wales	8319960	100
SDI (HoH Holding) Limited	England & Wales	10161592	100
SDI (Hull) Limited	England & Wales	9638564	100
SDI (Ipswich) Limited	England & Wales	9788411	100
SDI (Isle of Man) Limited	England & Wales	9901745	100
SDI (Jersey Holding) Limited	England & Wales	10177028	100
SDI (Derry) Limited	England & Wales	9127160	100
SDI (Uxbridge 2) Limited	England & Wales	9127316	100
SDI (Leicester) Limited	England & Wales	9127170	100
SDI (Plymouth Flannels) Limited	England & Wales	9127387	100

SDI (Manchester Denton) Limited	England & Wales	9127295	100
SDI (Bradford) Limited	England & Wales	9127266	100
SDI (Uttoxeter) Limited	England & Wales	9127286	100
SDI (Brixton) Limited	England & Wales	9127300	100
SDI (Keighley) Limited	England & Wales	6260239	100
SDI (Kendal) Limited	England & Wales	6338918	100
SDI (Kentish Town) Limited	England & Wales	9901702	100
SDI (Kidderminster) Limited	England & Wales	9203731	100
SDI (Kilmarnock) Limited	England & Wales	7853433	100
SDI (Kirkcaldy) Limited	England & Wales	7852097	100
SDI (Leeds) Limited	England & Wales	9293515	100
SDI (Lincoln) Limited	England & Wales	9625631	100
SDI (Liverpool) Limited	England & Wales	9888734	100
SDI (Lowestoft) Limited	England & Wales	7852265	100
SDI (LSL Holdings) Limited	England & Wales	10161824	100
SDI (Luton) Limited	England & Wales	9680625	100
SDI (Manchester) Limited	England & Wales	9888635	100
SDI (Manchester Cheetham Hill) Limited	England & Wales	10100968	100
SDI (Neath) Limited	England & Wales	7853548	100
SDI (New Cavendish Street) Limited	England & Wales	6306917	100
SDI (Newark) Limited	England & Wales	7853470	100
SDI (Newport) Limited	England & Wales	8679118	100
SDI (Newton Abbot) Limited	England & Wales	6836666	100
SDI (Northampton) Limited	England & Wales	7852272	100
SDI (Nuneaton) Limited	England & Wales	7852249	100
SDI (Oswestry) Limited	England & Wales	7852363	100
SDI (Paisley) Limited	England & Wales	2933408	100
SDI (Penzance) Limited	England & Wales	7852297	100
SDI (Peterlee) Limited	England & Wales	7852401	100
SDI (Plymouth) Limited	England & Wales	9470468	100
SDI (Poole) Limited	England & Wales	5656295	100
SDI (K Lynn) Limited	England & Wales	10073076	100
SDI (Oxford Street) Limited	England & Wales	10046080	100
SDI (Nottingham) Limited	England & Wales	10100609	100
SDI (Edinburgh) Limited	England & Wales	10100990	100
SDI (Newquay) Limited	England & Wales	10089800	100
SDI (Sunderland High Street) Limited	England & Wales	10107775	100
SDI (Salisbury) Limited	England & Wales	10107572	100
SDI (Ramsgate) Limited	England & Wales	7852250	100
SDI (Reading) Limited	England & Wales	10422164	100
SDI (Redcar) Limited	England & Wales	2731452	100
SDI (Rolle St) Limited	England & Wales	7852669	100
SDI (Scarborough) Limited	England & Wales	6328463	100
SDI (Hounslow) Limited	England & Wales	10086218	100
SDI (Scunthorpe) Limited	England & Wales	7852055	100
SDI (Slough) Limited	England & Wales	7852417	100
SDI (Solihull 2) Limited	England & Wales	8576472	100
SDI (Solihull) Limited	England & Wales	8612647	100
SDI (Southampton 2) Limited	England & Wales	9665889	100
SDI (Southampton) Limited	England & Wales	8512480	100
SDI (Southport) Limited	England & Wales	9888806	100
SDI (St Austell) Limited	England & Wales	7852284	100
SDI (St Helens) Limited	England & Wales	7852281	100
SDI (Stafford) Limited	England & Wales	8568681	100
SDI (Stoke Longton) Limited	England & Wales	7853877	100

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

SDI (Stoke Newington) Limited	England & Wales	7852207	100
SDI (Strabane) Limited	England & Wales	9890243	100
SDI (Streatham) Limited	England & Wales	10066335	100
SDI (Strood) Limited	England & Wales	7852251	100
SDI (Sunderland) Limited	England & Wales	8755347	100
SDI (Swindon) Limited	England & Wales	9888662	100
SDI (Middlesbrough) Limited	England & Wales	10081909	100
SDI (Taunton) Limited	England & Wales	7852191	100
SDI (The Lion Hotel) Limited	England & Wales	6836880	100
SDI (Thurrock) Limited	England & Wales	10089743	100
SDI (Tri) Holdings Limited	England & Wales	10680690	100
SDI (Uxbridge) Limited	England & Wales	10177276	100
SDI (Wakefield) Limited	England & Wales	8483711	100
SDI (Walsall) Limited	England & Wales	7852288	100
SDI (West Ealing) Limited	England & Wales	9798784	100
SDI (Weymouth) Limited	England & Wales	6716652	100
SDI (Wigan) IP Limited	England & Wales	6835407	100
SDI (Wigan) Retail Limited	England & Wales	8208933	100
SDI (Wishaw) Limited	England & Wales	6656365	100
SDI (Wolverhampton) Limited	England & Wales	9788373	100
SDI (Worksop) Limited	England & Wales	9310031	100
SDI (Wythenshawe) Limited	England & Wales	9659156	100
SDI Aviation Limited*	England & Wales	9633152	100
SDI Fitness (Armagh) Limited	England & Wales	9038768	100
SDI Fitness (Atlas) Limited	England & Wales	9749030	100
SDI Fitness (Bedford) Limited	England & Wales	9038839	100
SDI Fitness (Belfast) Limited	England & Wales	9038724	100
SDI Fitness (Birmingham) Limited	England & Wales	9038982	100
SDI Fitness (Bury St Edmunds) Limited	England & Wales	9038949	100
SDI Fitness (Cambridge) Limited	England & Wales	9038881	100
SDI Fitness (Cheltenham) Limited	England & Wales	9039840	100
SDI Fitness (Chester) Limited	England & Wales	9038943	100
SDI Fitness (Colchester) Limited	England & Wales	9039011	100
SDI Fitness (Croydon) Limited	England & Wales	9039243	100
SDI Fitness (Dartry) Limited	England & Wales	9039023	100
SDI Fitness (Epsom) Limited	England & Wales	9039043	100
SDI Fitness (Fareham) Limited	England & Wales	9039057	100
SDI Fitness (Formby) Limited	England & Wales	9039895	100
SDI Fitness (Glasgow) Limited	England & Wales	9038811	100
SDI Fitness (Guildford) Limited	England & Wales	9039269	100
SDI Fitness (Hove) Limited	England & Wales	9039030	100
SDI Fitness (Huntingdon) Limited	England & Wales	9039861	100
SDI Fitness (Ivy) Limited	England & Wales	9753388	100
SDI Fitness (K Heath) Limited	England & Wales	9039717	100
SDI Fitness (K Lynn) Limited	England & Wales	9039847	100
SDI Fitness (Kettering) Limited	England & Wales	9039852	100
SDI Fitness (Lincoln City) Limited	England & Wales	9039331	100
SDI Fitness (Lincoln South West) Limited	England & Wales	9039319	100
SDI Fitness (Liverpool) Limited	England & Wales	9039347	100
SDI Fitness (Maidstone) Limited	England & Wales	9039343	100
SDI Fitness (Manchester) Limited	England & Wales	9039339	100
SDI Fitness (Milngavie) Limited	England & Wales	9039510	100
SDI Fitness (Newark) Limited	England & Wales	9039640	100
SDI Fitness (Northfield) Limited	England & Wales	9039412	100
SDI Fitness (Poole) Limited	England & Wales	9039481	100

SDI Fitness (Rugby) Limited	England & Wales	9039408	100
SDI Fitness (Sale) Limited	England & Wales	9039405	100
SDI Fitness (Salisbury) Limited	England & Wales	9039429	100
SDI Four Limited	England & Wales	9719779	100
SDI Gift Card LLC	United States	5677373	100
SDI Golf Limited	England & Wales	9083512	100
SDI Lifestyle Limited	England & Wales	8293614	100
SDI Newco N.10 Limited	England & Wales	8578776	100
SDI Newco No.2 Limited	England & Wales	8158699	100
SDI Newco No.5 Limited	England & Wales	9062747	100
SDI Newco Shire Limited	England & Wales	8177495	100
SDI Properties (USA) Inc.	United States	535872	100
SDI Properties (Wigan) Limited	England & Wales	6836522	100
SDI Property Limited*	England & Wales	2767493	100
SDI Retail Services Limited	England & Wales	8143303	100
SDI Retailing Limited	England & Wales	9283231	100
SDI Shirebrook DC Limited	England & Wales	2963189	100
SDI Shirebrook Limited	England & Wales	3016549	100
SDI Shirebrook Shop Limited	England & Wales	3018210	100
SDI Sport London Limited	England & Wales	9848767	100
SDI Sports (East Ham) Limited	England & Wales	10259103	100
SDI Stores LLC	United States	1240332	100
SDI.com Fitness Parent Limited*	England & Wales	9082454	100
SDIL S.A.	Belgium	810.198.636	100
SDI USA LLC	United States	6385155	100
Serverange Limited	England & Wales	2997208	100
Seven Strong Limited	England & Wales	07756386	100
Shelfco A1 Limited	England & Wales	10686681	100
Shelfco A2 Limited	England & Wales	10687367	100
Shelfco A3 Limited	England & Wales	10687408	100
SIA Sportland	Latvia	40003530961	60
SIA Sportsdirect.com	Latvia	40103932873	51
Ski and Outdoor Warehouse Limited	England & Wales	2917223	100
Slazengers Australia Limited	England & Wales	9217319	100
Slazenger Carlton (Holdings) Limited	England & Wales	10463051	100
Slazengers Limited	England & Wales	116000	100
Smith & Brooks (Germany) Limited	England & Wales	5427463	100
Smith & Brooks (India) Limited	England & Wales	2964528	100
Smith & Brooks Limited	England & Wales	2073720	100
Smith And Brooks Group Limited	England & Wales	4079331	100
Smith And Brooks Holdings Limited	England & Wales	4983573	100
SNÖ Sport Vertriebs GmbH	Austria	272671 m	100
Sondico IP Limited	England & Wales	6546121	100
Sondico Professional Limited	England & Wales	7258332	51
Spinsort Limited	England & Wales	6029888	100
Sport Eybl & Sports Experts Logistikbetriebs GmbH	Austria	96024 m	100
Sport Eybl Holding GmbH	Austria	180095 x	100
Sportland Eestie A.S.	Estonia	10677712	60
Sportland International Group A.S.	Estonia	10993195	60
Sports Commission Limited	England & Wales	4824491	100
Sports Direct Brands Limited*	England & Wales	6026039	100
Sports Direct Holdings Limited*	England & Wales	6464317	100
Sports Direct Hong Kong Holdings Ltd	Hong Kong	1216339	100
Sports Direct International Holdings Limited*	England & Wales	6027131	100
Sports Direct Retail Limited*	England & Wales	6026013	100

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

Sports Essentials Limited	England & Wales	4409470	100
Sports World International Limited	England & Wales	6531266	100
Sports World The Netherlands B.V.	Netherlands	34056291	100
Sportsdirect.com Austria GmbH	Austria	309738 y	100
Sportsdirect.com Belgium S.A.	Belgium	416.268.471	100
Sportsdirect.com Cyprus Limited	Cyprus	HE 230340	100
Sportsdirect.com Czech Republic s.r.o.	Czech Republic	24268933	100
Sportsdirect.com Fitness Limited	England & Wales	9028577	100
Sportsdirect.com France	France	FR27379062813	100
Sportsdirect.com Hungary Kft	Hungary	01-09-986824	100
Sportsdirect.com Immobilien GmbH	Austria	104151 p	100
Sportsdirect.com Luxembourg	Luxembourg	2700 3200 297	100
Sportsdirect.com Media Limited	England & Wales	9127526	100
Sportsdirect.com Pty Ltd Australia	Australia	603 187 319	100
Sportsdirect.com Retail [Europe] S.A.*	Belgium	458883046	100
Sportsdirect.com Retail Limited*	England & Wales	3406347	100
Sportsdirect.com S.L.U. Spain	Spain	B-86567880	100
Sportsdirect.com Slovakia s.r.o.	Slovakia	47 240 458	100
Sportsdirect.com SLVN d.o.o.	Slovenia	1198157000	100
Sportsdirect.com Switzerland A.G. Switzerland CHE-	Switzerland	331.883.991	100
SSG Sport GmbH (SSD)	Germany	HRB 7134	100
Sterling Resources (Holdings) Limited	England & Wales	4651701	100
Sterling Resources Limited	England & Wales	1413254	100
Stirlings (Argyle Street) Limited	Scotland	SC088108	100
Straub Corporation Limited	England & Wales	3003584	100
Summercombe 167 Ltd	England & Wales	6217909	100
SWimmo Eupen SA	Belgium	878673906	100
Table Tennis Pro Europe Limited	England & Wales	5003853	100
Talisway Limited	Hong Kong	323181	100
The Antigua Group Inc	United States	0734679 -4	100
The Cycling Bug Limited	England & Wales	7163983	100
The Running Bug Limited	England & Wales	7164014	100
The Flannels Group Limited	England & Wales	2318510	51
The Trademark Licensing Company Limited	England & Wales	4477829	100
Total Estates Limited	England & Wales	4958214	100
UAB Sportland LT	Lithuania	135039836	51
UAB Sportsdirect.com	Lithuania	304155613	51
Universal Cycles Limited	England & Wales	1339667	100
UP Brands Limited	England & Wales	6521633	100
USA Pro IP Limited	England & Wales	6497914	100
USC IP Limited	England & Wales	6836808	100
USC.co.uk Retail Limited	England & Wales	8617068	100
Used Tackle Limited	England & Wales	7989154	100
Van Mildert (Lifestyle) Limited	England & Wales	8318959	100
Visionfigure Limited	England & Wales	2951233	100
Vinecomb Investment Holdings Limited	England & Wales	10161816	100
Vinecomb Investments Limited	England & Wales	02206022	100
Voodoo Dolls Brands Limited	England & Wales	05323305	100
Wareshop1 Limited	England & Wales	9870849	100
Wareshop2 Limited	England & Wales	9870840	100
Wareshop3 Limited	England & Wales	9870808	100
Warnnambol *	ROI	387014	100
Waterline Angling Products Limited	England & Wales	2696374	100
West Coast Capital (HOFCO) Limited	Scotland	SC437614	100
Westminster Manufacturing LLC	United States	44358	100

Wildlaw Limited	England & Wales	4571678	100
William Sykes Limited	England & Wales	123229	100
World of Service International Limited	England & Wales	1202465	100
World of Service Limited	England & Wales	6020729	100
Worthyfund Limited	England & Wales	2955978	100
Y.U.V. Limited	England & Wales	9350127	100
Yeomans Outdoors Limited	England & Wales	8058714	100

\*Direct shareholdings held by SDI plc.

Sports Direct International plc will 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
Direct Golf IP Limited	09911086	SDI (Oswestry) Limited	07852363
Forever Media Limited	08249185	SDI (Oxford Street) Limited	10046080
Gelert IP Limited	08576185	SDI (Paisley) Limited	02933408
Gul IP Limited	08612478	SDI (Penzance) Limited	07852297
Hot Tuna IP Limited	06836792	SDI (Peterlee) Limited	07852401
SD Equestrian Limited	08692780	SDI (Plymouth Flannels) Limited	09127387
SD Outdoor IP Limited	08560252	SDI (Plymouth) Limited	09470468
SD Outdoor Limited	08560260	SDI (Poole) Limited	05656295
SDI (Aberdeen) Limited	08512592	SDI (Ramsgate) Limited	07852250
SDI (Aberystwyth) Limited	02789996	SDI (Reading) Limited	10422164
SDI (Aintree) Limited	03352462	SDI (Redcar) Limited	02731452
SDI (Ashford) Limited	07848460	SDI (Rolle St) Limited	07852669
SDI (Ashington) Limited	07849231	SDI (Romford) Limited	10071547
SDI (Ayr) Limited	05528267	SDI (Salisbury) Ltd	10107572
SDI (Bangor) Limited	05529705	SDI (Scarborough) Limited	06328463
SDI (Barrow In Furness) Limited	07851574	SDI (Scunthorpe) Limited	07852055
SDI (Beddgelert) Limited	08577551	SDI (Slough) Limited	07852417
SDI (Belfast) Limited	09872471	SDI (Solihull 2) Limited	08576472
SDI (Berwick) Limited	02739957	SDI (Solihull) Limited	08612647
SDI (Betws-Y-Coed) Limited	06836673	SDI (Southampton 2) Limited	09665889
SDI (Bexleyheath) Limited	09788372	SDI (Southampton) Limited	08512480
SDI (Birkenhead) Limited	07849198	SDI (Southport) Limited	09888806
SDI (Bishop Auckland) Limited	03004246	SDI (St Austell) Limited	07852284
SDI (Bradford) Limited	09127266	SDI (St Helens) Limited	07852281
SDI (Bridgwater) Limited	07852061	SDI (Stafford) Limited	08568681
SDI (Brixton) Limited	09127300	SDI (Stoke Longton) Limited	07853877
SDI (Burton) Limited	08495632	SDI (Stoke Newington) Limited	07852207
SDI (Cardiff Flannels) Limited	10177359	SDI (Strabane) Limited	09890243
SDI (Carlisle) Limited	07851959	SDI (Streatham) Limited	10066335
SDI (Chatham) Limited	06836679	SDI (Strood) Limited	07852251
SDI (Clacton) Limited	07852078	SDI (Sunderland High Street) Limited	10107775
SDI (Coatbridge) Limited	09702004	SDI (Sunderland) Limited	08755347
SDI (Colchester) Limited	05632790	SDI (Swindon) Limited	09888662
SDI (Derry) Limited	09127160	SDI (Taunton) Limited	07852191
SDI (Doncaster Wheatley) Limited	06372181	SDI (Thurrock) Limited	10089743
SDI (Doncaster) Limited	09888670	SDI (Uttoxeter) Limited	09127286
SDI (Dunfermline) Limited	08483679	SDI (Uxbridge 2) Limited	09127316
SDI (East Ham) Limited	09810378	SDI (Uxbridge) Limited	10177276
SDI (East Kilbride) Limited	06656368	SDI (Wakefield) Limited	08483711
SDI (Edinburgh) Limited	10100990	SDI (Walsall) Limited	07852289
SDI (Enfield) Limited	10086209	SDI (Watford) Limited	06328505

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

SDI (Fulham) Limited	07852037	SDI (Weymouth) Limited	06716652
SDI (Gainsborough) Limited	06338907	SDI (Wishaw) Limited	06656365
SDI (Galashiels) Limited	07852091	SDI (Wolverhampton) Limited	09788373
SDI (Glasgow Fort) Limited	09861504	SDI (Worksop) Limited	09310031
SDI (Glasgow Ingram Street) Limited	09925519	SDI (Wythenshawe) Limited	09659156
SDI (Gloucester) Limited	07852067	SDI Fitness (Bury St Edmunds) Limited	09038949
SDI (Hastings) Limited	08625893	SDI Fitness (Cheltenham) Limited	09039840
SDI (Hastings) Limited	09888642	SDI Fitness (Colchester) Limited	09039011
SDI (HOFCO) Limited	08319960	SDI Fitness (Croydon) Limited	09039243
SDI (HOH Holdings) Limited	10161592	SDI Fitness (Epsom) Limited	09039043
SDI (Hounslow) Limited	10086218	SDI Fitness (Glasgow) Limited	09038811
SDI (Hull) Limited	09638564	SDI Fitness (Guildford) Limited	09039269
SDI (Isle Of Man) Limited	09901745	SDI Fitness (Hove) Limited	09039030
SDI (Jersey Holding) Limited	10177028	SDI Fitness (K Heath) Limited	09039717
SDI (K Lynn) Limited	10073076	SDI Fitness (K Lynn) Limited	09039847
SDI (Keighley) Limited	06260239	SDI Fitness (Lincoln City) Limited	09039331
SDI (Kendal) Limited	06338918	SDI Fitness (Lincoln South West) Limited	09039319
SDI (Kentish Town) Limited	09901702	SDI Fitness (Liverpool) Limited	09039347
SDI (Kidderminster) Limited	09203731	SDI Fitness (Manchester) Limited	09039339
SDI (Kilmarnock) Limited	07853433	SDI Fitness (Mingavie) Limited	09039510
SDI (Kirkcaldy) Limited	07852097	SDI Fitness (Newark) Limited	09039640
SDI (Leeds) Limited	09293515	SDI Fitness (Northfield) Limited	09039412
SDI (Leicester) Limited	09127170	SDI Fitness (Rugby) Limited	09039408
SDI (Lincoln) Limited	09625631	SDI Fitness (Sale) Limited	09039405
SDI (Liverpool) Limited	09888734	SDI Fitness (Salisbury) Limited	09039429
SDI (Lowestoft) Limited	07852265	SDI Four Limited	09719779
SDI (LSL Holdings) Limited	10161824	SDI Golf Limited	09083512
SDI (Luton) Limited	09680625	SDI Properties (Wigan) Limited	06836522
SDI (Manchester Cheetham Hill) Limited	10100969	SDI Property Limited	02767493
SDI (Middlesbrough) Limited	10081909	SDI Retail Services Limited	08143303
SDI (Neath) Limited	07853548	SDI Sports (East Ham) Limited	10258103
SDI (New Cavendish Street) Limited	06306917	SDI Sports (Stoke) Limited	10163722
SDI (Newark) Limited	07853470	SDI.com Fitness Parent Limited	09082454
SDI (Newport) Limited	08679118	Sportsdirect.com Fitness Limited	09028577
SDI (Newquay) Limited	10089800	Sportsdirect.com Media Limited	09127526
SDI (Newton Abbot) Limited	06836666	Stirlings (Argyle Street) Limited	SC088108
SDI (Northampton) Limited	07852272	Vinecomb Investments Holdings Limited	10161816
SDI (Nottingham) Limited	10100609		



# INDEPENDENT AUDITORS REPORT

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

We have audited the parent company financial statements of Sports Direct International plc (the Company) for the 53-week period ended 30 April 2017, which comprise the parent company balance sheet, the parent company statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

## OPINION ON FINANCIAL STATEMENTS

In our opinion, the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2017;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 period for which the parent company financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of 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.

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## OTHER MATTER

We have reported separately on the Group financial statements of Sports Direct International plc for the 53-week period ended 30 April 2017.

Philip Westerman  
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

19 July 2017

# COMPANY BALANCE SHEET

AT 30 APRIL 2017

	Notes	2017 [£m]	2016 [£m]
<b>FIXED ASSETS</b>			
Investments	2	1,178.9	1,180.7
<b>CURRENT ASSETS</b>			
Debtors	3	155.2	130.7
Cash at bank and in hand		0.2	0.2
		155.4	130.9
<b>Creditors: amounts falling due within one year</b>	4	<b>(571.4)</b>	<b>(255.0)</b>
<b>Net current liabilities</b>		<b>(416.0)</b>	<b>(124.1)</b>
Provisions		-	(3.7)
<b>NET ASSETS</b>		<b>763.9</b>	<b>1,052.9</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	6	64.1	64.1
Share premium		874.3	874.3
Treasury shares reserve		(328.5)	(56.2)
Permanent contribution to capital		0.1	0.1
Capital redemption reserve		8.0	8.0
Own share reserve		(33.8)	(33.7)
Profit and loss account		180.7	196.3
<b>Shareholders' funds</b>		<b>763.9</b>	<b>1,052.9</b>

Sports Direct International plc reported a profit after taxation for the 53 weeks ended 30 April 2017 of £12.2m (FY16: £42.0m).

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

The Financial Statements were approved by the Board on 19 July 2017 and were signed on its behalf by:

**Mike Ashley**  
Chief Executive

Company number: 06035106

# COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE 53 WEEKS ENDED 30 APRIL 2017

	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 (£m)	Total (£m)
As at 26 April 2015	64.1	874.3	[56.2]	0.1	8.0	[13.3]	128.2	1,005.2
Profit for the financial period	-	-	-	-	-	-	42.0	42.0
Fair value adjustment in respect of available-for-sale financial assets	-	-	-	-	-	-	1.5	1.5
Share based payments	-	-	-	-	-	-	4.2	4.2
Share purchase	-	-	-	-	-	[20.5]	20.5	-
As at 24 April 2016	64.1	874.3	[56.2]	0.1	8.0	[33.7]	196.3	1,052.9
Profit for the financial period	-	-	-	-	-	-	12.2	12.2
Fair value adjustment in respect of available-for-sale financial assets	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	[0.1]	1.4	1.3
Share purchase	-	-	[109.8]	-	-	-	[29.2]	[139.0]
Fair valuation of share buyback	-	-	[163.5]	-	-	-	-	[163.5]
<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>

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 28 April 2017 that it has instructed Citigroup Global Markets Limited in relation to an irrevocable non-discretionary share buyback programme to purchase the Company's shares during the closed period commencing on 30 April 2017 and ending on 20 July 2017. In line with IAS32 the Company recognised the full redemption amount of £163.5m 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 18 July 2017, £94.1m of shares have been repurchased under the closed period share buyback programme.

# NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

## 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 £m.

These accounts have been prepared in accordance with applicable United Kingdom accounting standards. A summary of the material accounting policies adopted are described below.

### BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

These financial statements for the period ended 30 April 2017 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 profit after taxation for the 53 week period ended 30 April 2017 was £12.2m (2016: £42.0m).

As permitted by FRS 102 the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash flow statement, share-based payments, the aggregate remuneration of key management personnel and related party transactions with other wholly-owned members of the group. Where required, equivalent disclosures are given in the group accounts of Sports Direct International plc.

### INVESTMENTS

Fixed asset investments in subsidiaries, associates and joint ventures are shown at cost less provision for impairment.

The company has elected to designate listed investments as 'available-for-sale' financial assets as at the date of transition. Under previous UK GAAP listed investments were held at cost less impairment. The company has elected to follow the requirements of IAS 39, as permitted by FRS 102 Section 12, and the fair value from one period to another being shown within the statement of other comprehensive income.

Available-for-sale investments are initially recognised at fair value. Where fair value is different to cost, this is recognised in the income statement on initial recognition. Subsequent gains and losses arising from changes in fair value are recognised in the statement of other comprehensive income. When the security is disposed of, de-recognised or is determined to be impaired the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the profit and loss account as a reclassification adjustment within other income.

### LOANS AND RECEIVABLES

Loans and receivables are recognised initially at fair value plus transaction costs less provision for impairment. Provision for impairment is established when there is objective evidence that the company will not be able to collect amounts due according to the original terms of the receivable.

### TRADE AND OTHER PAYABLES

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

### REVISED PRESENTATION OF CASH POOLING ARRANGEMENTS

We have also revised the presentation of our cash pooling arrangement following the release of an IFRIC clarification on IAS 32 'Financial instruments presentation offsetting and cash pooling arrangements' in April 2016. This requirement resulted in us grossing up cash and cash equivalents and short-term loans and other borrowings by £70m at April 2017 and £Nil at April 2016 with no impact on the income statement for the notional cash pooling arrangements in place.

### EMPLOYEE BENEFIT TRUST

An Employee Benefit Trust has been established for the purposes of satisfying certain share-based awards. The Group has 'de facto' control over the special purpose entity. The Trust is fully consolidated within the accounts.

The cost of shares acquired by the Sports Direct Employee Benefit Trust is recognised within 'own share-reserve' in equity.

### DEFERRED TAXATION

Deferred tax is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is more unlikely than not.

Deferred tax is calculated on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### FOREIGN CURRENCIES

Items arising from transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. At the balance sheet date all monetary assets and liabilities denominated in foreign currencies are translated at the closing rate or at the rate of exchange at which the transaction is contracted to be settled in the future. All exchange differences are recognised in the profit and loss account.

### DIVIDENDS

Dividends on the Company's ordinary shares are recognised as a liability in the Company's Financial Statements, and as a deduction from equity, in the period in which the dividends are declared. Where such dividends are proposed subject to the approval of the Company's shareholders, the dividends are only declared once shareholder approval has been obtained.

## EQUITY INSTRUMENTS

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company, with the exception of those accounted for via merger relief available under Section 612 of the Companies Act 2006, are recorded at the proceeds received, net of any direct issue costs.

## INCOME FROM GROUP UNDERTAKINGS

Income from Group undertakings is recognised when qualifying consideration is received from the Group undertaking.

## RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with wholly-owned subsidiaries which form part of the Group.

## SHARE-BASED PAYMENTS

The Company issues equity-settled share-based payments to certain Directors and employees of the Company and its subsidiaries.

The fair value of the share options on the date of the grant is charged to the profit and loss account over the vesting period of the share option, based on the number of options which are expected to become exercisable. A corresponding adjustment is made to equity. At each balance sheet date the company revises its estimates of the number of options that are expected to become exercisable and recognises the impact of any revision of original estimates in the profit and loss account.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. A share-based payment charge of £2.3m was recognised for the 53 weeks ended 30 April 2017 based on the Directors' best estimate of the number of shares that will vest. £2.2m of this share-based payment was recharged to subsidiary undertakings of the Company.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

## CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### CALCULATION OF SHARE SCHEME CHARGE:

A share based payment charge is recognised in respect of share awards based on the directors' best estimate of the numbers of shares that will vest. The charge is calculated based on the fair value at the grant date, which is deemed to be the date on which the entity and counterparty reached a shared understanding of the scheme.

### ASSUMPTIONS RELATING TO TAX

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

## 2. INVESTMENTS

	2017 [£m]	2016 [£m]
Investments in subsidiaries	1,124.2	1,122.8
Available-for-sale financial assets	55.7	57.9
	<b>1,179.9</b>	<b>1,180.7</b>

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

Available-for-sale investments represent a 29.9% stake in Findel plc and an 11.2% stake in French Connection Group plc.

The Company is the principal holding company of the Group. The principal subsidiary undertakings of the Company are set out in note 41 to the Group Financial Statements.

## 3. DEBTORS

	2017 [£m]	2016 [£m]
Amounts owed by Group undertakings	4.4	0.3
Derivative financial assets	-	20.4
Deposits in respect of derivative financial instruments	148.1	107.0
Other taxes and social security costs	-	0.1
Prepayments	1.0	2.9
Deferred tax assets	1.7	-
	<b>155.2</b>	<b>130.7</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.

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 30 April 2017

## 4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 (£m)	2016 (£m)
Overdrafts	69.5	-
Trade creditors	0.3	0.2
Amounts owed to Group undertakings	331.3	254.5
Derivative financial liabilities	6.5	-
Fair value of share buyback	163.5	-
Other creditors	0.4	0.3
	571.4	255.0

For further details on the fair value of the share buyback instruction, see Statement of Changes in Equity note 7.

## 5. DEFERRED TAX LIABILITIES

	Other temporary differences (£m)
At 26 April 2015	(1.9)
Charged to the profit & loss account	(1.8)
At 24 April 2016	(3.7)
Credited to the profit & loss account	5.4
At 30 April 2017	1.7

The tax rate used to measure the deferred tax assets and liabilities was 17%-19% (2016: 18%) on the basis 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

	2017 (£m)	2016 (£m)
<b>AUTHORISED</b>		
999,500,010 ordinary shares of 10p each	100.0	100.0
499,990 redeemable preference shares of 10p each	-	-
	100.0	100.0
<b>CALLED UP AND FULLY PAID</b>		
640,602,369 [2016: 640,602,369] ORDINARY SHARES OF 10P EACH	64.1	64.1
<b>SHARE CAPITAL</b>		
At 24 April 2016 and 30 April 2017	64.1	64.1

The company holds 79,310,534 ordinary shares in treasury as at the period end date (FY16: 42,137,508).

## 7. POST BALANCE SHEET EVENTS

Sports Direct International plc (on behalf of the Group) acquired material strategic stakes directly and/or indirectly through derivative financial instruments and/or physical share purchases and as at 19 July 2017 the Group holds the following material stakes:

Debenhams plc	19.13%
Game Digital plc	25.75%
Iconix Brand Group, Inc.	13.25%
The Finish Line, Inc.	37.05%

The Company announced on 28 April 2017 that it had instructed Citigroup Global Markets Limited in relation to an irrevocable non-discretionary share buyback programme to purchase the Company's shares during the closed period commencing on 30 April 2017 and ending on 20 July 2017. In line with IAS32 the Company recognised the full redemption amount of £163.5m 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 18 July 2017, £94.1m of shares have been repurchased under the closed period share buyback programme.

# CONSOLIDATED FIVE YEAR RECORD

Unaudited income statement

	53 weeks ended	52 weeks ended	52 weeks ended	52 weeks ended	53 weeks ended
	30 April 2017 [£m]	24 April 2016 [£m]	26 April 2015 [£m]	27 April 2014 [£m]	28 April 2013 [restated]* [£m]
<b>CONTINUING OPERATIONS:</b>					
<b>Revenue</b>	<b>3,245.3</b>	2,904.3	2,832.6	2,706.0	2,185.6
Cost of sales	<b>(1,914.7)</b>	[1,619.7]	[1,591.8]	[1,551.1]	[1,290.8]
<b>Gross profit</b>	<b>1,330.6</b>	1,284.6	1,240.8	1,154.9	894.8
Selling, distribution and administrative expenses	<b>(1,255.6)</b>	[1,021.8]	[950.5]	[908.8]	[689.6]
Other operating income	<b>22.5</b>	11.1	8.3	8.6	7.2
Impairment and accelerated depreciation	<b>(17.3)</b>	[58.5]	[13.3]	[5.6]	-
Profit on disposal of property	-	13.5	10.3	-	-
Profit on disposal of subsidiary	<b>79.9</b>	-	-	-	-
Provision against receivable & other	-	[5.7]	-	-	-
<b>Exceptional items</b>	<b>62.6</b>	[50.7]	[3.0]	[5.6]	0.6
<b>Operating profit</b>	<b>160.1</b>	223.2	295.6	249.1	213.0
Investment income / [costs]	<b>111.3</b>	148.1	14.0	7.1	1.5
Finance income	<b>18.8</b>	3.4	8.3	0.9	1.1
Finance costs	<b>(9.4)</b>	[15.3]	[7.5]	[19.9]	[9.7]
Share of profit of associated undertakings and joint ventures	<b>0.8</b>	2.4	3.0	2.3	1.3
<b>Profit before taxation</b>	<b>281.6</b>	361.8	313.4	239.5	207.2
Taxation	<b>(49.9)</b>	[82.8]	[72.0]	[59.9]	[55.5]
<b>Profit for the period</b>	<b>231.7</b>	279.0	241.4	179.6	151.7
Equity holders of the Group	<b>229.9</b>	277.4	240.4	180.2	151.6
Non-controlling interests	<b>1.8</b>	1.6	1.0	[0.6]	0.1
<b>Profit for the period</b>	<b>231.7</b>	279.0	241.4	179.6	151.7

\*Restatement relates to the adoption of the revised IAS 19 'Employee Benefits'.

Notes to the consolidated income statement five year record:

1. All information is presented under IFRS.

2. The five year record has been prepared on the same basis as the Financial Statements for the 53 weeks ended 30 April 2017, as set out in note 1, basis of preparation, of the consolidated Financial Statements.

## COMPANY DIRECTORY

### **REGISTRAR AND TRANSFER OFFICE**

Computershare Investor Services plc  
The Pavilions  
Bridgwater Road  
Bristol  
BS13 8AE  
Telephone 0370 707 4030

### **COMPANY SECRETARY AND REGISTERED OFFICE**

*Sports Direct International plc*  
Unit A, Brook Park East  
Shirebrook  
NG20 8RY  
Telephone 0344 245 9200  
Sports Direct International plc is registered in England and Wales (No. 6035106)

### **SOLICITORS**

Freshfields Bruckhaus Deringer  
65 Fleet Street  
London  
EC4Y 1HS

### **BROKERS**

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  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP



# SHAREHOLDER INFORMATION

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 11am on Wednesday 6 September 2017 at Sports Direct International plc, The Auditorium, Unit D, Brook Park East, Shirebrook, NG20 8RY. Each shareholder is entitled to attend and vote at the meeting, the arrangements for which are described in a separate notice.

## RESULTS

For the year to 29 April 2018:

- Half year results announced: 14 December 2017
- Preliminary announcement of full year results: 19 July 2018
- Annual Report circulated July / August 2018

## SHAREHOLDER HELPLINE

The Sports Direct shareholder register is maintained by Computershare who are responsible for making dividend payments and updating the register, including details of changes to shareholders' addresses. If you have a query about your shareholding in Sports Direct, you should contact Computershare's Sports Direct Shareholder Helpline on: 0370 707 4030. Calls are charged at standard geographic rates, although network charges may vary.

Address: The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

Website: [www.computershare.com](http://www.computershare.com)

## WEBSITE

The Sports Direct website at [www.sportsdirectplc.com](http://www.sportsdirectplc.com) provides news and details of the Company's activities plus information for shareholders and contains real time share price data as well as the latest results and announcements.

## UNSOLICITED MAIL

The Company is obliged by law to make its share register publicly available and as a consequence some shareholders may receive unsolicited mail, including from unauthorised investment firms.

For more information on unauthorised investment firms targeting UK investors, visit the website of the Financial Conduct Authority at [www.fca.org.uk](http://www.fca.org.uk)

If you wish to limit the amount of unsolicited mail you receive contact:

The Mailing Preference Service  
DMA House  
70 Margaret Street  
London  
W1W 8SS

Telephone: 020 7291 3310

Fax: 020 7323 4226

Email: [mps@dma.org.uk](mailto:mps@dma.org.uk) or register online at  
[www.mpsonline.org.uk](http://www.mpsonline.org.uk)

# SHAREHOLDER INFORMATION

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 11am on Wednesday 10 September 2014 at Sports Direct International plc, The Auditorium, Unit D, Group Park, East, Sharnbrook, NS19 2PY. 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 29 April 2014

- Half year results announced: 14 December 2013
- Preliminary announcement of full year results: 19 July 2014
- Annual Report circulated: July / August 2014

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Telephone: 020 7291 3311  
Fax: 020 7393 4225  
Email: [mps@edma.org.uk](mailto:mps@edma.org.uk) or register online at [www.mpsonline.org.uk](http://www.mpsonline.org.uk)

SPORTSDIRECT.com

Sports Direct International plc Unit A, Brook Park East, Shirebrook, NG20 8RY

0344 245 9200

[www.sportsdirectplc.com](http://www.sportsdirectplc.com)