SPORTS DIRECT.COM 24HR DELIVERY

THE UK'S NUMBER 1 SPORTS RETAILER

SPORTS DIRECT INTERNATIONAL PLC

Annual Report 2010


Lillywhites

2010 Highlights

FINANCIAL

- Group revenue up 6.2% to £1,452m (2009: £1,367m)
  - UK Retail up 11.0% to 1,118m (2009: £1,007m)
  - International Retail up 17.2% to £119.9m (2009: £102.3)
  - Brands division down 17.4% to £190.5m (2009: £230.5m)
- Underlying EBITDA up 17.3% to £160.4m (2009: £136.8m)
- Underlying profit before tax up 49.8% to £102.1m (2009: £68.2m)
- Reported profit before tax up 1,016.8% to £119.5m (2009: £10.7m)
- Group gross margin decreased by 20 basis points to 40.6% (2009: 40.8%)
  - UK Retail gross margin down to 41.3% (2009: 42.5%)
- Underlying earnings per share up 56.2% to 12.39p (2009: 7.93p)
- UK Retail like-for-like gross contribution increased by 3.4%
- Substantially reduced net debt by 27.7% to £311.9m (2009: £431.3m)
  - Net debt to underlying EBITDA of 1.9 times
- The Board decided not to recommend a final dividend

OPERATIONAL

- Strengthened our UK market leading position
- Successfully expanded UK and International Retail store portfolio
- Strongest ever trading day in Company history
- Growth in Brands licensing - 71 licenses signed during the year
- World's first retail Training Academy created in partnership with Nike

Sports Direct at a glance

a brief overview of our business

What we do

The Group's UK stores (other than Field & Trek) supply a wide range of competitively priced sports and leisure equipment, clothing, footwear and accessories, under a mix of brands. We stock third party brands including adidas, Nike, Reebok and Puma. Group owned brands include Dunlop, Slazenger and Lonsdale and we also use licensed in brands.

A significant proportion of the revenue in the stores is derived from the sale of the Group owned and licensed in branded products, which allows the retail business to generate higher margins, whilst at the same time differentiating the Group's stores from its competitors, both in terms of the range of products on sale and the competitive prices at which they are offered.

Field & Trek operates out of 19 stores in the UK, selling a wide range of camping and outdoor equipment, waterproof clothing and footwear, including leading brands such as Berghaus, Merrell and Salomon.

The acquisition of Field & Trek gave the Group an entry into the outdoor market, which had been identified as a strategic opportunity for the Group, and that has been strengthened following the acquisition of Universal Cycles by the introduction of a range of cycle products in both stores and online.

As at 25 April 2010 the Group operated out of 387 stores in the United Kingdom (excluding Northern Ireland). The majority of stores trade under the SPORTSDIRECT.com fascia, although Field & Trek stores trade under their own fascia.

Where we are

The Group has retail interests outside the UK and has a flexible approach to entry into new markets. These interests include wholly owned retail outlets (in Belgium, Holland, Luxembourg and Slovenia trading as Sports Direct), joint ventures with other retailers (such as in Heatons stores in Northern Ireland and the Republic of Ireland) stores within another retailer's store (as in Cyprus).

Sports Direct is the UK's leading sports retailer by revenue and operating profit, and the owner of a significant number of internationally recognised sports and leisure brands.

Our Brands

The Group's portfolio includes a wide variety of internationally recognisable sport and fashion brands. The Group's Retail division sells products under these Group brands in its stores, and the Brands division exploits the brands through its wholesale and licensing businesses.

The Brands division wholesale business sells the brands' core products, such as Dunlop tennis rackets and Slazenger tennis balls, to wholesale customers and distributors throughout the world, obtaining far wider distribution for these products than would be the case if their sale was restricted to Group stores. The wholesale business also wholesales childrenswear and other clothing.

The licensing business licenses third parties to apply Group owned brands to non-core products manufactured and distributed by those third parties, and third parties are currently licensed in different product areas in over 100 countries. The Brands division is closely involved in the development of licensed products and monitors licensees and their manufacturers to ensure product quality, presentation and consistency with the appropriate brand strategy.

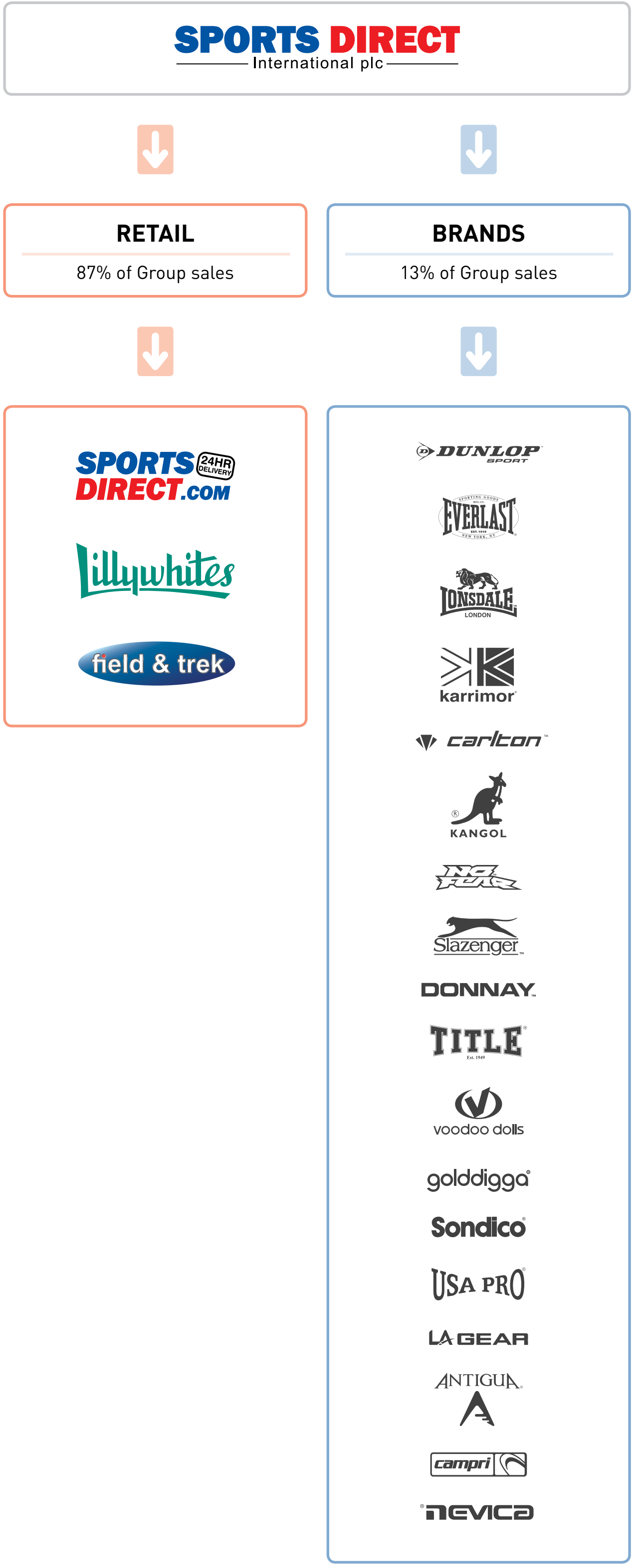
The Brands division continue to sponsor a variety of prestigious events and retain a base of globally recognised, high profile sports men and women.

In tennis, Slazenger continues to be the official ball supplier for The Wimbledon Championships and Dunlop's professional tour team continues to grow, with the recent additions of Fernando Verdasco and Nikolay Davydenko, both ranked in the world's top 10 tennis players.

Golfers Darren Clarke and in particular Lee Westwood continue to shine in major tournaments under the sponsorship of Dunlop.

International cricket captains Paul Collingwood & Michael Clarke continue to be sponsored by Slazenger whilst other sports such as badminton and squash continue to provide brand exposure for Carlton and Dunlop respectively.

The portfolio of boxing brands within the Group remains strong as Lonsdale celebrates 50 years and Everlast 100 years as specialists in manufacturing combat sports equipment and apparel. Both brands have a stable of sponsored boxers and mixed martial arts fighters that continues to grow.



Chairman's Statement

In common with other sectors of the economy, market conditions in sports retail remained challenging throughout the period under review. Our focus remained firmly fixed on doing what we do best – providing consumers with the widest possible range of the best products at the most competitive prices available. Our aim is to offer quality footwear, clothing and equipment for every category of customer from the fashion conscious to serious competitors. The Group has a robust business model, whose worth has been proved once again this year in the delivery of strong results from the Group.

In addition to exceeding our expectations outlined 12 months ago in terms of both profit performance and debt reduction, we are pleased with our sales performance both in the stores themselves but also with the increased sales in our growing internet business. We continued to develop our international store network and were pleased with progress made in changing the balance of sales mix from wholesale to licensing in the Brands division. We made significant progress in our debt reduction programme during the year, paying down £119m, and intend to continue to reduce debt further in the coming year. This is a key consideration in the decision not to pay a final dividend this year.

Partnerships with world famous suppliers such as Nike and adidas, to name only two, are critically important to our business and we value such relationships highly. We are delighted to be creating a unique Nike Training Academy at our Shirebrook headquarters in partnership with Nike where Sports Direct staff will benefit from extensive, specialist training in the current Nike range as well as likely future developments. This is the first time Nike has joined with a retail partner in such a facility anywhere in the world. We welcome this innovative extension of our relationship with a valued third party supplier as well as the opportunity to take our staff training standards on to a new, industry leading level.

The announcement in August 2009 of the Competition Commission's interest in our acquisition of 31 stores from JJB Sports PLC and the potential investigation into our affairs by the Office of Fair Trading and the Serious Fraud Office caused concern and reflected adversely on our share price. We were pleased, but not surprised, by our complete exoneration by the Competition Commission in March 2010 and are doing all that we can to help and facilitate the other regulatory bodies to reach the same conclusion as soon as possible.

We have provided the SFO with all the information they have requested to date and we have reason to hope the investigation may be concluded in the autumn.

As previously announced, the Board is sorry to lose Non-Executive Director Malcolm Dalgleish who has decided to stand down at the next AGM. We thank him for his contribution and will miss his wise counsel. We are pursuing the appointment of a replacement and will update shareholders in due course.

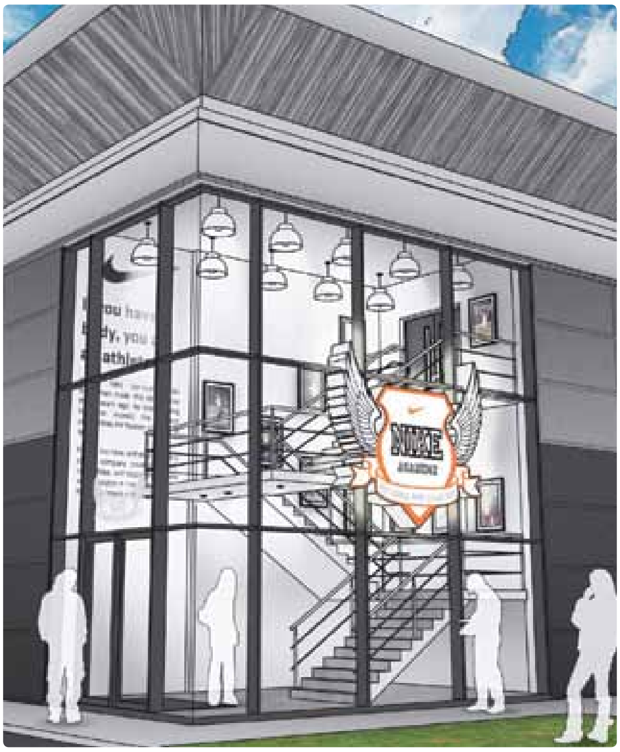
Management remains determined to provide the best products at the most competitive price in the market place. We will continue to expand the number of stores, develop further strategic partnerships and enhance our product range and customer experience. We are determined to strengthen our position as the UK's leading sports retailer and will expand our foothold on mainland Europe.

Finally, on behalf of the Board, I would like to thank all our employees whose commitment and expertise have helped us to meet our 2010 targets and to deliver a strong set of results in what continues to be a challenging economic environment. On a personal note, I am delighted to join such a talented and hard working team and am confident that significant further Group success lies ahead.

Keith Hellawell
Non-Executive Chairman

22 July 2010

Nike Academy // Shirebrook Training Centre



Chief Executive's Report

Overview of financial performance

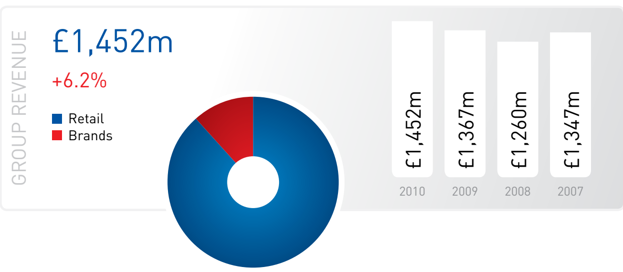
It is good to be able to report on another year of strong growth for Sports Direct, achieved by delivering what we said we would. The resilience of our business model continues to add significant value to our operations by providing customers with an unrivalled depth and breadth of product choice at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

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

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

Group

In the 52 weeks ended 25 April 2010 (the Year) we increased Group revenue 6.2% to a record £1,452m compared with revenue of £1,367m for the 52 weeks ended 26 April 2009. The increase was due to a strong performance in the Retail division where revenues rose 10.9% to £1,261m (2009: £1,137m). The Brand division revenues decreased as planned,17.4% to £190.5m (2009: £230.5m).



Group gross margin in the Year fell by 20 basis points from 40.8% to 40.6%. Retail division margin fell by 50 basis points to 40.8% (2009: 41.3%), while Brands division margin increased 60 basis points to 38.9% (2009: 38.3%).

Group operating costs increased 1.4% to £431.0m (2009: £425.0m). Retail division operating costs were well controlled and increased by only 3.3% in the Year, despite an increase in floor space of 5.2% and a rise in sales of just under 11%.

Brands division operating costs were down 23.4% to £54.2m (2009: £70.8m) due to a combination of the reduction in costs in line with turnover and operational efficiencies. Also included within Group operating costs is a £10.8m (2009: Nil) charge in respect of the Employee Bonus Share Scheme and Performance Share Plan. This charge has been taken centrally and, except in note 4 to the accounts, is not reflected in divisional (Retail and Brands) numbers in this report.

We grew Group underlying EBITDA for the Year by 17.3% to £160.4m (2009: £136.8m). Within this underlying EBITDA, the Retail division increased 27.2% to £151.4m (2009: £119.0m) and the Brands division increased 11.2% to £19.8m (2009: £17.8m).

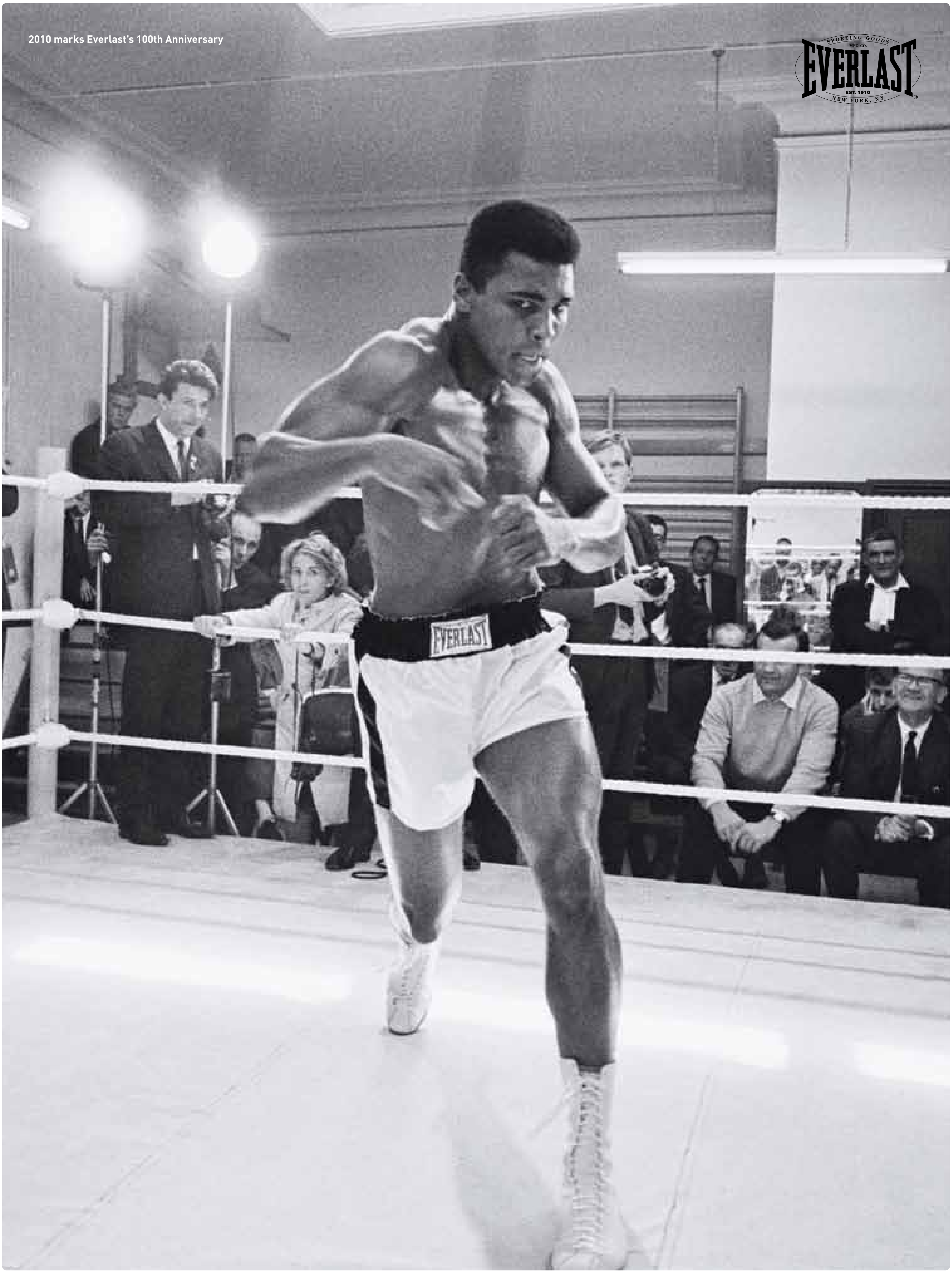
Group underlying profit before tax increased 49.8% to £102.1m (2009: £68.2m), as a result of the £23.6m increase in EBITDA together with a £12.8m reduction in interest payable and a £1.8m increase in depreciation.

Underlying EPS for the Year increased by 56.2% to 12.39p (2009: 7.93p).

Debt reduction remains a priority for the Group. In December 2009, we announced a target to reduce net debt levels to below £400m by April 2010. In fact, we actually reduced net debt to £311.9m (2009: £431.3m). This was achieved by:

- growing underlying EBITDA from £136.8m to £160.4m
- reducing inventory levels through the year from £262.3m to £218.8.m
- reducing levels of capital expenditure by approximately 50% to £19.4m as targeted last year
- reducing financing costs by £12.8m as a result of ongoing low interest rates and lower level of debt from £22.5m to £9.7m
- saving the cost of the 2009 final and 2010 dividends

In the current financial year and beyond, we will target to reduce levels of debt further to a range between one and 1.5 times underlying EBITDA by April 2011.

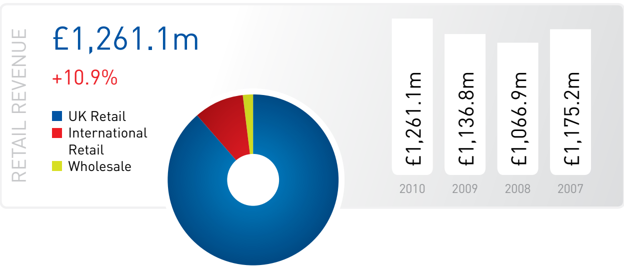

2010 marks Everlast's 100th Anniversary
SPORTING GOODS
MFG.CO.
EVERLAST
EST. 1910
NEW YORK, NY
EVERLAST

Chief Executive's Report

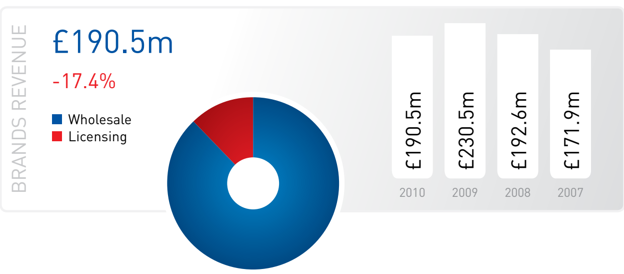
continued

Review by business segment

For the financial year ended:	25 April 2010 £'m	26 April 2009 £'m	Change %
Retail Revenue:			
UK Retail	1,117.7	1,006.5	11.0
UK Wholesale and other	23.5	28.0	-16.1
International Retail	119.9	102.3	17.2
Total retail revenue	1,261.1	1,136.8	10.9
Cost of sales	(746.1)	(667.5)	11.8
Gross margin	515.0	469.3	9.7
Gross margin percentage	40.8%	41.3%	



For the financial year ended:	25 April 2010 £'m	26 April 2009 £'m	Change %
Brands Revenue:			
Wholesale	167.3	203.6	-17.8
Licensing	23.2	26.9	-13.8
Total brands revenue	190.5	230.5	-17.4
Cost of sales	(116.4)	(142.2)	-18.1
Gross margin	74.1	88.4	-16.2
Gross margin percentage	38.9	38.3	



In spite of a difficult trading environment, our strategy of focusing on our core strengths, increasing efficiencies and controlling costs, delivered another strong performance.

UK Retail

UK Retail revenues growth was primarily driven by our retail and logistics skills – providing the best products at the best prices with universal availability.

UK Retail sales were up 11.0% to £1,118m (2009: £1,007m). There were no major acquisitions or disposals within UK Retail during the Year. Sales in the second half of the Year were up 7.2% to £531.7m (2009: £496.2m) against strong comparatives. The sales increase in the second half of the Year was better than expected, but was at the expense of a lower than anticipated margin.

Online revenue continues to grow strongly and we will look at opportunities to develop this revenue stream further. Order fulfilment and state-of-the-art information technology solutions are developed in-house with full back-up support from our National Distribution Centre resources in Shirebrook, Derbyshire. The website has benefited from the increased recognition of the online brand with approximately 90% of core store fascias now branded SPORTSDIRECT.com. Online sales represented 4.5% of total UK Retail sales (2009:1.5%). Between March and June 2010, we ran our first television advertising campaign. We saw a subsequent increase in both product-specific and new customer web traffic. A second campaign is likely to be launched in the autumn.

Overall UK Retail gross margin for the Year fell by 120 basis points to 41.3% (2009: 42.5%). Margin for the second half of the Year was 40.9% (2009: 39.6%), impacted by comprehensive promotions and clearance of stock in advance of the FIFA 2010 World Cup ("World Cup").

At the time of the Group's interim results in December 2009, we expected sales in the second half to be lower than for the same period in 2009, with margin for the Year as a whole to be at a similar level to 2009. The actual margin for the second half was lower than expected (as noted above) but this was more than compensated for by higher than expected sales partly arising from the sales generated ahead of the World Cup.

UK Retail like-for-like gross contribution increased by 3.4% over the 12 month period.

Operating costs increased 1.9% to £323.5m (2009: £317.6m) in spite of the UK minimum wage increase, an increase in floor space and a rise in sales of just over 11%.

The Boot Room // Sportsdirect.com store, Shirebrook

Chief Executive's Report

continued

UK Retail (continued)

Underlying EBITDA for UK Retail was £138.7m (2009: £107.0m). This increase was driven by a £37.7m increase in gross margin (including wholesale), offset by a £5.9m increase in operating costs.

During the Year, the Office of Fair Trading (OFT) investigated our acquisition of stores from JJB Sports PLC ("JJB"), and concluded that in five locations they raised some concerns. The OFT subsequently referred the matter to the Competition Commission. On 18 March 2010, the Competition Commission cleared the acquisition of the 31 stores from JJB and ruled that there was not a substantial lessening of competition as a result of those acquisitions, nor any adverse effects on customers. We are still dealing with the OFT & Serious Fraud Office (SFO) enquiries. While we have heard nothing from the OFT, we have provided the SFO with all the information they have required to date, and we have reason to hope that the investigation may be concluded in the autumn of this year.

The Group's retail businesses performed strongly in a very difficult economic environment. Our retail model, offering outstanding value to our customers, proved as resilient as we expected it to be, both in the UK and internationally.

Throughout the Year, we continued to focus on our fundamental approach of offering the customer the most comprehensive product range and the best availability while reducing our costs wherever possible. As ever, store portfolio was constantly under review, the performance of each store and ways of maximising performance being closely examined. We continued to develop our store layout and to incentivise our store staff in ways that encourage better customer service and performance. Our industry leading National Distribution Centre at Shirebrook continued to deliver efficiencies. By way of example of cost control, in our Corporate Responsibility Report we describe some of the steps successfully taken to reduce our energy consumption at a time when energy costs were increasing significantly.

During spring 2010, we started construction work on an extension to our National Training Facility at Shirebrook, which is located within the on-site store. This exciting project involved a complete reorganisation of the store layout with new attractive specialist areas being refitted. Net sales area space increased from 18,000 sq ft to 25,000 sq ft. The store is now the blueprint for a roll-out programme of updating our core stores across the UK. Capital expenditure for this roll-out is included in the expected Group capital expenditure for FY11 of approximately £35.0m (2010: £19.4m).

We continued to work well with our major third party brand suppliers. Nike, Umbro, adidas, Reebok and Puma all have their own offices in our Shirebrook head office which enables us to work very closely with them on a day to day basis.

We were delighted to achieve a notable first with the creation of a purpose-built Nike Training Academy at the Shirebrook site. This is the first time Nike has entered into such a partnership with a retail partner anywhere in the world. We are proud to host such a magnificent facility which will have its first open day on 21 July 2010 for up to 300 of our national retail team.

The Academy demonstrates our commitment to develop our training of staff in close partnership with our key third party brands. We plan to have all permanent sales staff attend a training session in the Academy within 12 months of its opening as part of their on-going training and personal development. Our goal is to have the best trained and most knowledgeable staff in UK sports retail.

We continued to build on our store-in-store concept for certain key categories where we want to develop our role as the destination of choice for serious sportsmen and women. Our approach to the running category typifies how we are doing this, constantly seeking to develop our retail offer. Since October 2007, we have owned a 25% share in Brasher Leisure Ltd, trading as "Sweatshop", one of the leading specialist running retailers in the UK. The strategy for the running category within Sports Direct is to develop with Sweatshop an attractive new sales area branded as "She Runs He Runs" catering to the growing "main stream" runner. These areas deliver on range, availability, price, clear merchandising and self help (if preferred) and will be further enhanced by the training initiatives being driven from our National Training Centre.

Installation progress has been swift with 50% of our 300 core stores already having "She Runs He Runs" sections. The roll-out programme to other stores continues. Additionally, 75% of stores now feature our specialist football "boot room" display area.

The strategy outlined on developing our running category will also be applied to certain other sporting areas, many of which are in different stages of development. These include golf, outdoor and cycling.

On 17 March 2010, the Group made an indicative, non binding offer for the entire issued and to be issued share capital of Blacks Leisure Group plc ("Blacks") with a view to seeking that company's recommendation. We were disappointed that this was not forthcoming.

October 2009 // Dunlop Brand Ambassador Lee Westwood celebrates winning the Portugal Masters.

Chief Executive's Report

continued

UK Retail (continued)

On 29 March 2010, Sports Direct announced that it had approached the board of Blacks to advise that it was seriously considering a material increase in the level of its indicative offer. However, the Group also advised that it had become aware of indications that some key Blacks suppliers would not supply the company if the Sports Direct offer was successful. Sports Direct requested confirmation of, and the details underlying, any such supplier indications to Blacks. In the event, this information was neither provided nor denied. Accordingly, Sports Direct determined that it would not be in its shareholders' interests formally to submit an offer. Blacks subsequently raised additional capital from its shareholders.

We did not participate in this fundraising, believing it not to be the best use of the Group's funds.

As of 25 April 2010, we operated 387 stores in the UK (excluding Northern Ireland), a total retail sales space of circa 3.7m sq ft (2009: circa 3.5m sq ft).

During the course of the Year, we opened 34 stores, including nine core stores, and closed six, one of which was core. We have taken advantage of the weaker property market during the Year by taking 19 of the 25 new non-core stores on initial temporary lease/licence arrangements. This has enabled us to work very closely with landlords to exploit opportunities, with a view to converting initial temporary stores into long term lease agreements where appropriate.

We currently operate 306 SPORTSDIRECT.com fascias, 19 Field & Trek, three Lillywhites and 59 other stores (Gilesports, Hargreaves, etc).

Retail stores:

In the 12 months to 25 April 2010, 53 rent reviews have been agreed on stores. The average increase in rent was 9.9% (1.91% annual equivalent). There are currently 80 rent reviews outstanding with a further 50 falling due in 2010-11.

For a number of years, our UK Retail division has occupied 32 stores which are owned by Mike Ashley, the Group's major shareholder, under the terms of a five year lease dated March 2007. The management intend to discuss with shareholders and Mr Ashley the possibility of obtaining a year's extension to the current term together with an option to purchase these properties during the extension period at a price no more than original cost. The option would require non-related party shareholder approval and would contain terms whereby it would be exercised only if it were demonstrably in the Group's interest to do so.

In the current financial Year, we are targeting to open between six and ten new core stores in the UK, excluding Northern Ireland.

We will continue to open temporary non-core stores as suitable opportunities arise and convert as many of these as is justified to long term deals.

International Retail

International Retail sales were up 17.2% to £119.9m (2009: £102.3m). On a currency neutral basis, the increase was 11.0%.

International Retail grew gross margin by 40 basis points due to improved stock control.

Operating costs within International Retail increased by 16.1% to £42.5m (2009: £36.6m). The increase was less than the £8.1m increase in gross margin and, together with a £1.5m decrease in income from associates, resulted in an increase in underlying EBITDA of 5.8% to £12.7m (2009: £12.0m).

Internationally, as at 25 April 2010 we operated 44 stores in Belgium, 12 in Slovenia, four in Holland, three in Cyprus, one in France and one in Luxembourg. All of these stores are operated by companies wholly owned by the Group. We opened seven new stores in Europe, including two relocations in the period including our first store in France. We closed four smaller stores during the Year. As at 25 April 2010, International Retail operated from a total retail sales space of c.650,000 sq ft (2009: c.620,000 sq ft.)

European Golf // Sportsdirect.com store, Shirebrook

Chief Executive's Report

continued

International Retail (continued)

The Group increased its shareholding in the Heatons chain to 50%, up from 42.5%. There are 11 Sports Direct stores in Northern Ireland and 23 sports stores in the Republic of Ireland.

We continue with our strategy to identify partners in new territories while continuing to expand our operations in the countries where we currently trade.

Brands

Brands total revenue reduced 17.4% to £190.5m (2009: £230.5.m), driven by our deliberate strategy to change the mix of sales from predominantly wholesale to licensing.

Wholesale revenues were down 17.8% to £167.3m (2009: £203.6m), in line with this strategy to focus on contribution rather than revenue. This strategy is well illustrated by our North America market move from wholesale to licensing in Dunlop Golf.

The market for our Wholesale businesses in the UK, Europe and the US remain challenging and the customer base has been restructured to eliminate unprofitable business.

Licensing revenues were down 13.8% to £23.2m (2009: £26.9m) which was in line with our expectations and, in light of our decision to cancel one significant Everlast licence, with the attendant costs.

Tough market conditions, particularly in North America, resulted in decreased licensing income during the Year with key licensees leading to a fall in the level of income in excess of the licence minimums. We continue, however, to lay the foundations for future growth. During the Year, we signed new licence agreements with 71 licensees, covering multiple brands and product categories, with minimum contracted values of $87m over the terms of the agreements.

Longer term, we regard licensing as the key driver for the Brands division profitability and growth of the business. Our resources have been adjusted in order to focus on this objective. The main growth areas are expected to be Asia Pacific and the Americas.

Brands gross margin improved to 38.9% (2009: 38.3%), reflecting the improved mix of sales and a slight improvement in wholesale gross margin to 30.4% (2009: 30.2%).

Operating costs decreased by 23.4% to £54.2m (2009: £70.8m), partly as a result of the lower revenue. The consolidation of the Brands division management into Shirebrook continued and costs were tightly controlled as systems and working practices were standardised. Payroll costs in the division reduced significantly.

Our continued aim is to limit costs in the 2011 financial year such that the wholesale contribution covers operating costs and all licensing income is retained as profit.

Underlying EBITDA increased 11.2% to £19.8m (2009: £17.8m) as the decrease in costs of £16.6m was greater than the decrease in gross profit of £14.3m.

Cash flow in the division was strong with tight working capital management resulting in a reduction in stock and debtors of £15.1m and £19.6m respectively.

The business continues to sponsor and receive endorsements from leading players and tournaments including Slazenger's 107th year as the official ball supplier for the Wimbledon championships. We believe this to be one of the longest continuous sponsorship arrangements anywhere in the world. Slazenger continues to sponsor Matt Prior and Paul Collingwood and we congratulate Paul as England's captain at the recent ICC World Twenty20 cricket competition where England scored a notable victory over Australia to win the tournament, who were also captained by Slazenger endorsee Michael Clarke.

Dunlop has recently signed Nikolay Davydenko and Fernando Verdasco, both ranked in the world's top 10 tennis players. Lee Westwood, number 3 in the world rankings, continues to shine in the world's top golf tournaments under the sponsorship of Dunlop apparel.

May 2010 // Slazenger Brand Ambassador & England Captain Paul Collingwood reacts after scoring the winning runs in the Men's ICC World Twenty20 final match between Australia and England.

Chief Executive's Report

continued

Key Performance Indicators

The Board monitors the performance of the Group by reference to a number of key performance indicators (KPI's), which are discussed fully in this Chief Executive's Report, and also in the Financial Review, and in the Corporate Responsibility Report on pages 26 to 35 and 58 to 61 respectively. The most important of these KPI's are:

	For the financial year ended:	
	25 April 2010	26 April 2009
Financial KPI's		
Group revenue	£1,452m	£1,367m
Underlying EBITDA [1]	£160.4m	£136.8m
UK Retail gross margin	41.3%	42.5%
UK Retail like-for-like stores gross contribution [2]	+3.4%	+2.5%
Underlying earnings per share [3]	12.39p	7.93p
Financial KPI's		
No. of core stores [4]	300	292
Customer complaints % change	+4.0%	-7.5%
Employee turnover	17.0%	29.0%
Cardboard recycling	5,847 tonnes	6,007 tonnes

[1] The way in which Underlying EBITDA is calculated is set out in the Financial Review.

[2] Like-for-like gross contribution for UK Retail is the percentage change in successive 12 month periods. Like-for-like gross contribution is adjusted to eliminate the impact of foreign currency movements. 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 refit. Store gross contribution is the excess of sales revenue (net of VAT) over the cost of goods sold. This KPI excludes online sales revenue. The gross contribution would only be adjusted if a significant promotion affected the comparison.

[3] The way in which Underlying earnings per share is calculated is set out in the Financial Review.

[4] A core store is a store acquired and fitted out by the Group or otherwise so designated.

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, particularly footwear, and considers that continued supplies from these companies is critical to the business of the Group.

Main trends and factors likely to affect the future development and performance of the Group's businesses

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

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

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

The Group is now applying hedge accounting, which is in line with other major retailers. This will reduce an element of potential volatility in reported profit.

Environmental matters

A review of the assessment of the Group's impact on the environment is included in the Corporate Responsibility Report on page 58.

Employees

In no small measure, the progress we continue to make is down to the dedication and expertise of over 17,000 staff throughout the business. I am delighted to take this opportunity to thank everyone in the team for their outstanding contribution and I look forward to working with them towards our further growth and success.

Nike football // Sportsdirect.com store, Belgium

Chief Executive's Report

continued

Employees (continued)

We intend to incentivise staff further by enabling them to share in the Group's success through a new Bonus Share Scheme for which we will seek approval at the AGM. The Bonus Share Scheme is focused on underlying EBITDA. It is designed to motivate colleagues, help improve retention of key employees and to align the interests of employees and shareholders. The share scheme is also aligned with the Group's business plan.

All permanent UK employees in UK Retail, Brands and Head Office with at least one year's service participated in the 2009/10 Bonus Share Scheme.

The bonus is in two stages. The first bonus is 25% of base pay in shares of £1.00 per share. The first bonus target was underlying EBITDA of £155m in 2009-10 and was achieved in the Year. The first bonus will vest in two years' time and is subject to continuous employment until then. The bonus targets are stretch targets and are net of scheme costs.

The second bonus is 75% of base pay in shares of £1.25 per share. The second stage of the bonus is conditional upon the first bonus target being met in 2009-10, which has already been achieved, and the second bonus targets are underlying EBITDA of £195m in 2010-2011, and underlying EBITDA/Net Debt ratio of two or less at the end of 2010-11. The shares vest, subject to continuous employment until then, two years after the second bonus targets are met.

Proposals will be put forward to shareholders at the forthcoming AGM to extend and revise the Bonus Share Scheme for subsequent periods.

Shirebrook campus

The Group continues to invest in infrastructure, and the process of consolidating the Brands business, including acquired businesses, at Shirebrook continues.

Risks and uncertainties relating to the Group's business

Risks are an inherent part of the business world. The Group has identified the following factors as potential risks to, and uncertainties concerning, the successful operation of its business.

SUPPLY CHAIN

Any disruption or other adverse event affecting the Group's relationship with any of its major manufacturers or suppliers, or 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.

FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro.

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.

As explained previously, in the Group's case, the majority of foreign exchange contracts relating to the sourcing of Group branded goods are denominated in US dollars, and a strengthening of the dollar or a weakening of the pound sterling makes those goods more expensive. These expenses are hedged via forward foreign currency contracts which are designated as cash flow hedges.

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.

INTEREST RATE RISK

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

CREDIT RISK

The Group, primarily through its Brands division, could have a credit risk if credit evaluations were not performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

FUNDING AND LIQUIDITY RISK

Funding and liquidity for the Group's operations are provided through bank loans, overdrafts and shareholders funds. The object is to maintain sufficient funding and liquidity for the Group's 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.

Karrimor sponsored climber, Dave Pickford

Chief Executive's Report

continued

Risks and uncertainties relating to the Group's business (continued)

INVESTMENT RISK
The Group also holds shares in publicly listed companies and fluctuations in their share prices will have a financial impact on the business results.

RELIANCE ON NON UK MANUFACTURERS
The Group is reliant on manufacturers in developing countries as the majority of the Group's products are sourced from outside the UK. The Group is therefore subject to the risks associated with international trade and transport as well as those relating to exposure to different legal and other standards.

PENSIONS
Some subsidiaries in the Group make contributions to certain occupational defined benefits pension schemes. An increase in the Scheme's funding needs or changes to obligations in respect of the schemes could have an adverse impact on its business.

MARKET FORCES
The sports retail industry is highly competitive and the Group currently competes at national and local levels with a wide variety of retailers of varying sizes who may have competitive advantages, and new competitors may enter the market. Such competition continues to place pressure on the Group's pricing strategy, margins and profitability.

OPERATIONAL
Any significant disruption to the operations of the Group, divisional head offices and the National Distribution Centre at Shirebrook, or interruption to the smooth running of the Group's fleet of vehicles, might significantly impact its 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 Retail division.

BUSINESS CONTINUITY AND ACTS OF TERRORISM
The majority of the Group's revenue is derived from the UK and accordingly any terrorist attacks, armed conflicts or government actions within the UK could result in a significant reduction in consumer confidence, which would in turn have an adverse affect on sales in stores.

LEGAL
The Group's trade marks, patents, designs and other intellectual property rights are central to the value of the Group brands. Third parties may try to challenge the ownership or counterfeit the Group's intellectual property. 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.

The Group believes that its licensees, suppliers, agents and distributors are in material compliance with employment, environmental and other laws. The violation, or allegations of a violation, of such laws or regulations, by any of the Group's licensees, suppliers, agents or distributors, could lead to adverse publicity and a decline in public demand for the Group's products, or require the Group to incur expenditure or make changes to its supply chain and other business arrangements to ensure compliance.

SALES
The Group's retail businesses are subject to seasonal peaks. The incidence and participation in major sporting events will have a particular impact on the UK Retail business. Prolonged unseasonal weather conditions or temporary severe weather during peak trading seasons could also have a material adverse effect on the Group's businesses.

CONSUMERS
The Group's success and sales are dependent, in part, on the strength and reputation of the brands it sells, and are subject to consumers' perceptions of the Group and of its products, which can fall out of favour. Adverse publicity concerning any of the Group brands or manufacturers or suppliers could lead to substantial erosion in the reputation of, or value associated with, the Group

ENVIRONMENTAL
Environmental disasters such as the recent volcanic ash cloud have highlighted how it is impossible to predict how an environmental occurrence will affect businesses.

The Group constantly updates systems to mitigate any delay or loss of goods in transit or the absence of any employee or large numbers of employees that they may or may not be altered by acts of nature.

Research and development

The Group's success depends on the strength of the Group brands and, to a lesser extent, the licensed-in brands. The Group's efforts to continually develop or obtain brands in a timely manner or at all may be unsuccessful.


Nike shoe wall // Sportsdirect.com store, Liverpool

Chief Executive's Report

continued

Management and mitigation of risk

The identification and management of risk is a continuous process, and the Group's system of internal controls and the Group's business continuity programmes are key elements of that. The Group maintains a system of controls to manage the business and to protect its assets. We continue to invest in people, systems and in IT to manage the Group's operations and its finances effectively and efficiently.

The Group has a credit policy in place and the exposure to risk is monitored on an ongoing 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's 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 is described on page 61 in the Corporate Responsibility Report.

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 those policies.

Close monitoring of the market, competitors, the economy, consumer confidence, participation in major sporting events, the weather, companies in which the Group holds strategic stakes, the behaviour of licensees, and of possible infringement of intellectual property, and the development of contingency plans and rapid response to changing circumstances manages and does much to mitigate the risks caused by these factors.

The Group maintains close contact with its bank and made contact with other banks so as to begin to address the renewal of its facilities during 2010/11. The Group is cash generative and taken steps to reduce the level of debt and has no reason to believe that refinancing will not be available on acceptable terms.

The business continuity programme addresses the risk of disruption to the Shirebrook campus. Accordingly the Board is confident that as far as is practical the risks and uncertainties that face the Group are being monitored and managed and that where required appropriate action is being taken.

Our strategy for growth

We are confident that the Group is well placed to deliver significant further growth in the future. Our focus remains strongly on growing the core UK Retail business by continuing to drive efficiencies and deliver the unrivalled value for money which our growing customer base has come to expect, while developing our offering in specialist sports categories. We have established an excellent platform for growth which we will build on with our proposed EBITDA related share bonus scheme.

Outside the UK, our Brands business will focus on licensing opportunities and will continue to restructure the wholesale businesses. We will continue to invest in our brands through advertising and promotion.

We believe that acquisitions and strategic investments in other related businesses are beneficial to the Group and we will continue to evaluate opportunities as they arise while, for the time being, remaining mindful of the priority to reduce debt.

Current trading/FIFA World Cup 2010

The build up to the World Cup started during spring 2010 with the launch of the Umbro "Away" red shirt on 3 March. Trade in this period was as strong as expected culminating in the strongest trading day that the Company has ever experienced on the day of the USA match. We continue to offer the most comprehensive range of England branded products including special edition shirts as well as name and number personalisation. Also, this was the first FIFA World Cup for the online store and both traffic and sales have grown significantly.

Unfortunately, the period during the tournament was less successful and sales correlated with the poor performance of the England team and the negative mood this created amongst fans and consumers.

Our buying team had followed the seedings and we were confident of at least a "last eight" outcome for England, so exiting the tournament before that meant in effect that we were one game short (although this was exacerbated by the disappointing performance in the four games). Therefore, the negative impact of clearing the excess stock will offset some of the positive pre-tournament trade.

Nevertheless, current UK Retail trading remains well ahead of the same period last year.

April 2010 // Lonsdale Brand Ambassador Carl Froch knocks down Mikkel Kessler of Denmark during their Super Six WBC Super Middleweight title fight

Chief Executive's Report

continued

Outlook

Looking ahead, although we shall have to manage the impact of the announced increase in VAT in January 2011, we are confident that initiatives we are taking across all areas of the Group, including improved staff training and new, specialist in-store merchandising areas, put us in a strong position for the next phase of our growth. We believe we are operationally stronger than ever. Accordingly, and assuming no significant deterioration in economic conditions, we are targeting FY11 Group underlying EBITDA of around £195m.

Dave Forsey
Chief Executive

22 July 2010

Puma shoe wall // Sportsdirect.com store, Shirebrook

Financial Review

The financial statements for the Group for the 52 weeks ended 25 April 2010 are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Summary of results

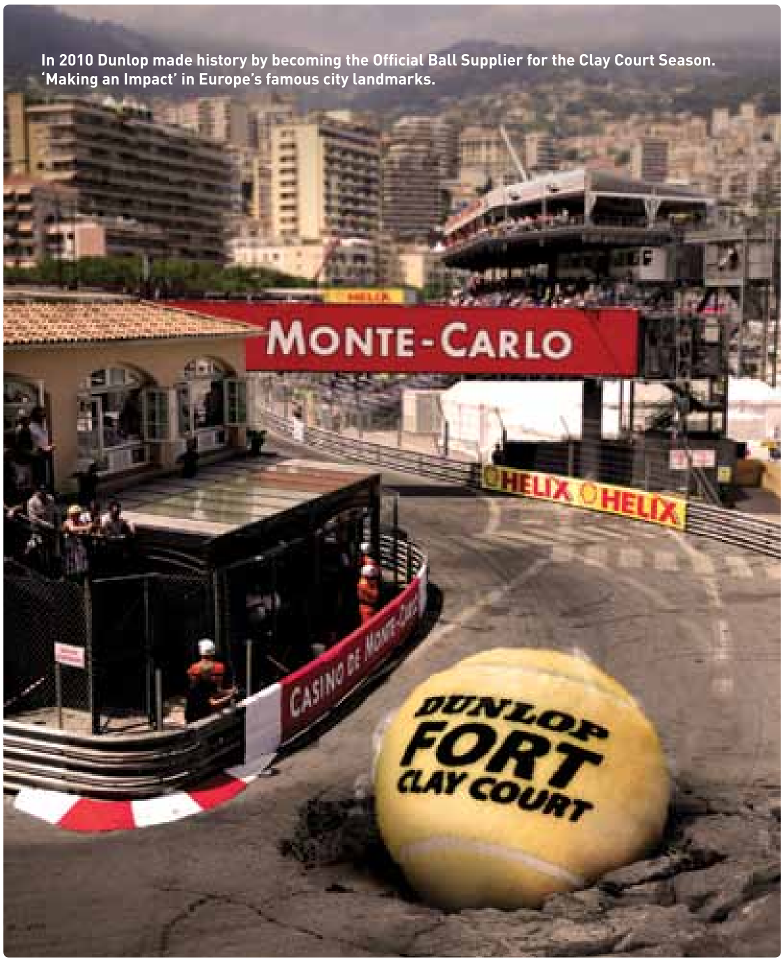
	For the financial year ended: 25 April 2010 £'m	26 April 2009 £'m	Change %
Revenue:	**1,451.6**	**1,367.3**	**+6.2**
Underlying EBITDA	160.4	136.8	+17.3
Underlying profit before tax	102.1	68.2	+49.8
Reported profit before taxation	119.5	10.7	+1,016.8
	Pence per share	Pence per share	
Basic EPS	15.73	(2.79)	+663.9
Underlying EPS	12.39	7.93	+56.2

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

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

	EBITDA £'m	PBT £'m
Operating profit	58.0	
Depreciation	47.5	
Amortisation	2.9	
Exceptional items	10.0	
Share of profit of associated undertakings	7.2	
Excess of fair value over consideration - associates	(3.9)	
Fair value adjustment within associated undertakings	(1.1)	
Reported	120.6	119.5
Realised FX loss	39.8	39.8
IAS 39 FX fair value adjustment on forward currency contracts	-	(37.7)
Other investment income	-	(24.5)
Exceptional items	-	10.0
Excess of consideration over fair value	-	(3.9)
Fair value adjustment within associates	-	(1.1)
Underlying	160.4	102.1

There is a significant difference between underlying and the higher reported profit before tax. Underlying profits before tax (and underlying EBITDA) exclude exceptional items, which decreased profit by £10.0m, realised exchange profit/loss and IFRS revaluation of foreign currency contracts, which decreased 2010 profits by £39.8m and increased profit by £37.7m respectively, a £3.9m profit arising from fair value exceeding consideration paid for an associate, and a £1.1m profit on fair value adjustments within associated undertakings.



In 2010 Dunlop made history by becoming the Official Ball Supplier for the Clay Court Season. 'Making an Impact' in Europe's famous city landmarks.

Financial Review

continued

Revenue and margin

	For the financial year ended: 25 April 2010 £'m	26 April 2009 £'m	Change %
Retail Revenue:			
UK Retail	1,117.7	1,006.5	+11.0
UK wholesale and other	23.5	28.0	-16.1
International Retail	119.9	102.3	+17.2
Total	**1,261.1**	**1,136.8**	**+10.9**
Brands Revenue:			
Wholesale	167.3	203.6	-17.8
Licensing	23.2	26.9	-13.8
Total	**190.5**	**230.5**	**-17.4**
Total Revenue	**1,451.6**	**1,367.3**	**+6.2**

Total Group revenue increased by 6.2%.

Retail revenue increased by 10.9%. The UK accounted for 90.5% of total retail revenues with the balance in continental European stores.

Retail margins in the UK decreased from 42.5% to 41.3%.

Our representation in both parts of Ireland is covered by Heatons, in which we now have a 50.0% interest, the results of which continue to be reported as an associate.

Brands revenue decreased by 17.4%. Licensing income decreased by 13.8%, with a decrease in wholesale revenue of 17.8%.

Brands margins increased from 38.3% to 38.9%.

Selling, distribution and administration costs

Selling, distribution and administration costs for the Group decreased as a percentage of revenue. This was as a result of cost and efficiency savings offsetting inflation.

Foreign exchange

The Group manages the impact of currency movements through the use of forward fixed rate currency purchase and sales contracts. The Company's policy has been to hold or hedge up to four years (with generally a minimum of one year) on anticipated purchases in foreign currency.

The exchange loss of £39.8m (2009: £14.2m gain) included in administration costs have arisen from:

a) accepting Dollars and Euros at the contracted rate; and

b) the translation of Dollars and Euro denominated assets and liabilities at the period end rate or date of realisation.

The exchange gain of £37.7m (2009: £12.6m gain) included in finance income substantially represents the reduction in the mark-to-market provision made (under IFRS) for the forward contracts at 26 April 2009. A number of the forward contracts outstanding at 25 April 2010 qualify for hedge accounting and the fair value gain on these contracts of £10.9m has been credited to equity through the Consolidated Statement of Comprehensive Income. The Group has sufficient US Dollar contracts to cover all purchases in UK Retail for the 2011 financial year. These hedged contracts are at an average rate of 1.617.

The Sterling exchange rate with the US dollar was $1.471 at 26 April 2009 and $1.538 at 25 April 2010.

Exceptional operating costs and revenues

	For the financial year ended: 25 April 2010 £'m	26 April 2009 £'m
Impairment of intangible assets	-	14.8
Impairment of freehold property	-	15.7
Provision for legal costs relating to regulatory enquiries	7.8	-
Provision for the cost of legal disputes	2.2	-
	10.0	**30.5**


he runs she runs // Sportsdirect.com store, Shirebrook
RUNNING
the shoe that thinks for your foot.
NIKE LUNARGLIDE+
MENS
WOMENS
NEUTRAL OR HIGH ARCH
If you are neutral or high arched you need the cushioning given by the yellow labelled shoes
heruns
FLAT OR LOW ARCH
DYNAMIC RIDE
STABLE RIDE
find your perfect running shoe
RUNNING

Financial Review

continued

Finance income

	For the financial year ended: 25 April 2010 £'m	26 April 2009 £'m
Bank interest receivable	0.5	1.2
Other interest receivable	0.3	-
Expected return on pension plan assets	1.6	2.1
Fair value adjustment to forward foreign exchange contracts	37.7	12.6
	40.1	**15.9**

The profit on the fair valuing of forward foreign exchange contracts arises under IFRS as a result of marking to market at the period end those contracts held to hedge the Group's currency risk.

Finance costs

	For the financial year ended: 25 April 2010 £'m	26 April 2009 £'m
Interest on bank loans and overdrafts	(8.0)	(20.0)
Interest on other loans	(0.2)	(1.1)
Interest on retirement benefit obligations	(2.3)	(2.5)
Fair value adjustment to forward foreign exchange contracts	-	-
	(10.5)	**(23.6)**

The fall in interest payable is a result of the reduction in interest rates and borrowings during the Year.

Taxation

The effective tax rate on profit before tax for 2010 was 25.3% (2009: 245.6%). This rate reflects depreciation on non-qualifying assets and the non-relievable losses in certain overseas subsidiaries.

Excluding the impact of non-recurring items, the effective rate of taxation for the Year would be 31.4% (2009: 32.9%).

Earnings

	For the financial year ended: 25 April 2010 pence per share	26 April 2009 pence per share	Change %
Reported EPS	15.73	(2.79)	-663.9
Underlying EPS	12.39	7.93	+56.2
Weighted average number of shares (actual)	568,452,000	568,452,000	

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.

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 are as follows:

	For the financial year ended: 25 April 2010 £'m	26 April 2009 £'m
Profit after tax	89.4	(15.8)
Post tax effect of exceptional items:		
Fair value adjustment to forward foreign exchange contracts	(27.1)	(8.5)
Realised loss/(profit) on forward foreign exchange contracts	28.6	(9.6)
Other investment income	(24.1)	(1.0)
Cost relating to regulatory enquiries	5.6	-
Excess of fair value of assets acquired over consideration	(2.8)	-
Legal disputes	1.6	-
Derecognition of listed investments	-	53.2
Impairment of freehold property	-	15.6
Impairment of intangible assets	-	10.0
Fair value adjustment within associated undertakings	(0.8)	1.2
Underlying profit after tax	**70.4**	**45.1**

2010 marked Slazenger's 109th partnership year with
The Championships, Wimbledon

Financial Review

continued

Dividends

An interim dividend of 1.22p per share (totalling £6.94m), in respect of the year ended 26 April 2009, was paid on 30 April 2009 to shareholders on the register at 3 April 2009.

Capital expenditure

Capital expenditure amounted to £19.4m (2009: £37.8m). This included £0.5m (2009: £6.4m) on freehold property. The remaining balance includes expenditure on licenses which is include in intangible assets.

Acquisitions

The Group spent £3.3m on acquisitions during the Year. The principal acquisitions were the remaining 22% of share capital in Antigua Enterprises that was not previously owned by the Group, and an additional 7.5% stake in Heatons.

Strategic investments

During the Year the Group held investments in Blacks Leisure Group plc, JD Sports and Fashion and JJB Sports plc. Changes in the value of these shares are recognised directly in equity, while for Contracts for Difference they are recognised in the Income Statement, in accordance with IFRS.

	25 April 2010 £'m
Total available-for-sale investments at 26 April 2009	5.5
Additions in the period	22.2
Disposal proceeds in the period	(8.1)
Profit taken to the income statement	18.3
Revaluation through equity	13.7
Total available-for-sale investments at 25 April 2010	**51.6**

We have previously reported that some of our strategic stakes were held by Kaupthing Singer & Friedlander (KSF) and partly financed by them. On 8 October 2008, KSF went into administration and we were in dispute with the Administrators concerning the ownership of the shares they held. In the 2009 financial statements we concluded that we may not directly "control" the shares for accounting purposes and, therefore, treated them as having been derecognised.

On 21 February, the Company entered into an agreement with the Administrator of KSF to acquire any rights which may be determined they hold.

On 13 May, the judgement of the court proceedings which commenced on 26 April 2010 was handed down. The court determined that the Group acquired a beneficial interest in 12,153,071 ordinary shares in Blacks Leisure and 5,775,255 ordinary shares in JD Sports on 8 October 2008. This acquisition is reflected in these financial statements. The judgement also meant that the Group regained control of the shares.

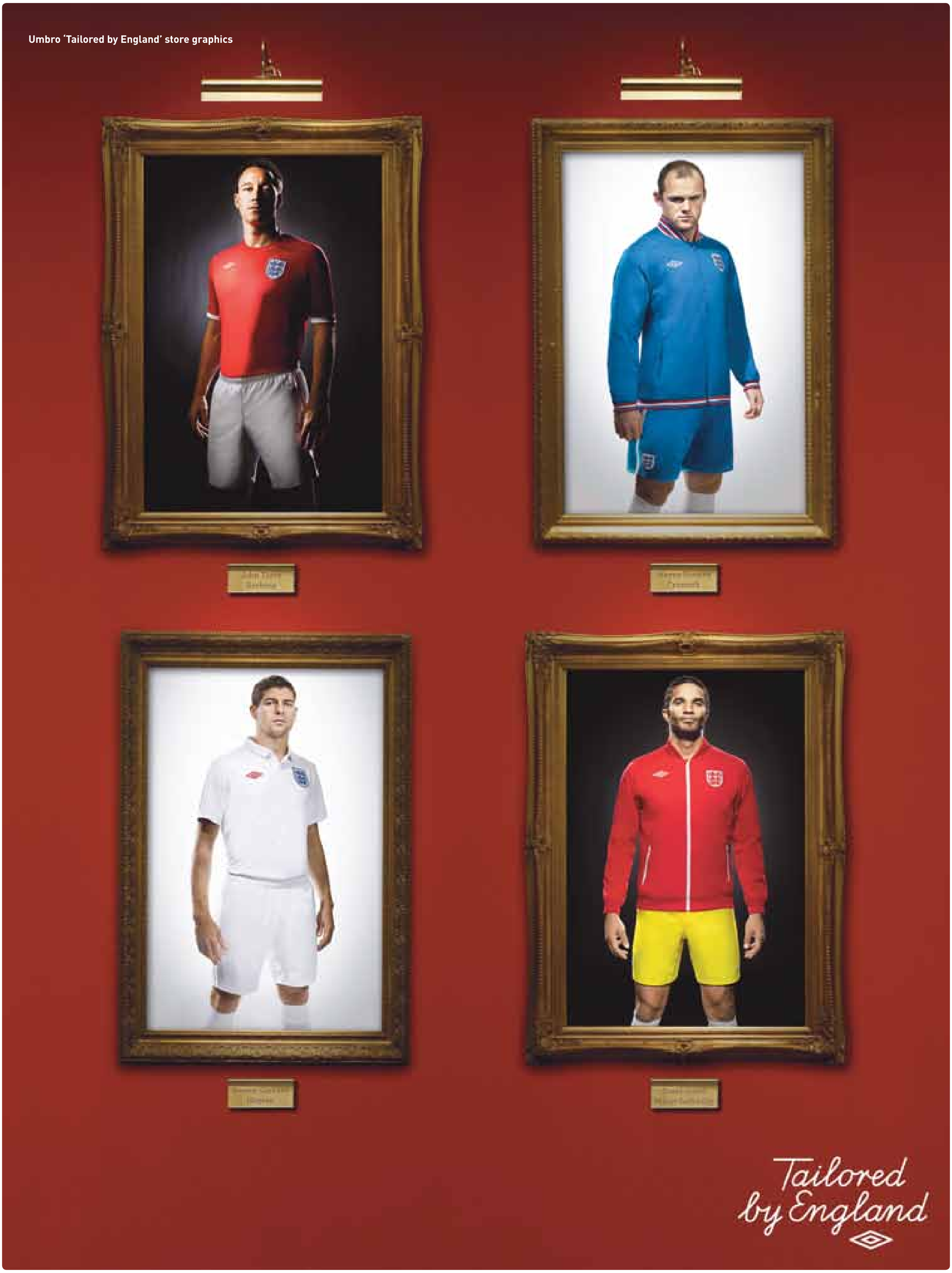
The Administrator of KSF has now appealed the decision, but Sports Direct's ownership of the shares is no longer in dispute. Were KSF to be successful in their appeal, then Sports Direct would be required to pay an amount of c. £14.7m, which is currently held in escrow and included in other debtors. This amount represents the difference in value of the shares between 8 October 2008 and 21 February 2010.

The Group also has a claim submitted with the administration for the shares in Amer Sports, Blacks and JD that were not in KSF's possession and also for the dividends and Group funds held by KSF. This amounts to approximately £9.1m in total and the latest information from the Administrator suggests a distribution of around 70%. This amount is included in other debtors.

The respective shareholdings at 25 April 2010 and 26 April 2009 (not reflecting the derecognition for accounting purposes) were as follows:

	At 25 April 2010		26 April 2009	
	Shares 'm	Holding	**Shares 'm**	Holding
Blacks Leisure Group	12.153	28.50%	12.728	29.85%
Amer Sports Corporation	-	-	1.066	1.48%
JD Sports Fashion	5.775	11.97%	6.475	13.31%
JJB Sports	-	-	11.944	4.76%

On 24 May 2010, Blacks Leisure issued 39,281,011 new ordinary shares as part of a fundraising in which the Group did not participate. As a result, the Group's interest in 12.153m shares now represents 14.5% of Blacks' share capital.



Umbro 'Tailored by England' store graphics

Financial Review

continued

Cash flow and net debt

In addition to the amounts invested in capital expenditure and acquisitions, the Group paid a net £8.3m (a cash outflow £16.3m and inflow of £8.0m), for the purchase and disposal of strategic investments. Net debt decreased by £119.4m from £431.3m at 26 April 2009 to £311.9m at 25 April 2010.

The analysis of debt at 25 April 2010 was as follows:

	At 25 April 2010 £'m	At 26 April 2009 £'m
Cash and cash equivalents	25.1	32.4
Borrowings	(337.0)	(463.7)
Net Debt	**(311.9)**	**(431.3)**

The Group continues to operate comfortably within its banking facilities and covenants. Our facilities are in place until April 2011 and we will continue discussions with banks during the current financial Year.

Cash flow

Total movement is as follows:

	At 25 April 2010 £'m	At 26 April 2009 £'m
Underlying EBITDA	160.4	136.8
Realised profit on forward foreign exchange contracts	(39.8)	14.2
Taxes paid	(34.7)	(25.3)
Free cash flow	85.9	125.7
Invested in:-		
Working capital and other	80.5	(31.5)
Acquisitions (including debt)	(3.3)	(6.6)
Net (purchase of/proceeds from investments)	(8.3)	8.9
Reduction in KSF debt	-	20.3
Net Capital expenditure	(18.8)	(34.8)
Equity dividend paid	(6.9)	(25.6)
Finance costs and other financing activities	(9.7)	(22.5)
Decrease/(increase) in net debt	**119.4**	**33.9**

Reconciliation of movement in equity

Total equity movement is as follows:

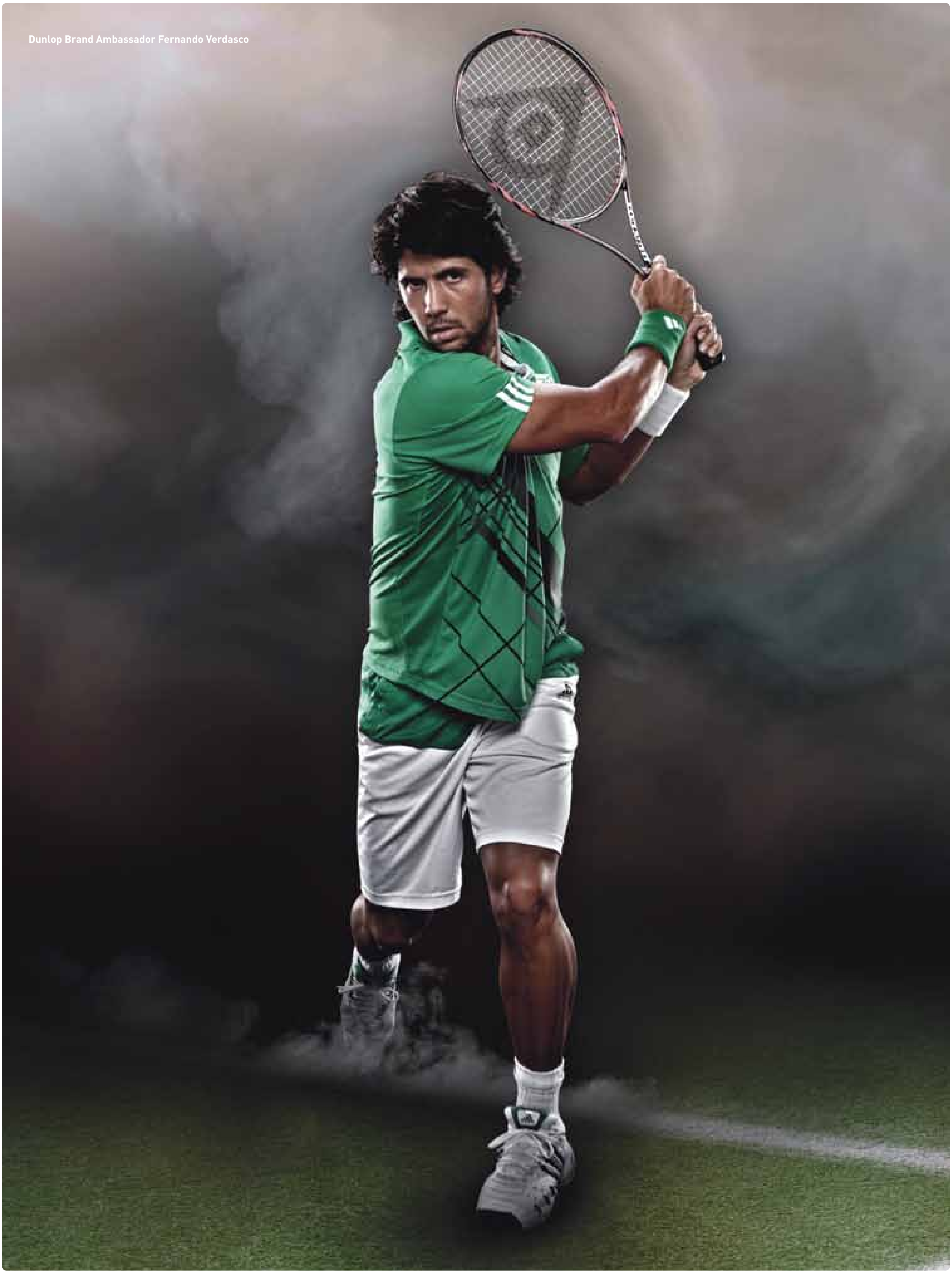
	At 25 April 2010 (£'m)
Total equity at 26 April 2009	153.7
Profit after tax for the 52 weeks ended 26 April 2009	89.4
Share based payment	10.8
Items taken directly to equity:	
Exchange differences on translation of foreign operations	(8.0)
Exchange differences on hedged contracts	10.9
Actuarial loss on pension	(8.2)
Fair value adjustment in respect of available-for-sale financial assets	13.7
Tax on items taken directly to equity	(0.8)
Movement in equity issues:	
Movement in minority interests	(1.8)
Total equity at 25 April 2010	**259.7**

Pensions

The Group operates a number of closed defined benefit schemes in the Dunlop Slazenger companies. The net deficit in these schemes increased from £12.3m at 26 April 2009 to £19.7m at 25 April 2010.

Bob Mellors
Finance Director

22 July 2010



Dunlop Brand Ambassador Fernando Verdasco

The Board

1

2

3

4


1. Dr Keith Hellawell QPM

Non-Executive Chairman (aged 68)

Dr Hellawell, was appointed to the Board on 24 November 2009 and is also Chairman of the Nomination Committee and a member of the Remuneration and Audit Committees.

Prior to joining Sports Direct International plc, Dr Hellawell spent over forty years in public sector management being a former Chief Constable of two British police forces. Between 1998 and 2002, working directly for the Prime Minister, he wrote and coordinated the United Kingdom national and international anti drugs policy.

He 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 Veolina Env. Dr Hellawell is currently a Non-Executive Director of Mortice plc, a Singapore based facilities management company and a Director of Huddersfield Giants Super-League team. He was Non-Executive Chairman of Goldshield Group plc, a marketing led pharmaceutical and consumer health company, from May 2006 to its sale in December 2009. He has held a number of other Non-Executive board positions in private companies including vehicle manufacturing and IT. He runs his own management and training consultancy company.

2. Mike Ashley

Executive Deputy Chairman (aged 45)

Mike Ashley established the business of the Group on leaving school in 1982 and was the sole owner of the business until the Company's listing in March 2007. Mike is the Executive Deputy Chairman and is responsible for formulating the vision and strategy of the Company.

3. Dave Forsey

Chief Executive (aged 44)

Dave Forsey has been with the business for over 24 years, during which he has acquired significant knowledge and experience. He is Chief Executive and has overall responsibility for the business.

4. Bob Mellors

Group Finance Director (aged 60)

Bob Mellors has been the Group's Finance Director since 2004. A graduate in Economics, he qualified with PriceWaterhouseCoopers in London before joining Eacott Worrall, where Sports Direct became a client in 1982. He was managing partner and head of corporate finance at Eacott Worrall before joining the business.

5

6

7

5. Simon Bentley

Senior Independent Non-Executive Director (aged 55)

Simon Bentley was appointed to the Board on 2 March 2007 and was Acting Chairman from 31 May 2007 to 23 November 2009. He is also Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee. 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 until 2002. Simon chairs and is on the board of a range of companies and organisations. Among these, he is Chairman of the Swiss Domino's pizza franchisee, Global Brands SA, and is Deputy Chairman of the country's premier leadership in management organisation, The Leadership Trust. He is Chairman of the hotelier Maypole Group plc and is the principal owner and Chairman of the leading mobile ATM operator, Cash on the Move. He has lengthy experience of the sporting goods industry and is a Director of the country's leading running retailer, Brasher Leisure.

6. Malcolm Dalgleish

Non-Executive Director (aged 58)

Malcolm Dalgleish joined the Board on 25 October 2007. Malcolm is currently head of retail in the Europe, Middle East and Africa area at CB Richard Ellis. In 2005 CBRE acquired Dalgleish - the leading retail real estate services specialist in the UK, which Malcolm founded in 1979 and of which he was the principal shareholder. Malcolm is a member of the Board's Audit, Nomination and Remuneration Committees.

7. David Singleton

Non-Executive Director (aged 59)

Dave Singleton joined the Board on 25 October 2007. Dave spent 25 years with Reebok International Limited. He stepped down in April 2007 having helped to successfully integrate Reebok following its acquisition by adidas Group in January 2006. For eight years he was Vice President Northern Europe Region & UK and since 2003 was Senior Vice President Europe, Middle East & Africa. Dave has an extensive senior management record and brings valuable experience of international sports brand operations. He is Chairman of the Board's Remuneration Committee and a member of the Board's Audit and Nomination Committees. He is also a Director of Bolton Lads & Girls Club.

Directors' Report

The Directors of Sports Direct International plc present their annual report to shareholders, together with the audited consolidated financial statements for the Company and its subsidiaries for the 52 weeks ended 25 April 2010 (the Year).

This document contains a number of forward-looking statements relating to the Company and its subsidiaries (the Group) with respect to, amongst others, the following: financial conditions; results of operations; economic conditions in which the Group operates; the business of the Group; and future benefits of the current management plans and objectives. The Group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Group to differ materially from the information presented in the relevant forward-looking statement. When used in this document the words "estimate", "project", "intend", "aim", "believe", "expect", "should", and similar expressions, as they relate to the Group and the management of it, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on the forward-looking statements which speak only as at the date of this document. Neither the Directors nor any member of the Group undertake any obligation publicly to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, save in respect of any requirement under applicable laws, the Listing Rules, and other regulations.

Principal activities

The principal activities of the Group during the Year 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 and Business Review on pages 6 to 24.

Results for the 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 6 to 24 and 26 to 34 respectively.

Business review and future developments

The statutory Business Review required by the Companies Act 2006 (the 2006 Act) is included in the Chief Executive's Report and Business Review, and in the Corporate Responsibility Report on pages 6 to 24 and 58 to 63 respectively. A review of Group activities during the Year, together with the factors likely to affect its future development, performance and conditions, is included in the Chief Executive's Report and Business Review on pages 6 to 24. The financial position of the Group, its cash flow, liquidity position and borrowing facilities are described in the Financial Review on page 34. The Chief Executive's Report and Business Review also describes on page 18 to 22 the principal risks and uncertainties that face the Group, and note 3 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital, its principal financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit risk and liquidity risk. Details of the Group's Key Performance Indicators by reference to which the development, performance and position of the business can be measured effectively are stated in the Chief Executive's Report and Business Review on page 16.

The Corporate Responsibility Report on pages 58 to 63 reports on environmental matters, including the impact of the Group's businesses on the environment, the Group's employees, and on social and community issues.

Going concern

As highlighted in note 22 to the Financial Statements, the Group finances its day to day working capital requirements and has made investments and conducted a share buy-back programme in the past, using a facility with the Bank of Scotland that is due for renewal in April 2011. The current economic conditions however, create some uncertainty in the economy and particularly in respect of the exchange rate between Sterling and the US dollar which impacts on the cost of the Group's products manufactured in the Far East and the availability of bank finance in the foreseeable future.

The Group's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of the current facility. The Group has opened negotiations with bankers and at this stage has not sought any written commitments. No matter has been drawn to its attention to suggest that a facility would not be made available to the Group on acceptable terms. Indeed, the Directors expect an adequate facility to be made available on acceptable terms.

The Directors have thoroughly reviewed the Group's performance and position relating to historical results, current trading, forecast performance, cash reserves and financing arrangements. Additionally, the Directors have also considered the Group's reliance upon its key stakeholders including customers and suppliers and found no over reliance on any particular stakeholder. The Directors are therefore confident that the Group will continue in operational existence for the foreseeable future. On this basis, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

Appropriations

The Group has agreed not to recommend a final dividend this Year.

Group structure and operations

During the Year the Group acquired the remaining minority interest of Antigua Enterprises Inc. the USA golf, sporting and leisure goods wholesaler and delisted it from the Toronto stock exchange. It also acquired a further 7% interest in Warrnambool, the parent company of the Irish retail chain Heatons to take the Company shareholding to 50%.

Share capital

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

The ordinary shares have all the rights that usually attach to such ordinary shares, including the right to receive dividends (if paid or declared), to receive notice and attend and vote at meetings of shareholders and (subject to what is said concerning redeemable preference shares) to receive a share of the assets of the Company on any winding up.

The redeemable preference shares do not carry any right to receive a dividend or to participate in any distribution of the profits or assets of the Company, or to vote at meetings of shareholders, but holders of redeemable preference shares have the right to receive notice and attend meetings of shareholders and on any winding up of the Company the redeemable preference shares are redeemed at par in priority to any distribution to the holders of ordinary shares. No redeemable preference shares are in issue.

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

During the Year the Group increased the issued share capital by 50,000, so that 640,502,369 ordinary shares of 10p are in issue and fully paid of which 64,000,000 are currently held in Treasury.

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.

Details of executive and employee share schemes are set out on page 51 to 53. No votes are cast in respect of the shares held in the Employee Benefit Trust and dividends are waived.

Powers to issue shares

At the Company's Annual General Meeting on 9 September 2009 the Director's were generally and unconditionally authorised to allot relevant securities (in the Capital of the Company) up to an aggregate nominal amount of £19,215,078 (being approximately one third of the then issued share capital) for the period expiring at the conclusion of the next Annual General Meeting of the Company. A further authority to allot shares up to a maximum nominal value of £2,882,618 (being approximately 5% of the then issued share capital) as if statutory pre-emption rights did not apply, was also approved.

Directors' Report

continued

Powers to issue shares (continued)

The authorities expire at the close of the next Annual General Meeting 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 Annual General Meeting, and at that meeting similar authorities will be sought from shareholders.

In line with guidance from the Association of British Insurers the Company proposes at the next AGM to request authority to issue a further third of the issued share capital to a nominal amount of £38,433,491 (being approximately 35% of the issued share capital). Further details will be provided in the Circular to shareholders.

The Company's power to purchase shares

At the Company's Annual General Meeting on 9 September 2009 the Company was generally and unconditionally authorised to make market purchases of ordinary shares of 10p each in the Company of up to a maximum aggregate number 57,645,236, representing 10% of the Company's issued ordinary share capital.

The above authority expires at the close of the next Annual General Meeting of the Company, and at that meeting a similar authority will be sought from shareholders. No shares were purchased during the Year.

Shareholders

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

Mike Ashley and the Company have entered into a Relationship Agreement, pursuant to which Mike Ashley undertook to the Company 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 and with the approval of the Non-Executive Directors;
- 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 Combined 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;
- other than through his interest in the Company, not have any interest in any business which sell 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.

As at 22 July 2010, the following party had a significant direct or indirect share holding in the shares of the Company:

	Number of shares held	Percentage of issued ordinary share capital with voting rights held	Nature of holding
MASH Holdings Limited	410,400,000	71.2%	Direct

MASH Holdings Limited is wholly owned by Mike Ashley.

Suppliers

It is the policy of the Group to agree appropriate terms and conditions for its transactions with suppliers (ranging from standard written terms to individually negotiated contracts) and for payment to be made in accordance with these terms, provided the supplier has complied with its obligations.

The number of days purchases outstanding for the Group's UK operations as at 25 April 2010 was 37 days (2009: 36 days).

Contracts essential to the business of the Company

The Chief Executive's Report sets out on page 16 information about persons with whom the Company has contractual or other arrangements which are essential or material to the business of the Group.

Takeovers

The Directors do not believe 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 Company on Directors' bonus and share schemes are set out in the Directors' Remuneration Report on page 53.

Executive Directors' service contracts and Non-Executive Directors' appointment letters contain no specific provisions relating to any takeover of the Company.

Employee share schemes

Details of the Performance Share Plan and Bonus Share Scheme are set out in the Directors' Remuneration Report on pages 51 to 53. The 2007 Performance Share Plan period has been completed and as the EPS and TSR targets were not met, these awards lapsed.

At the next Annual General Meeting of the Company the Company intends to seek approval of the establishment of the Executive Bonus Share Scheme and the 2011 Employee Bonus Share Scheme, full details are set out in the Circular to Shareholders.

Employee involvement

The Group employs 17,360 employees. Those employees are fundamental to the future success of the Group. The Group communicates with its people through a wide variety of channels, including briefings held at Head Office, information transmitted through line managers and an Employee Forum at the Head Office and National Distribution Centre at Shirebrook. The Company's open management style encourages employees to develop and to contribute to the development of the business.

All UK permanent employees of the Group in UK Retail, Brands and Head Office participate in the Bonus Share Scheme. The scheme is intended to motivate and provide those employees with a direct and substantial link between Group performance and their remuneration, and encourage employee participation in the Group. The Bonus Share Scheme will operate in addition to the current workplace bonus schemes, which are directly related to specific workplace performance.

The Group has entered into an agreement with the trade union Unite in respect of collective bargaining of the pay, hours and holidays of certain groups of employees at the Group's National Distribution Centre at Shirebrook.

Further information on relationships with employees can be found in the Corporate Responsibility Report on page 58 to 59.

Equal opportunities

The Group's policy for its employees and for all applicants for employment is to fit the abilities and aptitude of each individual to an appropriate job, irrespective of gender, race, religion or belief, sexual orientation, age, disability or ethnic origin. The Company and other Group companies will not tolerate discrimination in any form. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. The Group does all that is practicable to meet its responsibilities towards the training and employment of disabled people, and to ensure that training, career development and promotion opportunities are available to all employees.

The Group makes every effort to provide continuity of employment in the same or similar job where an employee becomes disabled including offering retraining in order that the employees' employment within the Group may continue.

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 donations of £4,000 (2009: £50,000) to the Children's Trust additional non cash items are contained in the Corporate Responsibility Report. No political donations were made (2009: nil).

Directors

Directors who served during the Year were:

	Date of appointment
Mike Ashley	21 December 2006
Simon Bentley	02 March 2007
Malcolm Dalgleish	25 October 2008
Dave Forsey	08 February 2007
Keith Hellawell	24 November 2009
Bob Mellors	21 December 2006
Dave Singleton	25 October 2007

Directors' Report

continued

Directors (continued)

Details of Directors, their roles, responsibilities, achievements and significant external commitments are set out on pages 36 and 37 and, in respect of Directors standing for reappointment, in the Annual General Meeting Notice, which is sent to shareholders with this report.

The appointment, retirement and reappointment of Directors are governed by the Company's Articles of Association, the Combined Code, the Companies Act and related legislation. The Articles may be amended by Special Resolution of the shareholders. The powers of Directors are described in the Board's Terms of Reference and in the Corporate Governance Statement on pages 43 to 46.

The Board believes that each Director standing for reappointment continues to demonstrate commitment, is an effective member of the Board, and contributes to the balance of skills, knowledge and experience identified by the Board as being required. The Board is satisfied that the Chairman is not precluded from devoting sufficient time to his duties to the Company by reason of his other commitments. The Board recommends reappointment of the Directors standing for reappointment.

Information on service contracts and details of the interests of the Directors and their families in the share capital of the Company at 25 April 2010 and at the date of this report is shown in the Directors' Remuneration Report on pages 53 and 56 respectively. 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 Annual General Meeting.

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 Company).

Directors conflicts of interest

The Board has put in place procedures to deal with Directors' conflicts of interest. During the Year the Board reviewed and, where appropriate, approved certain situational conflicts of interest that were reported to it by Directors, and a register of those situational conflicts is maintained and reviewed. Also during the Year 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.

Deeds of indemnity

The Company has entered into deeds of indemnity for the benefit of each Director of the Company and for the benefit of each person who was a Director during the Year, in respect of liabilities to which they may become liable in their capacity as Director of the Company and of any company in the Group. These indemnities are qualifying third party indemnity provisions within the meaning given to that term by Sections 234 and 235 of the 2006 Act, and all these indemnities remain in force.

Annual General Meeting

The Annual General Meeting of the Company will be held on 7 September 2010 at Unit D, Brook Park East, Shirebrook, NG20 8RY. The meeting will commence at 3.00 pm. The Board encourages shareholders to attend and participate in the meeting.

Auditors

Grant Thornton UK LLP has expressed a willingness to continue in office. In accordance with section 489 (4) of the Companies Act 2006, resolutions to reappoint Grant Thornton UK LLP as auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Bob Mellors
Company Secretary

22 July 2010

Corporate Governance Report

Corporate Governance

The Board of Directors of the Company is committed to maintaining high standards of corporate governance and to managing the affairs of the Group in accordance with the provisions of the Listing Rules and of the Combined Code on Corporate Governance, issued by the Financial Reporting Council in June 2008 (the "Combined Code"). A copy of the Combined Code is available on the Financial Reporting Council's website at www.frc.org.uk. The Board has reviewed the Company's corporate governance processes and policies, and has concluded that during the 52 weeks ended 25 April 2010 (the "Year") the Company complied with the provisions of the Combined Code except as set out below.

The Combined Code (code provision A3.2) recommends that at least half of the Board of Directors of a UK listed company, excluding the Chairman, should be comprised of Non-Executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Director's judgment. Prior to the appointment of the Non-Executive Chairman, Dr Hellawell, the Company did not comply with this provision of the Combined Code. The Board is currently made up of the Non-Executive Chairman, three Executive Directors and three independent Non-Executive Directors. The Company will continue to remain compliant until the retirement of Malcolm Dalgleish at the AGM in September 2010.

The Combined Code also provides (code provisions B2.1 and C3.1) that each of the Remuneration and Audit Committees of the Board should comprise of at least three independent Non-Executive Directors. The Code also provides that, in respect of the Remuneration Committee, the Company Chairman may also be a member, but not chair the Committee if he or she was considered independent on appointment as Chairman. Until 23 November 2009 these committees comprised two independent Non-Executive Directors and the Acting Chairman and as such did not comply with the Code. From 24 November 2009 and the appointment of the Non-Executive Chairman the Acting Chairman reverted to Non-Executive Director and the Company complied with the Code.

The Combined Code provides (code provision A.4.1) that the majority of the members of the Nomination Committee should be independent Non-Executive Directors. Until 23 November 2009 the Committee comprised the Acting Chairman and two Non-Executive Directors and did not comply with the Code. The committee is now compliant with the provisions of the Code due to the appointment of the Non-Executive Chairman.

The Company has in the past used recruitment consultants to search for a Chairman and for additional independent Non-Executive Directors and the Nomination Committee has approved job descriptions for those roles.

During the Year the Company appointed Dr Keith Hellawell as Non-Executive Chairman. A search for a new Chairman through recruitment consultants had previously been unsuccessful. Upon the recommendation of an institutional shareholder, Dr Hellawell was interviewed and appointed to the Board.

Following the departure of Malcolm Dalgleish at the 2010 Annual General Meeting, the Company will continue to seek his replacement based on the job description approved by the Remuneration Committee.

The Board currently believes, however, that the Board and its committees as currently constituted are working well, and that in a period of challenging economic conditions it may be difficult to recruit an appropriate person to be an independent Non-Executive Director of the Company. The Nomination Committee and the Board will, continue to actively look to fill this appointment.

The Board

During the Year the Board comprised a Non-Executive Chairman, three Executive Directors, and three Non-Executive Directors. The names and short biographies of the Non-Executive Chairman and other Directors are set out on pages 36 and 37.

The Non-Executive Chairman, Keith Hellawell and the Non-Executive Directors are considered by the Board to be independent. The Board considers that an independent Director is one who is independent in character and judgment, and where there are no circumstances that are likely to affect, or could appear to affect, his or her judgement. Relationships or circumstances that could affect judgement include having been an employee of the Company or of any Group company during the past five years, having had a material business relationship or having been a partner, shareholder, Director or senior employee of a body with a material business relationship with the Company or any Group company in the past three years, receiving remuneration from the Company other than Directors' fees, participating in any share option or bonus schemes or in a Company pension scheme, having had close family ties with any of the Company's advisors, Directors or senior employees, having cross Directorships or significant links with any other Director, representing a significant shareholder, or serving on the Board for more than nine years.

Corporate Governance Report

continued

The Board (continued)

Simon Bentley resumed his position as Senior Independent Non-Executive Director and is available to shareholders if they have concerns which have failed to be resolved through the normal channels of Chairman, Executive Deputy Chairman, Chief Executive, or Group Finance Director, or for which such channels are inappropriate.

The Company has entered into a Relationship Agreement with Mike Ashley, the Executive Deputy Chairman, whose wholly owned company, MASH Holdings Ltd currently holds approximately 71.2% of the issued share capital of the Company (excluding treasury shares), this agreement is described in the Directors' Report on page 40.

Given the structure of the Board and the terms of the Relationship Agreement, the Board believes that no individual or small group of individuals can dominate the Board's decision making.

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 composition of that Committee and a description of its terms of reference are set out on page 48.

Details of Executive Directors' service contracts and of the Chairman's and the Non-Executive Directors' appointment letters are given on page 53. 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 Annual General Meeting.

Executive Directors normally retire on reaching the age determined by the Board from time to time as the retirement age for Executive Directors.

Non-Executive Directors are appointed for an initial term of three years from the Annual General Meeting following their joining of the Board, and, subject to performance, there is an expectation of reappointment for a further period of three years. Exceptionally a Non-Executive Director may be invited to serve for a further and final three year term. Non-Executive Directors' fees are determined by the Board in the absence of the Non-Executive Directors other than the Chairman.

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 Annual General Meeting. Every Director must retire at least once every three years, and in addition at least one third of the continuing members of the Board must retire by rotation each year.

Retiring Directors may seek reappointment if willing and eligible to do so and if so recommended by the Nomination Committee. The Chairman will, when proposing the reappointment of a Director, confirm that following formal performance evaluation, the Director's performance continues to be effective and he or she continues to demonstrate commitment to the role.

Malcolm Dalgleish will retire at this year's AGM and will not put himself forward for re-election. Having been appointed since the last Annual General Meeting, Keith Hellawell will retire from the Board and being eligible will offer himself for election. Mike Ashley will retire by rotation, and being eligible will seek reappointment.

The Board has adopted a formal process for the performance evaluation of the Board, its committees and individual Directors. Every year each Director has an opportunity to express his or her views on the organisation and operation of the Board and its committees, their effectiveness and contribution to the business, and on any other matter they consider relevant. These views are expressed in response to a questionnaire prepared and circulated by the Secretary, who holds the comments of individual Directors in confidence. The results of these questionnaires are consolidated and reported to the Chairman and, in so far as they relate to the Chairman, to the Senior Independent Non-Executive Director, and, in so far as they relate to the Board as a whole or to any of its committees to the Board as a whole. The Chairman has begun a process of evaluation which he will complete in the next financial year.

Given the current small size of the Board, the Board does not consider the use of independent consultants appropriate or useful.

In addition the Chairman will meet with individual Directors privately at least once in every year, to review the contribution of that Director to the Board and his or her development needs. The Chairman has completed his evaluation for the 09/10 financial year. The Chairman will meet with the Non-Executive Directors as a group and in the absence of any Executive Directors at least twice a year, and as part of the Board Evaluation Programme the Non-Executive Directors, led by the Senior Independent Non-Executive Director, will review the performance of the Chairman, having taken account of the views of the Executive Directors. The Senior Independent Non-Executive Director will undertake his first review of the Chairman in the coming year.

The Board and the Nomination Committee will consider the output from the evaluation programme in their evaluation of the skills, knowledge and experience of the Board, and in formulating development plans.

The Board provides corporate governance training for those Directors appointed to the Board for whom it is their first appointment to a listed company board, and provides a tailored induction programme for all Directors on appointment. In addition the Board is made aware of material changes to laws and regulations affecting the Group's business from time to time. All Directors have access to the advice and services of the Company Secretary, and each Director and each Board committee may take independent professional advice at the Company's expense, subject to prior notification to the other Non-Executive Directors and the Company Secretary. The Company maintains appropriate Directors and officers insurance.

The division of responsibilities between the Non-Executive Chairman, the Executive Deputy Chairman and the Chief Executive is in writing and has been agreed by the Board. The Chairman is responsible for leadership of the Board, for ensuring its effectiveness, and for ensuring that all Directors are able to play a full part in the activities of the Company. He ensures effective communication with shareholders, and that the Board has an understanding of the views of major investors. The Chairman is available to provide advice and support to members of the executive team. The Executive Deputy Chairman is an ambassador for the Company, and takes the lead in the strategic development of the Company, formulating the vision and strategy in conjunction with the Chief Executive. The Chief Executive is responsible for leading the management team, the running of the Group's business, for the delivery of the strategy approved by the Board, and for implementing specific decisions made by the Board. No one individual has unfettered power of decision.

The Board currently plans to meet on a formal pre-planned basis six times during each year with up to four additional strategy meetings at convenient time throughout the year when broader issues concerning the strategic future of the Company will be discussed. The Board will meet on other occasions as and when the business demands. During the Year the Board met on nine occasions.

The Board is collectively responsible for the success of the Company, and has a programme to enable it to discharge its responsibility of providing effective and entrepreneurial leadership to the Company within a framework of prudent and effective controls. An agenda is established for each meeting, and appropriate documentation is provided to Directors in advance of them.

For regular meetings the agenda will include reports from the Chief Executive and the Group Finance Director, 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. 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.

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.

	Board Meetings	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**
Keith Hellawell	2/2	2/2	3/3	2/2
Mike Ashley	9/9	-	-	-
Simon Bentley	9/9	4/4	5/5	3/3
Malcolm Dalgleish	7/9	3/4	4/5	3/3
Dave Forsey	9/9	-	-	-
Bob Mellors	9/9	-	-	-
Dave Singleton	9/9	4/4	5/5	3/3

The Board has a formal schedule of matters reserved for decision by it. Matters so reserved include the approval of the strategic plan and long-term objectives of the Group, the annual budget and the allocation of resources to achieve that budget, decisions relating to unbudgeted expenditure over certain limits, significant acquisitions, disposals and joint ventures, other material contracts, changes to the corporate structure of the Group, the appointment and removal of the Company Secretary, approval of accounting policies and practices and approval of the annual report. The Board delegates management of the businesses of the Group to the executive management, and delegates specific responsibilities to Board committees.

Corporate Governance Report

continued

The Board (continued)

The Board believes that the appointment of Executive Directors to be Non-Executive Directors of other listed companies benefits the Group, through the additional experience and knowledge gained by such an appointment, and accordingly, Executive Directors are permitted to accept one such appointment where no conflict of interest arises, and to retain the fees received. Currently none of the Executive Directors holds such an appointment.

All Non-Executive Directors disclose to the Board prior to appointment their significant other commitments and they are required to notify and have notified any changes to or additional commitments from time to time. Simon Bentley is Chairman of Global Brands SN, Maypole Group plc and Deputy Chairman of the Leadership Trust. He is also a Director of Brasher Leisure and Chairman of Cash on the Move. Dr Hellawell is currently Non-Executive Director of Mortice Plc, a Singapore based facilities management company. The Board is satisfied that Dr Hellawell and Simon Bentley meet their obligations to the Company. All Non-Executive Directors are available to meet with major investors.

Board Committees

There are three principal Board Committees, all of which have written terms of reference. Summaries of the terms of reference and details of the membership of committees are set out below. Copies of the terms of reference are available from the Company Secretary and on the Company's website. Only members of each Committee are entitled to attend the meetings of committees, although each Committee may invite other Directors, managers and advisors to attend and have done so. Membership of Board Committees will be regularly reviewed. Given the current size of the Board, and the terms of reference, all Non-Executive Directors are members of every Board Committee.

It is, however, the Board's intention that, when the number of independent Non-Executive Directors appointed to the Board permits, the Chairman of the Remuneration Committee will not serve on the Audit Committee, and vice versa. The Board is satisfied that currently no one Director exercises a disproportionate influence.

Attendance at meetings of Committees is set out on the previous page.

Audit Committee

Directors who served on the Committee during the Year were:

Simon Bentley (Chairman)
Malcolm Dalgleish
Keith Hellawell
Dave Singleton

The Chairman of the Committee is a Chartered Accountant, and has recent and relevant financial experience.

The Committee met on four occasions during the Year.

The Committee's programme is pre-planned to ensure that each aspect of its responsibilities is discharged as part of an annual cycle during the Company's financial year. The main responsibilities of the Audit Committee are:

- Assisting the Board with the discharge of its responsibilities in relation to internal and external audits and controls.
- Monitoring the financial reporting process and the integrity and clarity of the Group's financial statements, including making recommendations on judgments they contain and the financial reporting process.
- Agreeing the scope of the annual audit and the annual audit plan and monitoring the same.
- Reviewing and monitoring the independence of the external auditors and relationships with them and in particular agreeing and monitoring the extent of the non-audit work that may be undertaken by external auditors.
- Advising on the appointment, reappointment and removal of external auditors.
- Reviewing accounting and financial reporting policies, terms of engagement and remuneration of the external auditors, and any changes thereto and the method of accounting for unusual transactions.

Reviewing and monitoring the effectiveness of the internal control and risk management policies and systems in place within the Group and ensuring that appropriate arrangements are in place under which employees can raise concerns about possible financial or other impropriety which are then appropriately investigated.

During the Year the Committee considered the matters that fell within its area of responsibility above and in particular the arrangements for monitoring the effectiveness of internal controls, and also considered the current economic climate and its likely impact on the Group.

The Audit Committee will normally meet not less than three times a year.

The external auditors attend meetings of the Committee, other than when their appointment is being reviewed. The Group Finance Director also attends as appropriate. The Committee will meet with the auditors in the absence of executive management at least twice a year.

The Audit Committee considers annually the reappointment of the auditors and their remuneration, and makes recommendations to the Board, and the auditors are reappointed each year at the Annual General Meeting. The Committee will consider the level of service provided by the auditors and their independence annually.

The Committee has approved a policy on the engagement of the external auditors for non-audit work, in order to ensure that the objectivity of the auditor's opinion on the Group's financial statements is not or may not be seen to be impaired, and has established a process to monitor compliance with that policy.

The policy identified three categories of potential work. Firstly, those tasks that the auditors may not provide, as to do so would represent a real threat to independence. That work includes the preparation of accounting entries or financial statements, IT systems design and implementation, management of projects and tax planning where the outcome would have a material impact on the financial statements or where the outcome is dependent upon accounting treatment.

Secondly, types of work that the auditors may undertake with the consent of the Chairman of the Audit Committee. Included in this category are certain corporate finance services, acquisition due diligence, management consultancy and secondment of staff other than for the preparation of accounting entries or financial statements.

Thirdly, there are services that the auditors may provide as the work is clearly audit related and there is no potential threat to independence, including regulatory reporting and acting as reporting accountants. The Company is satisfied that its policy falls within the requirements of the Auditing Practices Board.

Every engagement of the auditors for non-audit work is to be reported to the next meeting of the Committee.

The Combined Code recommends that the Audit Committee is made up of at least three Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement.

The Audit Committee currently consists of three independent Non-Executive Directors and the Non-Executive Chairman. Upon the resignation of Malcolm Dalgleish the Company intends to appoint another independent Non-Executive Director to the Board.

Remuneration Committee

Directors who served on the Committee during the Year were:

Dave Singleton (Chairman)
Simon Bentley
Malcolm Dalgleish
Keith Hellawell

The main responsibilities of the Remuneration Committee are to:

- Determine the Company's policy on executive remuneration, including the design of bonus schemes, and targets and payments made thereunder.
- Determine the levels of remuneration for the Chairman and each of the Executive Directors.
- Monitor the remuneration of senior management and make recommendations in respect of thereof.
- Agree any compensation for loss of office of any Executive Director.
- The Committee met on five occasions during the Year.

During the Year the Committee reviewed Directors and senior manager's remuneration arrangements, and considered bonus schemes, in particular the Bonus Share Scheme and the proposed Executive Bonus Share Scheme, approval of which will be sought at the Annual General Meeting of the Company in September.

The Committee considered Directors' salaries and determined not to increase them. The Committee decided whether any payments were due to Executive Directors under the 2007-08 Annual Bonus Scheme, and decided not to operate an Annual Bonus Scheme for Executive Directors for 2010-11 due to the participation in the Bonus Share Scheme.

The Committee also reviewed the Performance Share Plan and resolved to terminate it upon approval of the Executive Bonus Share Scheme.

Corporate Governance Report

continued

Remuneration Committee (continued)

A report on the remuneration of Directors appears on pages 50 to 56. The Combined Code recommends that the Remuneration Committee is made up of at least three Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement. The Committee currently consists of three independent Non-Executive Directors and the Chairman and complies with the recommendations set out in the Combined Code.

Upon the resignation of Malcolm Dalgleish the Company intends to appoint an additional independent Non-Executive Director to the Board who will also be appointed a member of the Remuneration Committee.

Nomination Committee

Members of the Nomination Committee during the Year were:

Keith Hellawell (Chairman)
Simon Bentley
Malcolm Dalgleish
Dave Singleton

The Committee met on three occasions during the Year.

The main responsibilities of the Nomination Committee are to:

- Review the Board's structure.
- Review the composition and make up of the Board, including evaluating the balance of skills, knowledge and experience of the members of the Board.
- Give consideration to succession planning for Directors.
- Prepare a description of the role and capabilities required for any Board appointment.
- Make recommendations to the Board concerning the standing for reappointment of Directors.
- Identify potential candidates to be appointed as Directors, and make recommendations to the Board as the need may arise.

The Nomination Committee also determines succession plans for the Chairman and the Chief Executive, who will not be present at meetings when such matters are being discussed.

The Nomination Committee will meet at least once a year and will also meet when appropriate.

During the Year the Committee considered the appointment of the Non-Executive Chairman and a further Non-Executive Director or Directors, and also considered the standing for reappointment of Directors retiring by rotation.

Dave Forsey, as Chief Executive, will normally attend meetings of the Nomination Committee, save where the Nomination Committee is dealing with matters relating to him or with the appointment of his successor.

The Combined Code recommends that a majority of the Nomination Committee be Non-Executive Directors, independent in character and judgement and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgement.

Upon the retirement of Malcolm Dalgleish the Company intends to appoint an additional independent Non-Executive Director to the Board who will also be appointed a member of the Nomination Committee.

Share dealing code

The Company has a code of securities dealings in relation to its shares and other securities which is based on, and is at least as rigorous as, the Model Code as published in the Listing Rules. The code applies to the Directors and to other appropriate employees of the Group.

Internal controls and risk management

The Directors have overall responsibility for the Group's system of internal control and risk management and for reviewing their effectiveness. The systems of internal control and risk management are designed to manage, rather than eliminate, the risk of failing to achieve business objectives.

Such a system can, however, provide only reasonable, and not absolute, assurance against material misstatement or loss.

Members of the Board have responsibility for monitoring the conduct and operations of individual businesses within the Group. This includes the review and approval of business strategies and plans, the setting of key business performance targets and the analysis of risk.

The executive management responsible for each business is accountable for the conduct and performance of their business within agreed strategies.

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 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.

The Group has a formal whistle blowing policy for employees who wish to raise any issues or concerns relating to the Company's or Group's activities on a confidential basis.

Executive management is responsible for the identification, evaluation and management of the significant risks applicable to their areas of business and for the development of a disaster mitigation and recovery programme.

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

The Audit Committee assists the Board in fulfilling its oversight 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 auditors attend all meetings of the Audit Committee, save for those parts of any meeting when the Committee reviews the performance of the auditors and when the Committee is having separate discussions with the Group Finance Director.

With the exception of Heatons, the Group's only material associate, the Group's system of internal control and risk management and its effectiveness is monitored and reviewed by the Board, the Audit Committee and 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 Turnbull guidance.

Social, environmental and ethical matters

The Group has for many years, recognised the benefits that accrue from responsible employment, environmental and community policies. Details of the Group's activities in this area are set out in the Corporate Responsibility Report on pages 58 to 63.

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of Regulation II and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) and of the Combined Code on Corporate Governance 2008 ("the Combined Code").

UNAUDITED INFORMATION

The Remuneration Committee

During the 52 weeks ended 25 April 2010 (the Year), the members of the Remuneration Committee (the Committee), were:

Dave Singleton (Chairman)
Simon Bentley
Malcolm Dalgleish
Keith Hellawell

Simon Bentley, Dave Singleton and Malcolm Dalgleish are independent Non-Executive Directors, Keith Hellawell is Non-Executive Chairman.

The main responsibilities of the Committee are summarised in the Corporate Governance Report on pages 47 and 48.

Advisers

The Committee has sought the advice and services of Freshfields LLP when drafting the 2009 Bonus Share Scheme in which the Executives currently participate and Charles Russell LLP and Deloittes in relation to the proposed new Executive Bonus Share Scheme.

Dave Forsey, the Chief Executive, Bob Mellors, the Group Finance Director, and Mike Ashley, the Executive Deputy Chairman, have also advised or materially assisted the Committee when requested.

Remuneration policy

The Committee has endorsed the provisions of Section 1B of the Combined Code, and has had those provisions in mind when determining remuneration policies for the past, current and future years. Policies and practice in respect of remuneration inevitably evolve over time and, while it is currently believed that the policies described in this report will apply in future years, they will be subject to regular review.

The Group operates in a highly competitive retail environment, and the Committee seeks to ensure that the level and form of remuneration is sufficient to attract, retain and motivate Directors and senior managers of the quality and talent required to run the Group successfully. In order to maintain the Group's historic focus on growth, the Committee has adopted a strongly performance based remuneration policy for Executive Directors, under which a large proportion of their remuneration will be dependent upon the Group's performance, and be paid in shares.

Accordingly, for Executive Directors other than Mike Ashley, basic salaries have been set at a level below the lower quartile for a business of the size and complexity of the Group. During the Year the performance related elements of the remuneration packages consisted of participation in the Bonus Share Scheme and Performance Share Plan.

Executive Directors do not participate in a company pension arrangement in respect of which the Company makes a financial contribution, and do not have the use of a company car or other similar benefits often available to Executive Directors.

The Committee has reviewed the current incentive arrangements and in support of the above policy is recommending the establishment of a new Executive Bonus Share Scheme. The Executive Bonus Share Scheme has been designed to incentivise and reward Executive Directors in a way that is consistent with the Group's strategy of earnings growth and long term shareholder value.

Full details of the proposed new Executive Bonus Share Scheme are contained in the Circular to shareholders accompanying this Report and shareholders will be invited to approve the new Executive Share Bonus Scheme at the forthcoming Annual General Meeting.

If the establishment of the Executive Bonus Share Scheme is approved then it will replace the Performance Share Plan and Bonus Share Scheme. In addition, a condition of participation in the proposed Executive Bonus Share Scheme will be that the Bonus Share Scheme awards for Executive Directors for 2009-10 and 2010-11 will not be made; and all subsisting awards held under the Performance Share Plan by the Executive Directors will lapse.

If the Committee were to change its policy on basic salaries and bonus strategy, then the Committee's remuneration policy as set out above will not necessarily apply to any new appointment to the Board, or the existing Board going forward.

Mike Ashley has agreed that he will not receive a salary for his role as Executive Deputy Chairman, nor does he participate in the Bonus Share Scheme, and he will not participate in the Executive Bonus Share Scheme if approved.

The Committee intends to establish and thereafter maintain contact with major shareholders and representative groups where appropriate concerning remuneration matters.

The Committee is at all times mindful of the Company's social, ethical and environmental responsibilities, and is satisfied that current remuneration arrangements do not inadvertently encourage irresponsible behaviour.

The Committee has reviewed the salaries, other remuneration and other employment conditions of senior and middle managers throughout the Group, and has taken them into account in considering Directors salaries and the creation of new incentive schemes in order to create a sense of common purpose and sharing of success. The proposed Executive Bonus Share Scheme targets mirror that of the Bonus Share Scheme which applies to all UK permanent employees of the Group in the UK Retail, Brands and Head Office on the same basis, including applying the same performance conditions, irrespective of seniority.

The Committee's remuneration policy in respect of the Non-Executive Directors is to pay annual fees which reflect the responsibilities and duties placed upon them, whilst also having regard to market practice.

Basic salary

Basic salaries are reviewed annually. There was no increase in Executive Directors' salaries in the review in 2009 and in April 2010 the Committee decided again not to alter Executive Directors' salaries. Executive Directors' salaries have now been at the same level since 2002.

Annual Bonus Scheme

The Committee has determined that no Annual Bonus Scheme will be operated for Executive Directors while the Bonus Share Scheme or proposed new Executive Bonus Share Scheme is being operated.

Mike Ashley did not participate in the Annual Bonus Scheme for the Year, and will not participate in the Bonus Share Scheme or proposed new Executive Bonus Share Scheme.

Bonus Share Scheme

The Bonus Share Scheme was approved at the Company's Annual General Meeting in September 2009 to motivate and help improve the retention of employees, to encourage employee participation in the shares of the Company, to align the interests of employees and shareholders, and to drive Underlying EBITDA in line with Company strategy. All permanent UK employees in UK Retail, Brands and Head Office with not less than one year of service at the beginning 2009-10 participated, irrespective of seniority.

The bonus was structured in two stages. The first bonus is 25% of base pay in shares at a notional share price of £1.00 per share. The bonus target for 2009-10 was Underlying EBITDA of £155m (Net of the cost of the scheme) and will vest after two years subject to continuous employment until then.

The second bonus is 75% of base pay in shares at a notional share price of £1.25 per share. The second stage of the bonus is conditional upon the first bonus target being met in 2009-10, and the second bonus targets are:

- Underlying EBITDA of £195m (Net of the cost of the scheme) in 2010-2011, and
- Underlying EBITDA/Net Debt ratio of 2 or less at the end of 2010-11

The second bonus will vest, subject to continuous employment until then, 2 years after the second bonus target is met.

The Committee will adjust reported underlying Group EBITDA each year during which the scheme is running for the purpose of the scheme to ensure consistency in the calculation of underlying EBITDA and to ensure that underlying EBITDA is a fair comparison year by year, for example, by eliminating the impact of acquisitions where the cost of acquisitions is not reflected in underlying EBITDA.

Underlying EBITDA is as defined on page 26 and is not at constant foreign currency exchange rates.

Directors' Remuneration Report

continued

Bonus Share Scheme (continued)

As outlined previously, the Committee has determined that, if the proposed Executive Bonus Share Scheme is approved at the Company's Annual General Meeting in September 2010 and implemented with effect from the beginning of the current financial year, then this will replace the Bonus Share Scheme for the Executive Directors. In this case, the Bonus Share Scheme awards for Executive Directors for 2009-10 and 2010-11 will not be made.

The Performance Share Plan

The Performance Share Plan was adopted at the time of the Admission of the Company to the official list and to trading on the London Stock Exchange in 2007.

The maximum number of shares that an Executive Director may acquire pursuant to share awards granted to him in any financial year may not have an aggregate market value, as measured at the date of grant, exceeding 400% of his annual basic salary.

There are currently three grants of awards in respect of the periods 2007 to 2010, 2008 to 2011 and 2009 to 2012 under the Performance Share Plan. The vesting of 50% of the awards is subject to a performance target based on the earnings per share ("EPS") growth of the Company over a three year performance period. The remaining 50% of the awards are subject to a performance target based on the Company's total shareholder return ("TSR") over the same performance period when compared against a group of comparator companies.

The number of shares that will vest under the EPS tranche of each award will be determined as follows:

EPS Growth	Percentage of shares in EPS tranche that vest
Below 19% per annum	0
19% per annum ("Threshold")	25
24% per annum ("Target")	50
29% per annum ("Stretch")	100

Shares comprised in the EPS tranche will vest on a straight-line basis for performance between Threshold and Target and between Target and Stretch.

The percentage of the shares comprised in the TSR tranche that vest will be determined by reference to the Company's TSR ranking within the comparator group at the end of the performance period as follows:

TSR Ranking	Percentage of shares in TSR tranche that vest
Upper quartile	100
Median	25
Below median	0

Shares comprised in the TSR tranche will vest on a straight-line basis for performance between median and upper quartile.

The initial comparator group comprised the following companies

- Marks & Spencer plc
- Kingfisher plc
- Next Group plc
- Home Retail Group plc
- DSG International plc
- The Carphone Warehouse Group plc
- Signet Group plc
- Kesa Electrical plc
- Debenhams plc
- N Brown Group plc
- Galiform plc
- Carpetright plc
- Halfords Group plc
- W H Smith plc
- JJB Sports plc
- HMV Group plc
- JD Sports Fashion Plc
- Blacks Leisure Group plc
- Mothercare plc

Mothercare plc has replaced Umbro plc in the comparator group following its acquisition by Nike and subsequent delisting.

Subject to satisfaction of applicable performance conditions and continued employment, awards will vest at the end of the performance period and vested share awards will be released to participants automatically as soon as practicable after the date the shares vest.

The Committee determined that, upon the vesting of any award, a participant will receive additional shares representing the gross value of dividends as if they had been paid on those shares and reinvested during the performance period.

In the event of a takeover, scheme of arrangement (other than a scheme to create a new holding company for the Company having substantially the same shareholders as the Company) or voluntary winding-up of the Company, share awards will vest following such an event to the extent the performance conditions have been met but on a time pro-rated basis. Share awards may also by agreement, be exchanged for equivalent share awards or options over shares in the acquiring company.

As outlined previously, the Committee has determined that, if the proposed Executive Bonus Share Scheme is approved at the Company's Annual General Meeting in September 2010 and implemented with effect from the beginning of the current financial year, then this will replace the Performance Share Plan. In this case, all subsisting awards held under the Performance Share Plan by the Executive Directors will lapse.

Pension

Executive directors are entitled to participate in a stakeholder pension scheme under which the Company makes no contribution.

Share ownership policy

The Committee believes it to be important that Executive Directors have a significant holding in the capital of the Company.

The Executive Directors' currently each own 1 million shares in the Company. In order to participate in the proposed Executive Share Bonus Plan, the Executive Directors will be required to maintain a level of shareholding in the Company equivalent to one year's salary while they remain employed by the Company.

Contracts of service

On 11 February 2007, each Executive Director entered into a new service agreement with the Company. The agreements became effective on Admission.

These contracts reflect the Committee's policy on the duration of Executive Directors service contracts and on notice periods and termination payments.

Each Executive Director's employment is terminable by either party on 12 months' written notice. The Company may elect to terminate the employment of Dave Forsey and/or Bob Mellors by making a payment in lieu of notice equal to the basic salary that the Director would have received during the notice period or, if notice has already been given, during the remainder thereof.

The Company may elect to pay any payment in lieu of notice by monthly instalments during the outstanding notice periods, and if the Director obtains alternative employment or provides services pursuant to a consultancy agreement while such payments are being made (the Director being obliged to use his best efforts to obtain such employment), each instalment falling due after the commencement of such employment or provision of services is reduced by one twelfth of the annual remuneration or fees received by the Director in respect of that alternative employment or consultancy.

Any entitlement to benefits under any share related incentive scheme are determined in accordance with the rules of that scheme.

Each Executive Director's service contract automatically terminates on the date that the Director reaches such age as is determined by the Board from time to time as the retirement age for Executive Directors.

The Non-Executive Directors have each entered into a letter of appointment with the Company, which became effective in the case of Simon Bentley, on Admission, and in the case of Malcolm Dalgleish, Dave Singleton and Keith Hellawell on execution. Details of the letters of appointment are set out below:

	Position	**Annual fee £'000**	**Date of letter of appointment**
Keith Hellawell	Chairman	155	24/11/2009
Simon Bentley [1]	Non-Executive Director	50	11/02/2007
Malcolm Dalgleish	Non-Executive Director	50	25/10/2007
Dave Singleton	Non-Executive Director	50	25/10/2007

[1] Simon Bentley received an annual fee of £144,000 as Acting Chairman. As from 24/11/2009 receives £50,000 as a Non-Executive Director.

Directors' Remuneration Report

continued

Contracts of service (continued)

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

Each Non-Executive Director's appointment (other than the Chairman) is for an initial period that expires on the date of the Company's first Annual General Meeting after appointment. The appointment of Simon Bentley was renewed at the AGM on 9 September 2009 and will continue for a term of three years from then and then terminate unless renewed prior to the expiry of that term.

Malcolm Dalgleish, who is scheduled to retire at the next AGM has made it known that he does not intend to seek reappointment.

Notwithstanding renewal for a three year term, the appointment of each of Simon Bentley, Malcolm Dalgleish and Dave Singleton may be terminated at any time by either party on one months' written notice.

Each of the appointments of the Non-Executive Directors may also be terminated in accordance with the Articles of Association of the Company, and immediately in certain prescribed circumstances (including the bankruptcy of the Non-Executive Director).

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.

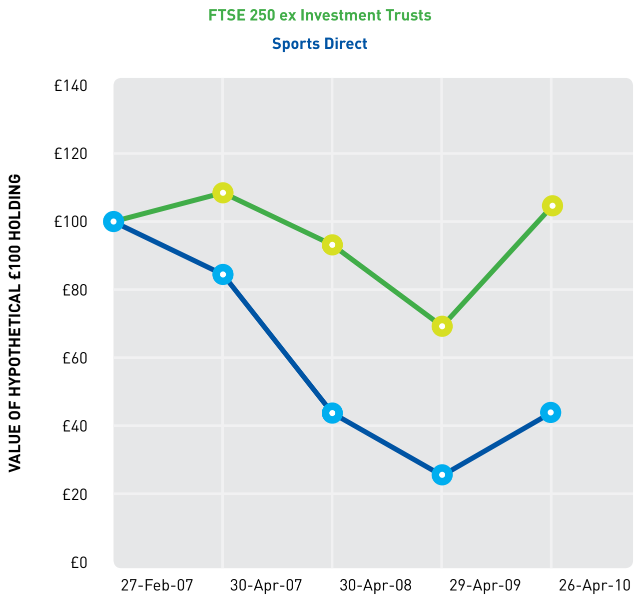
Non-Executive directorships

The Board recognises that Executive Directors may be invited to become Non-Executive Directors of other companies, and that the experience and knowledge gained as a result of such appointments are of benefit to the Company. Accordingly, the Board has agreed that the Executive Directors may accept one such appointment, and retain any fees payable in respect thereof, subject to there being no conflict of interest. No Executive Director currently holds any such appointment.

Performance graph

The following graph, required by the Regulations, shows the Company's total shareholder return since Admission against that of the FTSE 250 index (excluding investment trusts). The Committee considered this an appropriate index against which to compare the Company's performance as it is widely accepted as a national measure and includes the companies that investors are likely to consider alternative investments.

Historical TSR Performance



Growth in the value of a hypothetical £100 invested in Sports Direct International plc compared with £100 invested in the FTSE 250 index.

Service contracts

The Executive Directors' service contracts are summarised in the following table

Name	Contract date	Unexpired term/ notice period	Proper law
Mike Ashley	11/02/2007	12 Months	England & Wales
Dave Forsey	11/02/2007	12 Months	England & Wales
Bob Mellors	11/02/2007	12 Months	England & Wales

AUDITED INFORMATION

Auditors' report

The auditors are required to report on the information contained in the following section of this report, other than in respect of Non-Executive Directors' shareholding.

Directors' remuneration 2010

The following pages set out an analysis of Directors' emoluments and annual bonus, entitlements under the Performance Share Plan, Bonus Share Plan and shareholdings.

Directors' emoluments

An analysis of Directors' emoluments relating to salary and Directors fees, annual bonus and other benefits (other than entitlements under the Performance Share Plan, Bonus Share Plan and in respect of pensions) for the 52 weeks to 25 April 2010 (the Year) is set out below:

	Salaries and fees £000	Bonus £000	Other benefits £000	Total 2010 £000	Total 2009 £000
Mike Ashley	-	-	-	-	-
Simon Bentley	50	-	-	106	144
Malcolm Dalgleish	50	-	-	50	50
Dave Forsey	150	-	-	150	150
Keith Hellawell	67	-	-	67	0
Bob Mellors	150	-	-	150	150
Dave Singleton	50	-	-	50	60
Total	487			573	554

The aggregate of Directors' emoluments in the Year was £573,554: (2008-09: £554,000).

Basic salary

The basic salaries of Executive Directors at the Year end and at 22 July 2010 (the latest practicable date before the printing of this report) were as shown below:

At 25 April 2010 at 22 July 2010

	At 25 April 2010	At 22 July 2010
Mike Ashley	-	-
Dave Forsey	£150,000	£150,000
Bob Mellors	£150,000	£150,000

Annual Bonus Scheme

The Annual Bonus Scheme was not awarded to the Executive Directors during the Year due to the operation of the Bonus Share Scheme.

Bonus Share Scheme

Under the Bonus Share Scheme, the bonus target of Underlying EBITDA of £155m for 2009-10 was met.

	Date of bonus award [1]	Shares granted during the year	Shares vested during the Year	Shares lapsed during the Year	Maximum shares receivable at 25 April 2010 [2]	Market Value per share on date of award	Earliest date of vesting
Dave Forsey	14/10/2009	37,500			37,500	100p	22/07/2012
	14/10/2009	90,000			90,000	100p	22/07/2013
TOTAL		127,500			127,500		
Bob Mellors	14/10/2009	37,500			37,500	100p	22/07/2012
	14/10/2009	90,000			90,000	100p	22/07/2013
TOTAL		127,500			127,500		

[1] Shares granted under the Bonus Share Scheme were structured in two stages. Both bonus awards were subject to the achievement of EBITDA performance targets and continuous employment. The Board has determined that the EBITDA target in respect of the first bonus of 37,500 shares was met during the year therefore these shares will vest in July 2012 subject to the continuous employment with the Group.

[2] The number of shares is the maximum number of shares that could be receivable by the director if the performance conditions, outlined on page 51, are fully met.

As outlined above, the Committee has determined that, if the proposed Executive Bonus Share Scheme is approved at the Company's Annual General Meeting in September 2010 and implemented with effect from the beginning of the current financial year, the Bonus Share Scheme awards for Executive Directors for 2009-10 and 2010-11 will not be made.

Directors' Remuneration Report

continued

Performance Share Plan

Share awards under the Performance Share Plan were made to certain of the Executive Directors as shown below:

	Date of award	Maximum shares receivable at 27 April 2009 [1]	Shares awarded during the Year	Shares vested during the Year	Shares lapsed during the Year [2]	Maximum shares receivable at 25 April 2010	Market Value per share on date of award	Earliest date of vesting [3]
Dave Forsey	05/04/2007	223,256			223,256		268.75p	25/04/2010
	16/07/2008	987,654				987,654	60.75p	24/04/2011
	13/08/2009		674,157			674,157	89p	29/04/2012
TOTAL						1,661,811		
Bob Mellors	05/04/2007	223,256			223,256		268.75p	25/04/2010
	16/07/2008	987,654				987,654	60.75p	24/04/2011
	13/08/2009		674,157			674,157	89p	29/04/2012
TOTAL						1,661,811		

[1] The number of shares is the maximum number of shares that could be receivable by the Director if the performance conditions, outlined on page 52 are fully met.

[2] The EPS and TSR conditions were not met and the awards lapsed on 25 April 2010.

[3] The "Earliest Date of Vesting" is the end of the relevant performance period. The outcome for that period and the number of awards that vest will not be known until July of the appropriate year.

No share awards were made in 2007/08 as awards under the Performance Share Plan were made in April 2007 (during the 42 days following Admission) and the performance period for those awards ends at the same time as the performance period for any awards that may have been made during that Year.

As outlined above, the Committee has determined that, if the proposed Executive Bonus Share Scheme is approved at the Company's Annual General Meeting in September 2010 and implemented with effect from the beginning of the current financial year, then all subsisting awards held under the Performance Share Plan by the Executive Directors will lapse.

Directors' shareholdings

The beneficial interests of the Directors in office on 25 April 2010 and of their families in both cases at the beginning of the Year, or at the date of appointment if later, and at the end of the Year in the share capital of the Company are shown below:

	Ordinary Shares 26 April 2009	Ordinary Shares 25 April 2010
Mike Ashley	410,400,000	410,400,000
Malcolm Dalgleish	80,694	82,092
Dave Forsey	1,000,000	1,000,000
Keith Hellawell	-	50,000
Bob Mellors	1,000,000	1,000,000
Dave Singleton	153,621	153,621
Simon Bentley	250,000	50,000

Pension contributions

The Company made no contributions to Directors' money purchase pension schemes during the year.

Dave Singleton

Chairman of the Remuneration Committee
22 July 2010

Directors' Responsibilities

and Responsibility Statement

Directors responsibilities

The Directors are responsible for preparing the Annual 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 which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profits or loss of the Group for that period. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs)

The Directors have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP).

In preparing each of the Company and Group 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 applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statement;
- for the Company financial statements, state whether 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 concerns basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They have general responsibility for the system of internal control, taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Report that comply with that law and those regulations.

In so far as each of the Directors are 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 UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

To the best of our knowledge:

(a) the financial statements, prepared in accordance with the applicable set of accounting standards, give 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.

On behalf of the Board

Dave Forsey
Chief Executive

Bob Mellors
Group Finance Director

22 July 2010

Corporate Responsibility Report

The Board recognises the importance of balancing the interests of all its key stakeholders, including customers, employees, shareholders, suppliers and the communities in which it operates. A formal Corporate Responsibility policy was adopted last year and the Board is committed to applying and developing this policy at every level of the business.

Last year we reported that the focus of our Corporate Responsibility activities were in five key areas, Employees, Health and Safety, Customers, the Environment and the Community, and this remains the case. The Group has developed Key Performance Indicators (KPIs) in respect of these areas, which are further discussed in this report and in the Chief Executive's Report and Business Review on Page 8. These KPIs are based solely on our UK operations.

This report examines each key area in turn, reviewing the current situation, the facts, figures and our successes to date, and the opportunities for the present year and for the future.

Employees

The Group currently employ 16,017 in the UK and 1,343 elsewhere in the world. As the business continues to grow it is the skill and enthusiasm of these employees that are key to its success.

In the UK, 94% of our employees work in our stores and in store management. 5.9% of the UK workforce work at our Shirebrook campus, of which 3.0% work in our National Distribution Centre, and 2.0% in the Group Head Office, Finance, Buying, Brands, Retail and IT departments. Of our UK Workforce 58% are male and 42% female.

Employee retention is one of our key KPIs. This Year 17.0% of our UK employees left the business; the vast majority of them were from our stores.

Retention of employees is extremely important both in terms of retaining expertise, and as a measure of employee satisfaction. The Board receives a monthly report on the turnover of employees.

The Group believes in rewarding employees with fair salaries together with the opportunity to earn additional pay in the form of bonuses. We monitor our rates of pay against national statistics on an annual basis. We believe that performance based rewards are beneficial to the business and foster greater employee involvement in it, and this policy starts at the Board and flows down to all levels of the business.

The Bonus Share Scheme, described in the Directors' Remuneration Report on page 51, is intended to motivate further the Group's UK permanent employees in UK Retail, Brands and Head Office, provide them with a direct and substantial link between Group performance and their remuneration, and encourage employee participation in the shares of the Group.

There is continuation of the Staff Forum that was established in Shirebrook, comprising elected representatives from across departments and representatives of management. The Forum meets monthly and discussions cover issues ranging from pay, holidays, hours, health and safety, working conditions, equipment needs and developments in and the performance of the business. The Forum encourages open discussion and a Board member will attend at least once a year. Minutes of the Forum's meetings are posted on notice boards and representatives are encouraged to seek and reflect the views of their constituents.

The Group recognises the right of employees to membership of a trade union and has entered into an agreement with the trade union Unite in respect of collective bargaining of pay, hours of work and holidays of certain groups of employees in the National Distribution Centre.

The Group is committed to the equal treatment of its employees and has formal policies in place that are reviewed on a regular basis. The Equal Opportunity and Diversity policies ensure that employees are treated as individuals, fairly and with respect providing fair and equal opportunities to employees regardless of age, gender, ethnicity, social background, religion, disability or sexuality.

Every effort is made to provide disabled people with equal opportunities for work, training and promotion. Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes. Where an existing employee becomes disabled the business makes every effort to provide continued employment in the same or similar job or by offering retraining in order that the employee's employment within the Group may continue.

We continually review and update all our policies and procedures. A new employee handbook that has been tailored for each department continues to be rolled out during 2010.

The Group places great importance in the training and development of employees. We want them to be able to perform their duties to the best of their abilities while wanting to retain these skills within the business.

2010 will see the International Training Centre at Shirebrook extended. The aim of the Staff Training and Development Department is to use the Training Centre to provide the best, state of the art facilities for our team to achieve their best. Our goal is to give every employee the opportunity to be inspired, stimulated, motivated and empowered to do a better job.

Comprehensive induction training for managers and area managers takes place at Shirebrook covering health and safety, environmental awareness, customer service and the day to day running of a retail unit. During 2009, 172 managers and assistant managers attended this training and the beginning of 2010 has seen 52 attendees.

Each retail unit ensures that all its employees receive induction training. The Group's training strategy is to train managers who are then tasked to ensure that all their employees receive training that is tailored to the circumstances of their own business unit. We monitor how well training is being filtered down into the workplace by undertaking surveys of our store employees.

The management training programme that was introduced in 2008 has continued. The programme covers interview skills, communication, people skills and this year it has focused on employment law at work. During the Year 175 employees attended the programme compared to 113 last year.

The Group, as reported last year, has introduced refresher training as part of a rolling programme, to ensure that all employees reinforce their existing skills and update their knowledge and practices.

The specialist training programme has continued during the year. Areas covered by our specialist training are footwear, rackets, cricket and golf. Since inception the footwear master class has seen 178 employees attend.

Brand training was launched in October 2009 it saw 410 employees attend a one day product training session regarding Nike merchandise over 13 separate days. Again in March 2010, 365 employees attended training where particular focus was on the FIFA World Cup. The training days allow our business partners to promote the features, advantages and benefits of their product to the public through our employees.

All National Distribution Centre employees are given appropriate training upon joining the Group, on health and safety matters, communication and relevant aspects of employment law. English is not the first language of many of these employees, and the Group acknowledges that as it recruits from a diverse talent pool the needs of these employees must be addressed. Accordingly, training often involves the use of interpreters, and training materials, policy documents and building signage are usually in multiple languages.

The Group promotes and fosters a culture of personal development for all. The Group's policy is to always look for internal promotion before external recruitment.

Health and Safety

The Group is committed to appropriate standards of health and safety performance. The Board has ultimate responsibility for Group health and safety performance, and receives updates on incidents from the Head of Retail Operations on these matters.

There were no environmental prosecutions or work related fatalities in the business during 2009/10. During the Year 1,428 (2009: 1,397) accidents across the Group were reported to Head Office, and of these 59 (2009:45) were reportable to the Health and Safety Executive. 94% of accidents were slips, trips and minor lacerations that occurred within the stores. The increase in accident figures has coincided with an increase in the store portfolio but the number of accidents per store has decreased by 5%. The continued emphasis on health and safety training within the business has improved awareness of reporting procedures and recording of incidents under health and safety legislation.

During the Year the stores have had an electronic reminder system introduced. This ensures that amongst other things Health and Safety checks are carried out before the store can physically close at the end of the working day. This will, again, increase the profile of Health and Safety while improving the recording of such checks and procedures.

Training is undertaken in house by a team of qualified and experienced health and safety officers. Going forward the health and safety team will continue to train store employees and monitor health and safety standards, and the Group is committed to maintaining these standards.

Corporate Responsibility Report

continued

Customers

The Group aims to ensure that all its customers enjoy a quality customer service and that they are provided with products that are safe and fit for purpose. The business recognises that customers have diverse needs and works constantly towards meeting them.

Monitoring customer satisfaction and responding to correspondence is a continuous process. Customer Service teams collate management information on service levels and this is circulated to the Board on a monthly basis. All written complaints are recorded, including an analysis of the nature of the complaint so that trends can be assessed and appropriate action taken. This Year 5,020 complaints were logged with our customer service team, an increase of 4% on last year. Last year we reported that we were implementing an online customer contact form, which was successfully rolled out during the Year. The online contact form reduces the time it takes for our customers to contact us and has increased the volume of contact from our customers. Online communication reduces the amount of time it takes for us to respond to their queries thereby increasing our service levels, whilst reducing the print and postage costs for both the Group and customers.

The Group is constantly working on ways to improve customer service at all levels within the Company from the retail stores, head office and through our website.

Environment

As a Group we are aware that our operations impact the environment in a number of ways and it is our responsibility to manage effectively the areas we have direct control over while attempting to influence the actions of other areas that are outside of our control. We seek to reduce the negative impact the Group has on the environment while working towards compliance with the Government's Carbon Reduction Commitment. Building upon investigations last year we have identified property, in particular energy usage in our stores, transport and waste management at both our Shirebrook facility and in stores as areas, where we can make a difference.

During the Year the Group was awarded the Carbon Trust Standard in recognition of progress made in the management of the carbon footprint of the Group.

As reported last year, the single most significant element of the carbon footprint of the Group is the usage of electricity. Electricity usage contributes to approx 85% of the footprint.

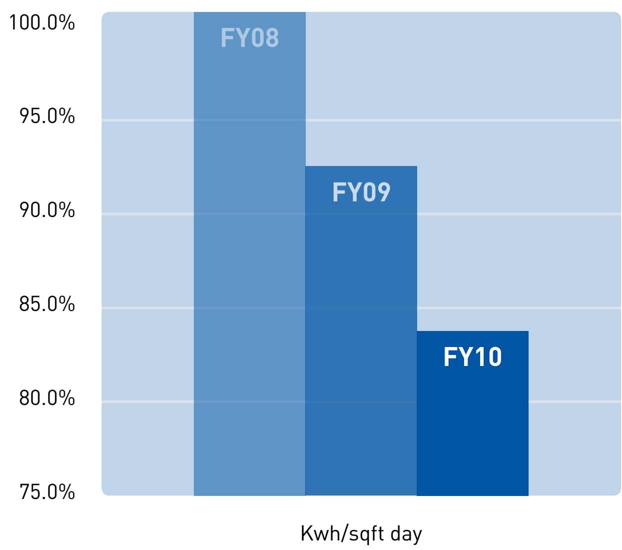
During the Year the Group has made positive steps to ensure that the good results achieved in the previous year were built upon and the monitoring of the stores energy performance was bought in house, to allow a greater level of management focus.

'Smart meters' have been rolled out to almost all smaller stores during the Year which has increased the number of stores being constantly and remotely monitored from 188 to 358.

Investments have been made in the majority of the least efficient stores to bring their performance up to the expected standard. This has contributed to a pro rata saving across the largest 189 stores of 8.7%. This saved the equivalent of 3,607 Tonnes CO_2.

When compared with the base year of FY08 the total reduction in energy usage across the largest 189 stores is 15.6%.

Improvements in Energy Efficiency (Largest 189 stores)



The emphasis continues to be on good housekeeping, supported with targeted investment to ensure that high standards are maintained. Energy consumption reduction continues to be a key performance measurement.

The second biggest contributor to our CO_2 emission is the fleet of vehicles that service the stores. Transport fuel accounts for approximately 14% of the carbon footprint. We continue to drive down our emissions in this area by adjusting the frequency of re-supply to shops according to size and seasonality, monitoring vehicle load factors, and ensuring that the fleet is regularly updated with the most modern fuel efficient vehicles.

The business has made further progress with its recycling and reducing the amount of waste that is put into landfill.

During the Year the Group increased the quantity of recyclable materials collected from shops, and diverted waste streams from the Head Office and central warehouse operations from using landfill to a local waste to power scheme.

Where possible we recycle electrical waste, ink toners, redundant IT equipment and light bulbs. This Year we recycled 1,539 (2009:1,148) units of electrical equipment.

The Group recycles waste paper, cardboard, metal, and plastic. During the Year 33 tonnes of waste paper, 5,847 tonnes of cardboard, 124 tonnes of metal and 385 tonnes of plastic were recycled. 90% of the recycled plastic had been back filled from stores. Where possible we also recycle the wood that we collect at our distribution centre. In the past all wood was sold for recycling, but it has now been determined to be cost effective to repair pallets, and a programme of repair began in 2009/10.

The Group has always kept its transit packaging to a minimum by the use of metal roll cages. Where it is necessary to send transit packaging to shops e.g. to ensure cleanliness of clothing, it is returned to the centre for re-use or recycling as appropriate.

As reported last year all stores now use biodegradable carrier bags and provide the option of a bag for life.

Our aim for the coming years are to further implement utility smart metering, improve energy efficiency across the stores and to continue to minimise waste.

Community

We recognise that consumers and stakeholders are becoming increasingly interested in where we source our products.

The Group continues to procure merchandise from manufacturers who can show that they uphold ethical employment and trading practices.

The Group has a Code of Ethics that it requires every supplier to adhere to. Amongst other matters the Code provides for fair treatment of workers ensuring products are made in a safe environment and in accordance with all the relevant local and national laws, by workers who are treated with respect and are paid fairly for what they do. It ensures there is no child labour and no use of illegal means or materials in the production of goods.

The Group has worked for many years with two leading supply chain companies in Singapore and in South Korea to procure much of its own brand goods.

The Group believes that using their local knowledge, expertise and experience, benefits the business and the communities in which they operate more effectively than would be the case if the Group carried on its own procurement activities in those countries. Both companies have the highest social and business ethics codes which match our Code of Ethics, the BSCI Code of Conduct (which is based upon the United Nations Universal Declaration of Human Rights), ISO9001 and the Social Accountability 8000 (SA8000) Code.

The Group relies on those supply chain companies to inspect all suppliers and manufacturers premises. Frequent inspections are carried out randomly at short notice to ensure that the goods meet the Groups' quality standards as well as assessing continued compliance with SA8000 and the Group's Code of Ethics. We cease immediately to work with suppliers who do not meet our criteria.

The Group complies with an internationally recognised list of chemicals that are banned for use in fabrics. The supply chain companies conduct random tests on fabric which are then taken to a recognised laboratory for quality testing and to check that these banned chemicals are not being used.

The Group has forged long term relationships with suppliers who have demonstrated that their work practices are consistent with the Group's standards. Approximately 40% of the Group's current suppliers have been working with Group companies for 10 years or more.

The Group endeavours to promote the participation in a wide range of sporting activities primarily for children that would not normally have access to the expertise or equipment needed for the sport.

Corporate Responsibility Report

continued

Community (continued)

Slazenger are the exclusive cricket equipment supplier to the country's most recognised grassroots cricket development programme, 'Chance to Shine', which is run through the English Cricket Board's charitable arm, the Cricket Foundation. 'Chance to Shine' is a national campaign delivered through individual projects throughout England and Wales. Each project provides a structured coaching and competition programme for a group of schools that would not normally have the chance to participate in the sport. The schools are supported by professional qualified coaches, who are specifically trained to work in a school environment, as well as providing equipment and training for teachers.

Slazenger Brand Ambassador Michael Clarke during a 'Chance to Shine' coaching session.

In 2009, 'Chance to Shine' benefitted 384,105 children and 3,343 schools. It provided over 109,332 hours of coaching along with cricket equipment to the value of £130,000, supplied by Slazenger, to enable the programme to run successfully.

One million children have now been involved in 'Chance to Shine' since its introduction 5 years ago.

In addition, Dunlop's global "D Squad" talent support programme continues to increase participation and performance levels of the most talented juniors in tennis from around the world.

Dunlop Brand Ambassador Fernando Verdasco with members of Dunlop's D Squad.

Over 800 children are continuing to benefit from the programme as a result of sporting equipment provided by Dunlop. Dunlop has supported the development of its most talented junior players through the provision of £27,000 worth of tennis equipment in the past year.

The Group also continues to supply the International Tennis Federation with tennis equipment to their Junior Development programme which promotes tournaments for young people aged between 14-18 years old in Central America, the Caribbean, South America, Eastern Europe, Africa, Asia and the Pacific regions. Dunlop donated in the region of £5,000 of equipment during the Year.

In the United States, Everlast one of the Group's specialist boxing brands supports numerous initiatives. Everlast assists in running the New York Golden Gloves, the most prestigious amateur boxing tournament in the country by providing products such as gloves and personal protective equipment.

This is a grassroots initiative that benefits men and women age 16-34 as they compete in amateur boxing and around 900 boxers compete each year. Everlast supported this programme by supplying $20,000 worth of equipment.

Everlast donated $7,300 to the American Red Cross for Haiti Relief through its sponsorship of professional boxer and WBC Welter Weight champion Andre Berto who originates from Haiti.

Everlast is an official Breast Cancer Research Foundation Licensee. The Breast Cancer Research Foundation (BCRF) is dedicated to finding a cure for breast cancer by funding clinical and genetic research. The foundation benefits women of all ages who have been affected by the disease as well as women who may be at risk in their lifetime. Everlast makes donations to BCRF based on the sale of related training gloves, hand wraps and key chains. Each year Everlast donates a minimum of $15,000 to BCRF.

USA Boxing is the national governing body of amateur, Olympic-style boxing, and is the United States' member organisation of the International Amateur Boxing Association (AIBA). As a national governing body recognised by the United States Olympic Committee, USA Boxing is responsible for the administration, development and promotion of Olympic-style boxing and is a non-profit organisation.

Everlast assists USA Boxing with a mixture of boxing related product anually to the value of $60,000. This helps the mens, womens, and junior Olympic boxing programmes whose primary ages are 14-34 years, as well as coaches and officials.

Report of the Independent Auditor

to the members of Sports Direct International plc

We have audited the Group financial statements of Sports Direct International plc for the 52 week period to 25 April 2010 which comprise, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part I 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 auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 25 April 2010 and of its profit for the 52 week period then ended;
- have been properly prepared in accordance with 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the 52 week period to 25 April 2010 for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate Governance Statement set out on pages 41 to 47 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

Other matters

We have reported separately on the parent company financial statements of Sports Direct International plc for the 52 week period to 25 April 2010 and the information in the Directors' Remuneration Report that is described as having been audited.

Paul Etherington
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
London

22 July 2010

Consolidated Income Statement

for the 52 weeks ended 25 April 2010

	Notes	25 April 2010 £'000	26 April 2009 £'000
		For the financial year ended:	
Revenue	1,4	1,451,621	1,367,321
Cost of sales		(862,490)	(809,685)
Gross profit		589,131	557,636
Selling, distribution and administrative expenses		(524,611)	(463,297)
Other operating income	5	3,493	4,004
Exceptional items	6	(9,986)	(30,514)
Operating profit	4, 7	58,027	67,829
Transfer of historic losses on available-for-sale financial assets	17	-	(53,156)
Other investment income	9	24,513	1,035
Dividend income from investments		140	172
Finance income	10	40,150	15,927
Finance costs	11	(10,528)	(23,633)
Share of profit of associated undertakings and joint ventures	16	7,200	2,482
Profit before taxation		119,502	10,656
Taxation	12	(30,286)	(26,164)
Profit/(loss) for the period	4	89,216	(15,508)
Attributable to:			
Equity holders of the Group		89,433	(15,838)
Minority interests		(217)	330
Profit/(loss) for the period	4	89,216	(15,508)

Earnings per share from total and continuing operations attributable to the equity shareholders

	Notes	Pence per share	Pence per share
Basic earnings per share	13	15.73	(2.79)
Diluted earnings per share	13	14.76	(2.79)

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

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

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 25 April 2010

	Notes	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Profit/(loss) for the period	4	89,216	(15,508)
Other comprehensive income			
Exchange differences on translation of foreign operations		(7,947)	44,654
Exchange differences on hedged contracts	27	10,942	-
Actuarial losses on defined benefit pension schemes	24	(8,184)	(449)
Fair value adjustment in respect of available-for-sale financial assets	17	13,704	(28,586)
Transfer of historic losses on available-for-sale financial assets	17	-	53,156
Taxation on items taken directly to equity	25	(838)	(6,849)
Total comprehensive income for the period		96,893	46,418
Attributable to:			
Equity holders of the Group		97,110	46,088
Minority interests		(217)	330
		96,893	46,418

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

Consolidated Balance Sheet

as at 25 April 2010

	Notes	25 April 2010 £'000	26 April 2009 £'000
		For the financial year ended:	
ASSETS			
Non-current assets			
Property, plant and equipment	14	270,918	295,795
Intangible assets	15	216,944	221,958
Investments in associated undertakings and joint ventures	16	38,742	32,379
Available-for-sale financial assets	17	51,566	5,467
Deferred tax assets	25	10,101	15,468
		588,271	571,067
Current assets			
Inventories	18	218,803	262,263
Trade and other receivables	19	114,533	111,932
Derivative financial assets	27	13,648	-
Cash and cash equivalents	20	25,121	32,358
		372,105	406,553
TOTAL ASSETS		960,376	977,620
EQUITY AND LIABILITIES			
Share capital	21	64,050	64,045
Share premium		874,300	874,300
Treasury shares reserve		(85,088)	(85,088)
Permanent contribution to capital		50	50
Capital redemption reserve		8,005	8,005
Foreign currency translation reserve		40,633	48,580
Reverse combination reserve		(987,312)	(987,312)
Own share reserve		(6,094)	(6,094)
Retained earnings		349,788	233,964
		258,332	150,450
Minority interests		1,383	3,232
Total equity		259,715	153,682
Non-current liabilities			
Other payables		2,345	2,656
Borrowings	23	3,352	4,713
Retirement benefit obligations	24	19,739	12,324
Deferred tax liabilities	25	35,946	33,490
Provisions	26	45,598	36,419
		106,980	89,602
Current liabilities			
Derivative financial liabilities	27	-	34,993
Trade and other payables	28	240,664	209,739
Borrowings	23	333,659	458,899
Current tax liabilities		19,358	30,705
		593,681	734,336
Total liabilities		700,661	823,938
TOTAL EQUITY AND LIABILITIES		960,376	977,620

The accompanying accounting policies and notes form part of these financial statements. The financial statements were approved by the Board on 22 July 2010 and were signed on its behalf by:

Bob Mellors
Director

Consolidated Cash Flow Statement

for the 52 weeks ended 25 April 2010

	Notes	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Cash inflow from operating activities	29	199,476	117,470
Income taxes paid		(34,838)	(25,305)
Net cash inflow from operating activities		164,638	92,165
Cash flow from investing activities			
Proceeds on disposal of property, plant and equipment		624	3,002
Proceeds on disposal of listed investments		8,040	13,807
Derecognition of listed investments		-	20,298
Purchase of subsidiaries, net of cash acquired		(3,330)	(6,608)
Purchase of intangible assets		(2,586)	(3,958)
Purchase of property, plant and equipment		(16,792)	(33,872)
Purchase of listed investments		(16,301)	(4,887)
Investment income received		1,723	2,088
Net cash outflow from investing activities		(28,622)	(10,130)
Cash flow from financing activities			
Finance income received		806	1,161
Finance costs paid		(10,528)	(23,633)
(Repayments of)/increase in borrowings		(14,303)	1,745
Proceeds from share issues		5	-
Equity dividend paid		(6,935)	(25,580)
Net cash outflow from financing activities		(30,955)	(46,307)
Net increase in cash and cash equivalents including overdrafts		105,061	35,728
Cash and cash equivalents including overdrafts at beginning of period		(410,325)	(446,053)
Cash and cash equivalents including overdrafts at the period end	20	(305,264)	(410,325)

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

Consolidated Statement of Changes in Equity

for the 52 weeks ended 25 April 2010

	Treasury shares £'000	Foreign currency translation £'000	Own share reserve £'000	Retained earnings £'000	Other reserves £'000	Sub total £'000	Minority interests £'000	Total £'000
At 27 April 2008	(201, 483)	3,926	-	363,636	(40,912)	125,167	3,242	128,409
Dividends	-	-	-	(20,805)	-	(20,805)	-	(20,805)
Treasury shares cancelled	105,759	-	-	(105,759)	-	-	-	-
Market value of shares transferred to EBT	6,094	-	(6,094)	-	-	-	-	-
Difference between original cost and market value of shares transferred to EBT	4,542	-	-	(4,542)	-	-	-	-
Minority interests - acquisitions	-	-	-	-	-	-	(340)	(340)
Transactions with owners	116,395	-	(6,094)	(131,106)	-	(20,805)	(340)	(21,145)
Loss for the financial period	-	-	-	(15,838)	-	(15,838)	330	(15,508)
Other comprehensive income								
Translation differences - Group	-	41,293	-	-	-	41,293	-	41,293
Translation differences - associates	-	3,361	-	-	-	3,361	-	3,361
Income recognised directly in equity	-	-	-	17,272	-	17,272	-	17,272
Total comprehensive income for the period	-	44,654	-	1,434	-	46,088	330	46,418
At 26 April 2009	(85,088)	48,580	(6,094)	233,964	(40,912)	150,450	3,232	153,682
Issue of ordinary shares	-	-	-	-	5	5	-	5
Share-based payments	-	-	-	10,767	-	10,767	-	10,767
Minority interests - acquisitions	-	-	-	-	-	-	(1,632)	(1,632)
Transactions with owners	-	-	-	10,767	5	10,772	(1,632)	9,140
Profit for the financial period	-	-	-	89,433	-	89,433	(217)	89,216
Other comprehensive income								
Income recognised directly in equity	-	-	-	15,624	-	15,624	-	15,624
Translation differences - Group	-	(7,860)	-	-	-	(7,860)	-	(7,860)
Translation differences - associates	-	(87)	-	-	-	(87)	-	(87)
Total comprehensive income for the period	-	(7,947)	-	105,057	-	97,110	(217)	96,893
At 25 April 2010	(85,088)	40,633	(6,094)	349,788	(40,907)	258,332	1,383	259,715

The Company holds 64,000,000 ordinary shares in Treasury.

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 final dividend for 2008 of £13,870,000 (2.44p) was paid on 31 October 2008 and the interim dividend for 2009 of £6,935,000 (1.22p) was paid on 30 April 2009.

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

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010

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").

The Group has adopted IAS1 (revised 2007) and IFRS 8 during the year. The adoption of IAS 1 (revised 2007) does not affect the financial position or profits of the Group but does give rise to additional disclosures. The measurement and recognition of the Group's income and expenditure is unchanged. A third balance sheet has not been presented on the adoption of IAS 1 (revised 2007) because the information is unchanged from previously published financial statements. IFRS 8 has been adopted and segments are identified based on the internal management reports used by the Board.

No other IFRSs, International Reporting Interpretations Committee (IFRIC) interpretations and amendments have been adopted in the financial statements.

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 Interpretations Committee ("IFRIC") interpretations) 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 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 in relation to which the Company has the power to govern the financial and operating policies, generally achieved by a share of more than 50% of the voting rights.

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 the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the consolidated income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities and contingent liabilities recognised.

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.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

ASSOCIATES AND JOINT VENTURES

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

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

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

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

Unrealised gains arising from transactions with associates and joint ventures 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 directly in equity through the statement of comprehensive income, until the security is disposed or de-recognised at which time the cumulative gain or loss previously recognised in equity is included in the consolidated income statement for the period.

If an available-for-sale investment is determined to be impaired, the cumulative loss previously recognised in equity is included in the income statement for the period.

Contracts for difference are a type of financial instrument and therefore gains and losses arising from changes in fair value of these investments are recognised directly in the income statement.

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. Any impairment is recognised immediately in the income statement. Gains and losses on the disposal of a business include the amount of goodwill relating to that business.

When the minority interests of an existing subsidiary are acquired the carrying value of the minority interests in the balance sheet is eliminated. The excess of consideration over the carrying value of the minority interests is recognised in the balance sheet as goodwill and is not amortised.

OTHER INTANGIBLE ASSETS

Brands, trade marks and licences that are internally generated are not recorded on the balance sheet. Acquired brands, trade marks and licences are initially carried on the balance sheet at cost. The fair value of brands, trade marks and licences that are acquired by virtue of a business combination is determined at the date of acquisition and is subsequently assessed as being the deemed cost to the Group.

No amortisation is charged on brands, trade marks or perpetual/renewable licences with an indefinite life as the Group believes that the value of these brands and trade marks can be maintained indefinitely. The Group carries out an impairment review of indefinite life intangibles, at least annually, or when a change in circumstances or situation indicates that those intangibles have suffered an impairment loss. Impairment is measured by comparing the carrying amount of the intangible asset as part of the cash generating unit (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 discounting the expected future cash flows, using a discount rate based on an estimate of the rate that the market would expect on an investment of comparable risk.

Amortisation is provided on brands, trade marks and licences with a definite life over their useful economic lives of 10 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	2% per annum
Leasehold property	over the term of the lease
Plant and equipment	between 5% and 33% per annum

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.

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

1. Accounting policies (continued)

IMPAIRMENT OF ASSETS OTHER THAN GOODWILL AND INTANGIBLE ASSETS WITH AN INDEFINITE LIFE

At each balance sheet date, the directors review the carrying amounts of the Group's tangible and intangible assets, other than goodwill and intangible assets with an indefinite life, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Impairment losses recognised for cash-generating units, 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 cash-generating unit.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) 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 and services provided in the normal course of business, net of discounts and sales related taxes.

In the case of goods sold through retail stores, revenue is recognised when goods are sold 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 income generated from trade marks and licences, revenue is recognised on an accruals basis in accordance with the relevant agreements or on a transactional basis when revenue is linked to sale or purchase volumes.

Revenue from property related transactions is recognised when the relevant service is provided.

EXCEPTIONAL ITEMS

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

INTEREST INCOME

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

GOVERNMENT GRANTS AND SIMILAR INCOME

Income from government grants and similar income such as landlord contributions and inducements that compensate the Group for the cost of an asset are recognised in the balance sheet as a deduction in arriving at the carrying amount of the related asset. This is considered to reflect the true cost of the asset to the Group. The amount is recognised in the consolidated income statement over the life of the depreciable asset by way of a reduced depreciation charge. To date the Group has not received government grants in compensation for expenses charged in the consolidated income statement.

FOREIGN CURRENCIES

The presentational currency of the Group is Sterling. Foreign currency transactions are translated into Sterling using the exchange rates prevailing on the dates of the transactions. Exchange differences 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 directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

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 as a separate component of equity.

When a foreign operation is sold, combined exchange differences that have been recognised as a separate component of equity are recognised in the income statement as part of the gain or loss on disposal.

In order to mitigate its exposure to certain foreign exchange risks, the Group enters into forward contracts (See Chief Executive's report and cash flow hedging accounting policy on page 18).

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 FIFO (first in, first out). Net realisable value is based on the estimated selling price less all estimated selling costs.

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.

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.

DEFERRED TAXATION

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 and joint ventures 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 substantially 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.

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010

continued

1. Accounting policies (continued)

Changes in 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 charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

PENSIONS

The Group operates pension plans for the benefit of certain employees, including both defined contribution and defined benefit plans.

In relation to its defined contribution plans, the Group makes contributions to independently administered plans, the contributions being recognised as an expense when they fall due. The Group has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

In relation to its defined benefit schemes, the Group recognises in its balance sheet the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against operating profit. Interest on the scheme liabilities is included in finance costs and the expected return on scheme assets is included in finance income.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the statement of recognised income and expense 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 dilapidations costs following advice from chartered surveyors and previous experience of exit costs. The estimated cost of fulfilling the leasehold dilapidations obligations is discounted to present value and analysed between non-capital and capital components. The capital element is recognised as a decommissioning cost and depreciated over the life of the asset. The non-capital element is taken to the 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.

LEASES

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The asset subject to the finance lease is depreciated over the shorter of its useful life and the lease term. The corresponding rental obligations, net of finance charges, are included as a liability.

Leases of property, plant and equipment where the Group does not have substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term. Incentives provided by the lessor are credited to the income statement on a straight-line basis over the minimum lease term.

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.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The most significant exposure to foreign exchange fluctuations relates to purchases made in foreign currencies, principally the US dollar. The Group's policy is to reduce substantially the risk associated with purchases denominated in foreign currencies by using forward fixed rate currency purchase contracts, taking into account any foreign currency cash flows.

Derivative financial instruments are measured at fair value. Where derivatives do not qualify for hedge accounting, any gains or losses on remeasurement are immediately recognised in the Group 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 ongoing basis. This effectiveness testing is performed at each period end to ensure that the hedge remains highly effective.

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 highly probable forecast purchases.

The effective element of any gain or loss from remeasuring the derivative instrument is recognised directly in equity.

The associated cumulative gain or loss is removed from equity and recognised in the Group income statement in the same period or periods during which the hedged transaction affects the Group income statement. The classification of the effective portion when recognised in the Group income statement is the same as the classification of the hedged transaction. Any element of the remeasurement of the derivative instrument which does not meet the criteria for an effective hedge is recognised immediately in the Group income statement within finance income or costs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the Group income statement.

TREASURY SHARES

The purchase price of the Group's own shares that it acquires is recognised as 'Treasury Shares' within equity. 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

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.

Fair value is based on the market share price on the grant date, the likelihood of meeting the vesting targets and the expected number of staff who will leave the Company prior to the vesting 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. A share based payment charge of £10,767,000 was recognised in selling, distribution and administrative expenses for the 52 weeks ended 25 April 2010.

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

1. Accounting policies (continued)

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.

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 Interpretations Committee ("IFRIC") 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 (effective 1 January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions - Amendment to IFRS 2 (effective 1 January 2010)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
- Prepayments of a Minimum Funding Requirement - Amendments to IFRIC 14 (effective 1 January 2011)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010)
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011)

The directors anticipate that the adoption of these Standard and Interpretations in future periods will have no material impact on the financial statements of the Group except for the treatment of the acquisition of subsidiaries in future accounting periods.

2. Critical accounting estimates and judgements

The critical accounting estimates and judgements made by the Group regarding the future or other key sources of estimation, uncertainty and judgement that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial year are:

IMPAIRMENT OF GOODWILL

The calculation for considering the impairment of the carrying amount of goodwill requires a comparison of the present value of the cash-generating units to which the goodwill has been allocated, to the value of goodwill and associated assets in the balance sheet. The calculation of present values requires an estimation of the future cash flows expected to arise from the cash-generating units and the selection of a suitable discount rate. The key assumptions made in relation to the impairment review of goodwill are set out in Note 15.

IMPAIRMENT OF OTHER INTANGIBLE ASSETS

The calculation for considering the impairment of the carrying amount of other intangible assets with an indefinite life, specifically brands, trade marks and licences, requires a comparison of the present value of the related cash flows to the value of the other intangible assets in the balance sheet. The calculation of present value requires an estimation of the future cash flows expected to arise from the other intangible assets and the selection of a suitable discount rate. The key assumptions made in relation to the impairment review of other intangible assets are set out in Note 15.

USEFUL ECONOMIC LIFE OF INTANGIBLE ASSETS

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

IDENTIFICATION AND VALUATION OF ACQUIRED INTANGIBLE ASSETS

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

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

The nature and carrying amounts of these assets are set out in Note 15.

PROVISION FOR OBSOLETE, SLOW MOVING OR DEFECTIVE INVENTORIES

The directors have applied their knowledge and experience of the sports retail industry in determining the level and rates of provisioning required in calculating the appropriate inventory carrying values. The nature and carrying amounts are set out in Note 18.

FINANCIAL POSITION OF RETIREMENT BENEFIT PLANS

The net defined benefit pension plan assets or liabilities are recognised in the Group's balance sheet. The determination of the financial position requires assumptions to be made regarding inter alia future salary increases, mortality, discount rates and inflation. The key assumptions made in relation to the pension plan are set out in Note 23.

PROVISION FOR DILAPIDATIONS AND ONEROUS LEASE CONTRACTS

The basis of the estimation of the provisioning for dilapidations and onerous lease contracts is detailed in the provision accounting policy and Note 25.

Estimates and judgments are continually evaluated and are based on historical experience, external advice and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

PROVISION FOR COSTS RELATING TO REGULATORY ENQUIRIES

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

LEGAL DISPUTE SURROUNDING AVAILABLE-FOR-SALE FINANCIAL ASSETS

No provision has been made against the recoverable of £14.7m which is detailed in Note 17.

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

3. Financial risk management

The Group's current activities result in the following financial risks and set out below are management's responses to those risks in order to minimise any resulting adverse effects on the Group's financial performance.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign exchange risk principally via:

a) Transactional exposure from the cost of future purchases of goods for resale, where those purchases are denominated in a currency other than the functional currency of the purchasing company. Transactional exposures that could significantly impact the income statement are hedged. These exposures are hedged via forward foreign currency contracts which are designated as cash flow hedges. The notional and fair value of these contracts is shown in note 27.

b) Net investment exposure, from the fair value of net investments outside the UK. We hedge our investments in our international via foreign currency transactions and borrowings in matching currencies.

c) Loans to non-UK subsidiaries. These are hedged via foreign currency transactions and borrowings in matching currencies, which are not formally designated as hedges, as gains and losses on hedges and hedged loans will naturally offset.

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 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 bank and other facilities together with equity and retained profits thereby achieving continuity of funding and short-term flexibility.

CAPITAL MANAGEMENT

A description of the Group's objectives, policies and processes for managing capital are included in the financial review on page 18 of this report.

4. Segmental analysis

OPERATING SEGMENTS

For management purposes, the Group is organised into, and reports its performance between, two business segments; Retail and Brands. The Retail business segment comprises the retail network of stores and the Brands business segment comprises the identification, acquisition, development and trading of a portfolio of internationally recognised sports and leisure brands.

Segment information about the business segments is presented below:

Segmental information for the 52 weeks ended 25 April 2010:

	Retail					Brands			Eliminations	Total
	UK retail £'000	UK wholesale and other £'000	UK total £'000	International retail £'000	Total £'000	Wholesale £'000	Licensing £'000	Total £'000	£'000	£'000
Sales to external customers	1,117,674	23,519	1,141,193	119,918	1,261,111	167,292	23,218	190,510	-	1,451,621
Sales to other segments	-	2,274	2,274	136	2,410	3,673	-	3,673	(6,083)	-
Revenue	1,117,674	25,793	1,143,467	120,054	1,263,521	170,965	23,218	194,183	(6,083)	1,451,621
Gross profit			462,365	52,716	515,081			74,050	-	589,131
Operating profit before foreign exchange and exceptional items			88,998	3,535	92,533			15,227	-	107,760
Operating profit			41,722	3,472	45,194			12,833		58,027
Other investment income										24,513
Dividend income from investments										140
Finance income										40,150
Finance costs										(10,528)
Share of profits of associated undertakings and joint ventures										7,200
Profit before taxation										119,502
Taxation										(30,286)
Profit for the period										89,216

Sales to other segments are priced at cost plus a 10% mark-up.

Other segment items included in the income statement for the 52 weeks ended 25 April 2010:

	Retail £'000	Brands £'000	Total £'000
Depreciation	45,208	2,240	47,448
Amortisation	434	2,463	2,897

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

4. Segmental analysis (continued)

Information regarding segment assets and liabilities as at 25 April 2010 and capital expenditure for the 52 weeks then ended:

	Retail £'000	Brands £'000	Eliminations £'000	Total £'000
Investments in associated undertakings and joint ventures	31,445	7,297	-	38,742
Other assets	784,056	245,392	(107,814)	921,634
Total assets	815,501	252,689	(107,814)	960,376
Total liabilities	(604,785)	(203,690)	107,814	(700,661)
Tangible asset additions	16,572	220	-	16,792
Intangible asset additions	837	1,749	-	2,586
Total capital expenditure	17,409	1,969	-	19,378

Segmental information for the 52 weeks ended 26 April 2009:

	Retail					Brands			Eliminations	Total
	UK retail £'000	UK wholesale and other £'000	UK total £'000	International retail £'000	Total £'000	Wholesale £'000	Licensing £'000	Total £'000	£'000	£'000
Sales to external customers	1,006,462	28,019	1,034,481	102,329	1,136,810	203,566	26,945	230,511	-	1,367,321
Sales to other segments	-	2,274	2,274	361	2,635	18,248	-	18,248	(20,883)	-
Revenue	1,006,462	30,293	1,036,755	102,690	1,139,445	221,814	26,945	248,759	(20,883)	1,367,321
Gross profit			424,677	44,625	469,302			88,334	-	557,636
Operating profit before foreign exchange and exceptional items			69,810	2,098	71,908			12,194	-	84,102
Operating profit			58,186	2,521	60,707			7,122	-	67,829
Other investment income										1,035
Transfer of historic losses on available-for-sale financial assets										(53,156)
Dividend income from investments										172
Finance income										15,927
Finance costs										(23,633)
Share of profits of associated undertakings and joint ventures										2,482
Profit before taxation										10,656
Taxation										(26,164)
Loss for the period										(15,508)

Sales to other segments are priced at cost plus a 10% mark-up.

Other segment items included in the income statement for the 52 weeks ended 26 April 2009:

	Retail £'000	Brands £'000	Total £'000
Depreciation	43,230	2,312	45,542
Amortisation	388	2,556	2,944
Impairment	21,262	9,252	30,514

Information regarding segment assets and liabilities as at 26 April 2009 and capital expenditure for the 52 weeks then ended:

	Retail £'000	Brands £'000	Eliminations £'000	Total £'000
Investments in associated undertakings and joint ventures	24,970	7,409	-	32,379
Other assets	780,938	481,001	(316,698)	945,241
Total assets	805,908	488,410	(316,698)	977,620
Total liabilities	(734,906)	(405,730)	316,698	(823,938)
Tangible asset additions	33,343	529	-	33,872
Intangible asset additions	2,837	1,121	-	3,958
Total capital expenditure	36,180	1,650	-	37,830

GEOGRAPHIC SEGMENTS

The Group operates in two geographic segments, UK and Non-UK. These geographic segments are presented below:

Segmental information for the 52 weeks ended 25 April 2010:

	UK £'000	Non-UK £'000	Eliminations £'000	Total £'000
Segmental revenue from external customers	1,182,650	268,971	-	1,451,621
Total capital expenditure	15,156	4,222	-	19,378
Segmental assets	823,204	244,986	(107,814)	960,376

Segmental information for the 52 weeks ended 26 April 2009:

	UK £'000	Non-UK £'000	Eliminations £'000	Total £'000
Segmental revenue from external customers	1,101,960	265,361	-	1,367,321
Total capital expenditure	29,263	8,567	-	37,830
Segmental assets	1,011,497	282,821	(316,698)	977,620

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010

continued

5. Other operating income

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Rent receivable	2,242	3,157
Other	1,251	847
	3,493	4,004

6. Exceptional items

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Impairment of intangible assets (note 15)	-	14,832
Impairment of intangible assets (note 14)	-	15,682
Provision for costs relating to regulatory enquiries	7,800	-
Provision for cost of legal dispute	2,186	-
	9,986	30,514

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

7. Operating profit

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

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Foreign exchange losses/(gains)	39,747	(14,241)
Depreciation of property, plant and equipment		
- Owned assets	47,448	45,533
- Assets held on financial leases	-	9
Amortisation of intangible assets	2,897	2,944
Operating lease rentals		
- Land and buildings	95,756	97,954
- Other	730	679

Services provided by the Group's auditor

For the 52 weeks ended 25 April 2010 the remuneration of the auditors, Grant Thornton UK LLP and associated firms, was as detailed below:

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Audit of the Company's and the consolidated financial statements	150	140
Audit of subsidiary companies' financial statements	476	710
Other services relating to taxation	200	228
All other services	35	32

8. Employee costs

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

	For the financial year ended: 25 April 2010 (Number)	26 April 2009 (Number)
Retail stores	8,415	7,791
Distribution, administration and other	2,504	2,609
	10,919	10,400

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

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Wages and salaries	147,463	144,317
Social security costs	11,085	10,874
Pension costs	386	531
	158,934	155,722

Aggregate emoluments of the directors of the Company are summarised below.

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Aggregate emoluments	573	554

Further details of directors' remuneration are given in the Directors Remuneration report on page 55.

Details of certain key management remuneration are given in note 33.

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

9. Other investment income

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Fair value gain on financial assets (Note 17)	16,858	-
Fair value of additional claim in administration of KSF (Note 17)	6,300	-
Profit on disposal of available-for-sale financial assets (Note 17)	1,355	1,035
	24,513	1,035

10. Finance income

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Bank interest receivable	502	1,161
Other interest receivable	304	-
Expected return on pension plan assets (Note 24)	1,645	2,121
Fair value adjustment to forward foreign exchange contracts [1]	37,699	12,645
	40,150	15,927

[1] The fair value adjustment to forward foreign exchange contracts relates to differences between the fair value of forward foreign currency contracts from one period end to the next.

11. Finance costs

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Interest on bank loans and overdrafts	8,056	19,980
Interest on other loans and finance leases	169	1,147
Interest on retirement benefit obligations (Note 24)	2,303	2,506
	10,528	23,633

For the financial year ended:

12. Taxation

	25 April 2010 £'000	26 April 2009 £'000
Current tax	26,758	31,280
Adjustment in respect of prior periods	(3,267)	(6,844)
	23,491	24,436
Deferred tax (Note 25)	6,795	1,728
	30,286	26,164

Tax reconciliation		
Profit before taxation	119,502	10,656
Taxation at the standard rate of tax in the UK of 28% (2009: 28%)	33,461	2,983
Tax effects of:		
Expenses not deductible for tax purposes	4,390	8,156
Impact of tax losses and other short-term temporary differences not recognised in deferred tax	651	1,050
Deferred tax recognised in respect of unremitted earnings from an associate	(3,070)	-
Unrelieved foreign tax	183	536
(Profit on)/De-recognition of listed investments	(6,484)	14,884
Other tax adjustments	675	267
Adjustments in respect of prior periods - Current tax	(3,267)	(6,844)
Adjustments in respect of prior periods - Deferred tax	3,747	5,132
	30,286	26,164

13. Earnings per share from total and continuing operations attributable to the equity shareholders

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted earnings per share, the weighted average number of shares, 568,455,000 (2009: 568,452,000), is adjusted to assume conversion of all dilutive potential ordinary shares under the Group's bonus share schemes, being 37,348,000 (2009:Nil), to give the diluted weighted average number of shares of 605,803,000 (2009:568,452,000).

Basic and diluted earnings per share

			For the financial year ended:	
	25 April 2010 Basic £'000	**25 April 2010 Diluted £'000**	26 April 2009 Basic £'000	26 April 2009 Diluted £'000
Profit/(loss) for the period	89,433	89,433	(15,838)	(15,838)
		Number in thousands		Number in thousands
Weighted average number of shares	568,455	605,803	568,452	568,452
		Pence per share		Pence per share
Earnings per share	15.73	14.76	(2.79)	(2.79)

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010

continued

13. Earnings per share from total and continuing operations attributable to the equity shareholders (continued)

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 exceptional items.

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.

				For the financial year ended:
	25 April 2010 Basic £'000	**25 April 2010 Diluted £'000**	26 April 2009 Basic £'000	26 April 2009 Diluted £'000
Profit/(loss) for the period	89,433	89,433	(15,838)	(15,838)
Post tax adjustments to profit for the period for the following exceptional items:				
Realised loss/(gain) on forward exchange contracts	28,618	28,618	(9,556)	(9,556)
Fair value adjustment to forward foreign exchange contracts	(27,143)	(27,143)	(8,485)	(8,485)
Other investment income	(24,133)	(24,133)	(1,035)	(1,035)
Provision for costs incurred relating to regulatory enquiries	5,616	5,616	-	-
Excess of fair value of assets acquired over consideration	(2,774)	(2,774)	-	-
Provision for legal disputes	1,574	1,574	-	-
De-recognition of listen investments (Not tax deductible)	-	-	53,156	53,156
Impairment of freehold property (Not tax deductible)	-	-	15,682	15,682
Impairment of intangible assets	-	-	9,952	9,952
Fair value adjustments within associated undertakings	(769)	(769)	1,194	1,194
Underlying profit for the period	70,422	70,422	45,070	45,070
		Number in thousands		Number in thousands
Weighted average number of shares	568,455	605,803	568,452	568,452
		Pence per share		Pence per share
Earnings per share	12.39	11.62	7.93	7.93

14. Property, plant and equipment

	Freehold land and buildings £'000	Long leasehold property £'000	Short leasehold property £'000	Plant and equipment £'000	Total £'000
Cost					
At 27 April 2008	117,235	10,940	100,970	271,574	500,719
Exchange differences	157	95	1,803	3,685	5,740
Additions	6,675	27	7,687	19,483	33,872
Eliminated on disposals	(470)	(2)	(2,239)	(2,519)	(5,230)
At 26 April 2009	123,597	11,060	108,221	292,223	535,101
Exchange differences	230	65	24	6,787	7,106
Additions	541	203	1,237	14,811	16,792
Eliminated on disposals	-	-	(583)	(599)	(1,182)
At 25 April 2010	124,368	11,328	108,899	313,222	557,817
Accumulated depreciation and impairment					
At 27 April 2008	(8,014)	(3,641)	(33,617)	(132,655)	(177,927)
Exchange differences	(56)	-	(374)	(1,953)	(2,383)
Charge for the period	(2,994)	(309)	(8,577)	(33,662)	(45,542)
Eliminated on disposals	35	-	2,193	-	2,228
Impairment charge	(15,682)	-	-	-	(15,682)
At 26 April 2009	(26,711)	(3,950)	(40,375)	(168,270)	(239,306)
Exchange differences	(40)	14	197	(874)	(703)
Charge for the period	(2,682)	(596)	(11,491)	(32,679)	(47,448)
Eliminated on disposals	-	-	558	-	558
At 25 April 2010	(29,433)	(4,532)	(51,111)	(201,823)	(286,899)
Net book amount					
At 25 April 2010	94,935	6,796	57,788	111,399	270,918
At 26 April 2009	96,886	7,110	67,846	123,953	295,795

Assets held under finance leases have a Net book amount of Nil (2009:Nil)

Capital grants received from the East Midlands Development Agency of £1,363,000 (2009: £1,488,000) have been deducted from the cost of freehold land and buildings as at 25 April 2010. The Group is subject to the following principal conditions of the grant being met for a period, which is at the discretion of the East Midlands Development Agency, of five years after the first grant instalment was made on 26 April 2006 or 18 months after the last grant instalment was made on 29 April 2007 ("conditional period"):

- The Group remains solvent.
- The Group does not cease to own, or for a period of at least three months does not cease to use the relevant premises for which the grant was provided or its related assets.
- The Group employs at least 507 permanent full-time employees or equivalent at the relevant premises.
- The Group employs in total at least 1,171 employees at the relevant premises.

If the Group fails to adhere to any of the above conditions during the conditional period the East Midlands Development Agency may demand full repayment of the grant.

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

15. Intangible assets

	Goodwill £'000	Trademarks and licences £'000	Brands £'000	Total £'000
Cost				
At 27 April 2008	104,099	21,934	66,946	192,979
Arising on business combinations	11,908	-	-	11,908
Additions through business combinations	-	-	440	440
Other additions	-	3,404	554	3,958
Disposals	(5,410)	(2,892)	-	(8,302)
Exchange adjustment	17,620	1,024	20,006	38,650
At 26 April 2009	128,217	23,470	87,946	239,633
Arising on business combinations	344	-	-	344
Additions through business combinations	521	-	-	521
Other additions	-	2,586	-	2,586
Disposals	-	(769)	-	(769)
Exchange adjustment	(2,874)	5,353	(7,410)	(4,931)
At 25 April 2010	126,208	30,640	80,536	237,384
Amortisation and impairment				
At 27 April 2008	(1,394)	(5,175)	(1,400)	(7,969)
Amortisation Charge	-	(2,944)	-	(2,944)
Impairment Charge	(13,932)	-	(900)	(14,832)
Disposals	5,409	2,697	-	8,106
Exchange adjustment	-	(36)	-	(36)
At 26 April 2009	(9,917)	(5,458)	(2,300)	(17,675)
Amortisation Charge	-	(2,897)	-	(2,897)
Disposals	-	585	-	585
Exchange adjustment	-	(453)	-	(453)
At 25 April 2010	(9,917)	(8,223)	(2,300)	(20,440)
Net book amount				
At 25 April 2010	116,291	22,417	78,236	216,944
At 26 April 2009	118,300	18,012	85,646	221,958

Amortisation is charged to selling, distribution and administrative expenses in the Consolidated Income Statement. In the prior year the impairment charge was recognised in exceptional items in the Consolidated Income Statement.

The carrying value of goodwill and brands that are considered to have an indefinite life are allocated to cash-generating units as follows:

	Goodwill £'000	Brands £'000
Retail	14,330	855
Brands	101,961	77,381
	116,291	78,236

The Group tests the carrying amount of goodwill and assets with an indefinite life annually for impairment or more frequently if there are indications that their carrying value might be impaired. The carrying amounts of other intangible assets are reviewed for impairment if there is an indication of impairment.

Impairment is calculated by comparing the carrying amounts to the value in use derived from discounted cash flow projections for the cash generating units (CGU) to which the intangible assets are allocated.

Value in use calculations are based on 5 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 CGU's.

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 25 April 2010 were as follows:

Retail and Brands

- Annual sales growth for the first five years of between 0% and 7% depending on the constituent elements of the CGU, followed by terminal sales growth of 2-4%.
- Gross margin of between 30% and 47% depending on the constituent elements of the CGU.
- Annual maintenance expenditure of between £Nil and £1.0m per annum depending on the individual entity's circumstances.
- Discount rates are estimated at a risk adjusted pre-tax weighted average cost of capital of between 12.6% and 17.3%.

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.

In 2009 an impairment charge £14,832,000 was recognised, mainly due to an increase in discount rates to reflect specific risk factors and a decrease in forecast sales growth as a result of the tough economic climate. No impairment charge was recognised in 2010.

16. Investments in associated undertakings and joint ventures

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

	Associates £'000	Joint ventures £'000	Total £'000
At 27 April 2008	21,233	7,219	28,452
Exchange differences	3,361	-	3,361
Share of profit	2,235	247	2,482
Dividend paid	(1,666)	(250)	(1,916)
At 26 April 2009	25,163	7,216	32,379
Exchange differences	(87)	-	(87)
Additions	833	-	833
Excess of fair value over consideration	3,853	-	3,853
Fair value adjustments to financial instruments	1,068	-	1,068
Share of profit/(loss)	2,391	(112)	2,279
Dividend paid	(1,583)	-	(1,583)
At 25 April 2010	31,638	7,104	38,742

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

16. Investments in associated undertakings and joint ventures (continued)

ASSOCIATES

On 16 April 2010, the Group acquired a further 7.5% of Warrnambool, a private unlimited company incorporated in the Republic of Ireland which is the ultimate parent undertaking of Heatons, a private unlimited company. The excess of fair value acquired over consideration paid has been credited to the income statement as shown above.

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

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

	25 April 2010 £'000	26 April 2009 £'000
Share of non-current assets	50,491	44,555
Share of current assets	18,036	18,686
Share of non-current liabilities	(25,105)	(13,954)
Share of current liabilities	(11,784)	(24,124)
	31,638	25,163

For the financial year ended:

	25 April 2010 £'000	26 April 2009 £'000
Income	81,137	77,610
Expenses	(78,124)	(74,553)
Profit before tax	3,013	3,057
Taxation	(622)	(822)
Profit for the period	2,391	2,235

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

JOINT VENTURES

The Group's joint ventures are:

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

*Held by an immediate subsidiary.

All joint venture undertakings operate in their country of incorporation.

The Group's share of its joint ventures' assets, liabilities and income statement, which is included in the consolidated financial statements, is as follows:

	25 April 2010 £'000	26 April 2009 £'000
Share of non-current assets	5,916	5,860
Share of current assets	2,622	3,048
Share of non-current liabilities	-	-
Share of current liabilities	(1,434)	(1,692)
	7,104	7,216

	For the financial year ended:	
	25 April 2010 £'000	26 April 2009 £'000
Income	3,695	3,290
Expenses	(3,800)	(3,141)
(Loss)/profit before taxation	(105)	149
Taxation	(7)	98
(Loss)/profit for the period	(112)	247

17. Available-for-sale financial assets

	25 April 2010 £'000	26 April 2009 £'000
Available-for-sale financial assets	51,566	5,467

The fair value of the available-for-sale investments is based on bid quoted market prices at the balance sheet date.

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

	25 April 2010 £'000	26 April 2009 £'000
At beginning of period	5,467	65,714
Additions	22,222	4,887
Disposals	(6,685)	(12,772)
Derecognition of investments held with KSF	-	(26,219)
Revaluation through the income statement	16,858	2,443
Revaluation through equity	13,704	(28,586)
At end of period	51,566	5,467

We have previously reported that some of our strategic stakes were held by Kaupthing Singer & Friedlander (KSF) and partly financed by them. On 8 October 2008, KSF went into administration and we ware in dispute with the administrators concerning the ownership of the shares they held. In the 2009 the financial statements we concluded that we may not directly "control" the shares for accounting purposes and therefore treated them as having been derecognised. This derecognition resulted in the trasfer of historic losses, previously recognised in the statement of recognised income and expense, of £53,156,000 into the income statement in the year ended 26 April 2009.

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

17. Available-for-sale financial assets (continued)

On 21 February 2010 the Company entered into an agreement with Administrator of KSF to acquire any rights which may be determined that they hold.

On 13 May 2010 the judgement of the court proceedings which commenced on 26 April 2010 was handed down. The court determined that the Group had acquired beneficial interest in 12,153,071 ordinary shares in Blacks Leisure and 5,775,255 in JD Sports on 8 October 2008. This acquisition is reflected in these financial statements. The judgement also resulted in the Group regaining control of the shares.

The administrator of KSF has now appealed the decision. SDI's ownership of the shares is no longer in dispute, but were KSF to be successful in an appeal then SDI would be required to pay an amount of c£14.7m, which is currently held in escrow and included in other debtors. This amount represents the difference in value of the shares between 8 October 2008 and 21 February 2010.

The Group has also submitted a claim to the administrators for the shares that are claimed to be owned by the Group in Amer Sports, Blacks Leisure Group plc and JD Sports and Fashion plc, but were not in KSF possession. The Group is also claiming for the dividends on the these shares and Group funds held KSF. This amounts to approximately £9.1m in total and the latest information from the administrator suggests a pay out of around 70%. Accordinly, a receivable of £6.3m has been recognised.

The financial assets at 25 April 2010 relate to strategic investments held of between 12.0% and 28.5% in share capital. The directors do not consider that they have significant influence over the financial and operating policies of the investees as they have no representation on the Board of directors, have no participation in policy-making processes, including participation in decisions about dividends or other distributions, have no material transactions with the investees and do not interchange any managerial personnel.

On 25 April 2010 the Group had one investment in excess of 20% of share capital, that being 28.5% (2009: 29.9%) of the ordinary share capital of Blacks Leisure Group plc, a company incorporated in England and Wales. The aggregate of its share capital and reserves and loss for the years ended 27 February 2010 and 28 February 2009 are as follows:

	27 February 2010 £'000	28 February 2009 £'000
Aggregate share capital and reserves	20,435	68,971
Loss after taxation	(49,432)	(14,761)

On 24 May 2010 Blacks Leisure Group plc issued 39,281,011 new ordinary shares, which reduced the Group's interest in Blacks share capital to 14.5%.

18. Inventories

	25 April 2010 £'000	26 April 2009 £'000
Raw materials	3,773	4,238
Work in progress	1,129	828
Goods for resale	213,901	257,197
	218,803	262,263

The following inventory costs have been recognised in cost of sales:

	25 April 2010 £'000	26 April 2009 £'000
Cost of inventories recognised as an expense	857,724	805,589

19. Trade and other receivables

	25 April 2010 £'000	26 April 2009 £'000
Trade receivables	45,359	60,985
Amounts owed by related undertakings	2,481	534
Other debtors	36,782	17,958
Prepayments and accrued income	29,911	32,455
	114,533	111,932

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.

Ageing of trade receivables:

	25 April 2010 £'000	26 April 2009 £'000
Current	30,120	47,875
0-30 days past due	8,606	4,569
30-60 days past due	1,785	1,805
60-90 days past due	383	1,084
Over 90 days past due	4,465	5,652
	45,359	60,985

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

	For the financial year ended:	
	25 April 2010 £'000	26 April 2009 £'000
Opening position	7,295	4,483
Amounts charged to the income statement	2,386	3,071
Amounts written off as uncollectible	(3,923)	(245)
Amounts recovered during the year	(2,122)	(14)
Closing position	3,636	7,295

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. These bad debt provisions/charges have been determined by reference to past default experience and knowledge of the individual circumstances of certain receivables.

The other classes within trade and other receivables do not include impaired assets.

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

20. Cash and cash equivalents

	25 April 2010 £'000	26 April 2009 £'000
Cash in bank and in hand - Sterling	5,579	12,287
Cash in bank and in hand - US dollars	7,599	10,812
Cash in bank and in hand - Euros	8,506	9,040
Cash in bank and in hand - other	3,437	219
	25,121	32,358
Bank overdraft (Note 23)	(330,385)	(442,683)
Cash and cash equivalents including overdrafts at period end	(305,264)	(410,325)

21. Share capital

	25 April 2010 £'000	26 April 2009 £'000
Authorised		
999,500,010 ordinary shares of 10p each	99,950	99,950
499,990 redeemable preference shares of 10p each	50	50
	100,000	100,000
Allotted, called up and fully paid		
640,502,369 (2009: 640,452,369) ordinary shares of 10p each	64,050	64,045
Share Capital		
At 26 April 2009	64,045	64,045
Issue of shares	5	-
At 25 April 2010	64,050	64,045

Contingent share awards

THE BONUS SHARE SCHEME

Under the terms of the Bonus Share Scheme, which was approved by the shareholders on 9 September 2009, the Board may make share awards in respect of the ordinary shares in the Company to employees based on a percentage of salary and subject to performance conditions. The extent to which the awards vest is based on the whether the Group meets underlying EBITDA targets for the 2010 and 2011 financial years. Further details are set out in the Remuneration Report on page 51.

The first awards of 34,898,000 shares were granted on 14 October 2009 at an average price of 99.50p. These shares will only vest if the performance conditions are met over the next three years.

A share-based payment charge of £9,484,000 was recognised in respect of these share awards for the 52 weeks ended 25 April 2010, based on the directors' best estimate of the number of shares that will vest.

THE PERFORMANCE SHARE PLAN

Under the terms of the Performance Share Plan, which was approved by the shareholders on 11 February 2007, the Board may make share awards in respect of the ordinary shares in the Company to executive directors based on a percentage of salary and subject to performance conditions. The extent to which the awards vest is based on earnings per share growth and total shareholders return over a period of three financial years. Further details are set out in the Remuneration Report on page 50.

The first awards of 446,512 shares were granted on 5 April 2007 at an average price of 268.75p.

The second awards of 1,975,308 shares were granted on 16 July 2008 at an average price of 60.75p

The third awards of 2,696,628 shares were granted on 13 August 2009 at an average price of 89.00p

A share-based payment charge of £1,283,000 was recognised in respect of these share awards for the 52 weeks ended 25 April 2010, based on the directors' best estimate of the number of shares that will vest.

22. Other reserves

	Share capital £'000	Share premium £'000	Permanent contribution to capital £'000	Capital redemption reserve £'000	Reserve combination reserve £'000	Other reserves £'000
At 27 April 2008, 26 April 2009 and 25 April 2010	64,045	874,300	50	8,005	(987,312)	(40,912)

The share premium account is used to record the excess proceeds over nominal value on the issue of shares.

MJW Ashley made a £50,000 cash payment to the Company as a permanent contribution to capital 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.

Between 5 October 2007 and 11 March 2008 the Group cancelled 79,547,631 of shares acquired as part of the share buy back programme.

The reverse combination reserve exists as a result of the adoption of the principles of reserve 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.

23. Borrowings

	25 April 2010 £'000	26 April 2009 £'000
Non-current:		
Bank and other loans	2,789	4,090
Obligations under finance leases	563	623
	3,352	4,713
Current:		
Bank overdrafts	330,385	442,683
Bank and other loans	3,274	16,216
	333,659	458,899
Total borrowings:		
Bank overdrafts	330,385	442,683
Bank and other loans	6,063	20,306
Obligations under finance leases	563	623
	337,011	463,612

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

23. Borrowings (continued)

The maturity of the Group's total borrowings other than bank overdrafts is as follows:

	25 April 2010 £'000	26 April 2009 £'000
Borrowings are repayable as follows:		
Within one year	3,274	19,629
Between one and two years	2,976	354
Between two and five years	188	613
After five years	188	333
	6,626	20,929
Borrowings — Sterling	1,890	2,580
Borrowings — Other	4,736	18,349
	6,626	20,929

Loans are all on commercial variable rates of interest ranging between 0.6% and 1.5% over the base rate of the country within which the borrowing entity resides.

On 25 October 2007, Sports Direct International plc and certain subsidiaries (the "Borrowers") entered into a committed working capital facility agreement with The Governor and Company of the Bank of Scotland (the "Working Capital Facility"). The Working Capital Facility is available to any of the Borrowers and may be drawn to an aggregate limit of £500 million. It is capable of being utilised by way of cash advances, letters of credit, guarantees, bonds and/or currency borrowings. The Working Capital Facility is available until 30 April 2011. The Group is required to observe certain covenants, including undertakings relating to delivery of financial statements, and certain negative covenants, including in relation to creation of security and disposal of assets. The Working Capital Facility is secured by a debenture from each of the Borrowers and a composite guarantee from each of the non-dormant subsidiaries of SportsDirect.com Retail Limited.

On 27 April 2010 the aggregate limit of the working capital facility was reduced to £400 million at the request of the Group.

The Group continues to operate comfortably within it's banking facilities and covenants. Our facilities are in place until April 2011 and we will continue discussions with our banks during the 2010-11 financial year.

The Group has a £50m working capital facility with Mike Ashley which can be drawn down on request.

The carrying amounts and fair value of the borrowings are not materially different.

Net debt at 25 April 2010 was £311.9m.

24. Retirement benefit obligations

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

The amounts for the current and previous four periods following the acquisition of DSGHL are as follows:

	25 April 2010 £'000	26 April 2009 £'000	27 April 2008 £'000	29 April 2007 £'000	30 April 2006 £'000
Total fair value of plan assets	33,149	27,440	32,706	36,419	32,829
Present value of plan liabilities	(52,888)	(39,764)	(44,411)	(50,451)	(48,008)
Net plan obligations	(19,739)	(12,324)	(11,705)	(14,032)	(15,179)
Experience adjustments on plan liabilities	(12,645)	5,887	4,652	(1,620)	(1,354)
Experience adjustments on plan assets	4,461	(6,336)	(2,969)	1,164	257

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income as at 25 April 2010 was an actuarial loss of £7,277,000 (2009: actuarial gain of £907,000).

There were no unrecognised actuarial gains or losses or past service costs as at 26 April 2009 or 25 April 2010.

Amounts recognised in the income statement are as follows:

	For the financial year ended:	
	25 April 2010 £'000	26 April 2009 £'000
Current service cost	12	19
Interest on retirement benefit obligations	2,303	2,506
Expected return on plan assets	(1,645)	(2,121)
	670	404

The current service cost is included within cost of sales. The interest on retirement benefit obligations and the expected return on plan assets are included within finance costs and finance income, respectively.

Amounts recognised in the statement of comprehensive income and is as follows:

	For the financial year ended:	
	25 April 2010 £'000	26 April 2009 £'000
Actual less expected return on assets	4,461	(6,336)
Actuarial (losses)/gains relating to plan liabilities	(12,645)	5,887
	(8,184)	(449)

The actual return on plan assets for the 52 weeks ended 25 April 2010 was a gain of £6,106,000 (2009: loss of £4,215,000).

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

24. Retirement benefit obligations (continued)

The movements in the fair value of plan assets are as follows:

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
At the start of the period	27,440	32,706
Expected return on plan assets	1,645	2,121
Actuarial gain/(losses)	4,461	(6,336)
Employer contributions	1,216	1,382
Employee contributions	15	118
Benefits paid out	(1,628)	(2,551)
At the end of the period	33,149	27,440

The Group expects to contribute £1,210,000 to its defined benefit pension plans for the 52 weeks ended 24 April 2011.

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

	25 April 2010 £'000	26 April 2009 £'000
Equities	19,760	14,974
Bonds	13,210	12,249
Cash and other	179	217
	33,149	27,440
Equities	7.3%	7.8%
Bonds	5.1%	4.8%
Cash and other	4.0%	5.0%

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

The principal assumptions underlying the actuarial assessments of the present value of the plan liabilities are:

	25 April 2010 %	26 April 2009 %
Inflation rate	3.6	2.9
Future salary increases	n/a	n/a
Future pension increases	3.4	2.8
Discount rate	5.5	6.9

Mortality assumptions:

	25 April 2010	26 April 2009
Life expectancy at 65 at period end:		
Future pensioners – male	87.4	87.2
Future pensioners – female	90.2	90.0
Current pensioners – male	86.4	86.4
Current pensioners – female	89.2	89.4

The movements in the present value of the plan liabilities are as follows:

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
At the start of the period	(39,764)	(44,411)
Current service cost	(12)	(19)
Interest cost	(2,303)	(2,506)
Actuarial (loss)/gain	(12,645)	5,887
Employee contributions	(15)	(118)
Benefits paid out	1,628	2,551
Exchange gain/(loss)	223	(1,148)
At the end of the period	(52,888)	(39,764)

The net movements in the net present value of the plan liabilities were as follows:

	For the financial year ended: 25 April 2010 £'000	26 April 2009 £'000
Net liability at the start of the period	(12,324)	(11,705)
Movement in fair value of plan assets	5,709	(5,266)
Movements in the present value of the plan liabilities	(13,124)	4,647
Net liability at the end of the period	(19,739)	(12,324)

In addition to the amounts recognised in relation to the defined benefit retirement plans, amounts of £121,000 have been recognised in the income statement in the periods ended 26 April 2009 and 25 April 2010 in relation to defined contribution retirement benefit plans.

25. Deferred tax asset and liabilities

	Accounts depreciation exceeding tax depreciation £'000	Tax losses recoverable £'000	Pension plan liabilities £'000	Unremitted earnings from an associate £'000	Other temporary differences £'000	Total £'000
At 27 April 2008	(5,646)	1,602	4,209	(3,279)	5,802	2,688
Credited/(Charged) to the income statement	1,364	(127)	108	-	(3,073)	(1,728)
Credited to the statement of comprehensive income	-	-	-	-	(6,849)	(6,849)
Foreign exchange adjustments	-	-	-	-	(5,731)	(5,731)
Acquisitions	-	-	-	-	(6,402)	(6,402)
At 26 April 2009	(4,282)	1,475	4,317	(3,279)	(16,253)	(18,022)
(Charged)/credited to the income statement	(1,922)	-	(1,016)	3,279	(7,136)	(6,795)
(Charged)/credited to the statement of comprehensive income	-	-	2,226	-	(3,064)	(838)
Foreign exchange adjustments	-	-	-	-	(190)	(190)
At 25 April 2010	(6,204)	1,475	5,527	-	(26,643)	(25,845)

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010

continued

25. Deferred tax asset and liabilities (continued)

	25 April 2010 £'000	26 April 2009 £'000
Deferred tax assets	10,101	15,468
Deferred tax liabilities	(35,946)	(33,490)
Net deferred tax balance	(25,845)	(18,022)

Deferred tax assets are recognised for tax losses recoverable and pension plan liabilities to the extent that realisation of the related tax benefit is probable on the basis of the Group's current expectations of future taxable profits.

26. Provisions

	Dilapidations £'000	Onerous contracts £'000	Total £'000
At 26 April 2009	21,867	14,552	36,419
Amounts provided	2,726	11,559	14,285
Amounts utilised	-	(5,106)	(5,106)
At 25 April 2010	24,593	21,005	45,598

The dilapidations provision is the best estimate of the present value of expenditure expected to be incurred by the Group in order to restore its leasehold premises to the condition required under the lease agreements at the end of the lease discounted at 7% per annum. The provision is expected to be utilised over the period to the end of each specific lease.

The provision in respect of onerous lease contracts represents the net cost of fulfilling the Group's obligations over the terms of these contracts discounted at 7% per annum. The provision is expected to be utilised over the period to the end of each specific lease. A number of leases previously assigned to third party tenants have reverted to the Group this year as the tough economic conditions have led to those third party tenants being unable to meet their commitments.

The unwinding of the discount on provision passes through the income statement.

27. Financial Instruments

(A) FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying values of financial assets and liabilities, which are principally denominated in Sterling or US dollars, were as follows:

	Loans and receivables £'000	Assets at fair value through profit and loss £'000	Available for sale financial assets £'000	Non-financial assets £'000	Total £'000
Assets – 2010					
Property, plant and equipment	-	-	-	270,918	270,918
Intangible assets	-	-	-	216,944	216,944
Investments in associated undertakings and joint ventures	-	-	-	38,742	38,742
Available-for-sale financial assets	-	-	51,566	-	51,566
Deferred tax assets	-	-	-	10,101	10,101
Inventories	-	-	-	218,803	218,803
Derivative financial assets	-	13,648	-	-	13,648
Trade and other receivables	45,359	-	-	69,174	114,533
Cash and cash equivalents	25,121	-	-	-	25,121
	70,480	13,648	51,566	824,682	960,376
Assets - 2009					
Property, plant and equipment	-	-	-	295,795	295,795
Intangible assets	-	-	-	221,958	221,958
Investments in associated undertakings and joint ventures	-	-	-	32,379	32,379
Available-for-sale financial assets	-	-	5,467	-	5,467
Deferred tax assets	-	-	-	15,468	15,468
Inventories	-	-	-	262,263	262,263
Trade and other receivables	60,985	-	-	50,947	111,932
Cash and cash equivalents	32,358	-	-	-	32,358
	93,343	-	5,467	878,810	977,620

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

27. Financial instruments (continued)

	Loans and payables £'000	Liabilities at fair value through profit and loss £'000	Non-financial liabilities £'000	Total £'000
Liabilities – 2010				
Other payables	2,345	-	-	2,345
Non-current borrowings	3,352	-	-	3,352
Retirement benefit obligations	-	-	19,739	19,739
Deferred tax liabilities	-	-	35,946	35,946
Provisions	-	-	45,598	45,598
Trade and other payables	133,451	-	107,213	240,664
Current borrowings	333,659	-	-	333,659
Current tax liabilities	-	-	19,358	19,358
	472,807	-	227,854	700,661
Liabilities - 2009				
Other payables	2,656	-	-	2,656
Non-current borrowings	4,713	-	-	4,713
Retirement benefit obligations	-	-	12,324	12,324
Deferred tax liabilities	-	-	33,490	33,490
Provisions	-	-	36,419	36,419
Derivative financial liabilities (Current)	-	34,993	-	34,993
Trade and other payables	106,962	-	102,777	209,739
Current borrowings	458,899	-	-	458,899
Current tax liabilities	-	-	30,705	30,705
	573,230	34,993	215,715	823,938

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. Unlisted equity investments are included in Level 3. The fair value of the embedded derivative is determined using the present value of the estimated future cash flows based on financial forecasts.

As at 25 April 2010, the only financial instruments measured at fair value were Derivative financial assets and Available-for-sale financial assets and these are classified as Level 1.

(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. The Group's policy is to reduce substantionally the risk associated with purchases denominated in foreign currencies by using forward fixed rate currency purchase contracts, taking into account any foreign currency cash flows. The Group does not hold or issue derivative financial instruments for trading purposes, however if derivatives 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 forward foreign currency purchase contracts were as follows:

	25 April 2010 £'000	26 April 2009 £'000
Fair value of derivative financial instruments - assets/(liabilities)	13,648	(34,993)

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

	25 April 2010 £'000	26 April 2009 £'000
US dollar purchases	210,000	350,000
Contracted rates	1.53-1.68	1.46-1.88
US dollar sales	(50,000)	(250,000)
Contracted rates	1.54	1.92-1.94
Euro sales	(36,319)	(202,179)
Contracted rates	1.09-1.14	1.08-1.40
Euro purchases	-	223,662
Contracted rates	-	1.12-1.12

At 25 April 2010 £210m of forward US dollar purchase contracts qualified for hedge accounting and the gain on fair valuation of these contracts of £10,942,000 has therefore been taken straight to equity through the statement of comprehensive income.

Forward foreign currency purchase and sale contracts generally have a maturity at inception of approximately 12 months. At 25 April 2010 no purchase contracts and no sale contracts had a maturity at inception of greater than 12 months (2009: £Nil million of purchase contracts).

(C) SENSITIVITY ANALYSIS

Foreign currency sensitivity analysis

The Group's principal foreign currency exposures are to US dollars and the Euro. The table below illustrates the hypothetical sensitivity of the Group's reported profit and equity to a 5% 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.

Positive figures represent an increase in profit or equity:

		Income statement		**Equity**
	25 April 2010 £'000	26 April 2009 £'000	**25 April 2010 £'000**	26 April 2009 £'000
Sterling strengthens by 5%				
US dollar	3,137	11,044	3,137	11,044
Euro	1,401	1,335	1,401	1,335
Sterling weakens by 5%				
US dollar	(3,294)	(11,596)	(3,294)	(11,596)
Euro	(1,471)	(1,402)	(1,471)	(1,402)

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

27. Financial instruments (continued)

Interest rate sensitivity analysis

The table below 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
	25 April 2010 £'000	26 April 2009 £'000	**25 April 2010 £'000**	26 April 2009 £'000
Interest rate increase of 0.5%	(1,798)	(2,420)	(1,798)	(2,240)
Interest rate decrease of 0.5%	1,798	2,420	1,798	2,240

(D) LIQUIDITY RISK

The table below shows the maturity analysis of the undiscounted remaining contractual cash flows of the Group's financial liabilities:

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
2010					
Bank loans and overdrafts	331,471	5,126	-	-	336,597
Obligations under finance leases	-	193	194	194	581
Trade and other payables	133,451	-	-	-	133,451
Derivative financial liabilities					
Cash inflows	(140,526)	-	-	-	(140,526)
Cash outflows	127,992	-	-	-	127,992
	452,388	5,319	194	194	458,095
2009					
Bank loans and overdrafts	462,312	151	417	129	463,009
Obligations under finance leases	-	207	214	214	635
Trade and other payables	106,962	-	-	-	106,962
Derivative financial liabilities					
Cash inflows	(86,460)	-	-	-	(86,460)
Cash outflows	121,482	-	-	-	121,482
	604,296	358	631	343	605,628

28. Trade and other payables

	25 April 2010 £'000	26 April 2009 £'000
Trade payables	133,451	106,962
Amounts owed to related undertakings	4,044	3,029
Other taxes including social security costs	7,241	5,055
Other payables	30,454	39,640
Accruals and deferred income	65,474	55,053
	240,664	209,739

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

29. Cash inflow from operating activities

	For the financial year ended:	
	25 April 2010 £'000	26 April 2009 £'000
Profit before taxation	119,502	10,656
Net finance costs	(29,622)	7,706
Derecognition of available-for-sale financial assets	-	53,156
Other investment income	(24,513)	(1,035)
Dividend income from investments	(140)	(172)
Share of profit of associated undertakings and joint ventures	(7,200)	(2,482)
Operating profit	58,027	67,829
Depreciation	47,448	45,542
Amortisation charge	2,897	2,944
Impairment charge	-	30,514
Loss on disposal of intangibles	184	195
Loss on disposal of subsidiary undertakings	-	1
Defined benefit pension plan current service cost	670	395
Defined benefit pension plan employer contributions	(1,216)	(1,225)
Share based payments	10,767	-
Operating cash inflow before changes in working capital	118,777	146,195
Increase in receivables	(2,222)	(9,788)
Decrease/(increase) in inventories	43,460	(43,500)
Increase in payables	39,461	24,563
Cash inflows from operating activities	199,476	117,470

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010

continued

30. Operating lease arrangements

As at 25 April 2010 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	25 April 2010 £'000	26 April 2009 £'000
Land and buildings		
Within one year	77,870	74,997
In the second to fifth years inclusive	267,060	271,461
After five years	312,487	364,245
	657,417	710,703

The Group sub-lets certain stand-alone retail stores which are no longer operated by the Group. The property rental income earned during the 52 weeks ended 25 April 2010 was £2,242,000 (2009: £3,157,000).

As at 25 April 2010, the Group had contracts with sub-tenants for the following future minimum lease rentals:

	25 April 2010 £'000	26 April 2009 £'000
Land and buildings		
Within one year	5,166	6,307
In the second to fifth years inclusive	17,298	17,991
After five years	21,011	24,240
	43,475	48,538

31. Capital commitments

The Group had no capital commitments as at 25 April 2010 (2009: £Nil).

32. Contingent assets and liabilities

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

33. Related party transactions

The Group entered into the following material transactions with related parties:

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.

52 weeks ended 26 April 2009

Related party	Relationship	Sales £'000	Purchases £'000	Trade and other receivables £'000	Trade and other payables £'000
Pan World Brands Limited	Common Control	-	-	3	(17)
Heatons	Associate	15,829	-	1,942	-
No Fear International Limited	Joint venture	-	-	316	(1,468)
PBF International Limited	Joint Venture	189	(465)	910	-
Mike Ashley	Director	-	-	-	(590)
Sopotnik Trade Doo	Associate	23	-	83	-

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

During the period Mike Ashley loaned the Group £50million on arm's length commercial terms and this amount was repaid in full on 17 April 2009.

Compensation paid to key management of the Group was £939,505, including pension contributions of £9,085.

52 weeks ended 25 April 2010

Related party	Relationship	Sales £'000	Purchases £'000	Trade and other receivables £'000	Trade and other payables £'000
Heatons	Associate	22,901	-	3,411	-
No Fear International Limited	Joint venture	-	-	-	(1,775)
PBF International Limited	Joint venture	-	-	2,279	-
Mike Ashley	Director	-	-	-	(653)

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

During the period Mike Ashley loaned the Group £40million on arm's length commercial terms and this amount was repaid in full on 14 October 2009.

Compensation paid to key management of the Group was £821,584, including pension contributions of £7,973.

Notes to the Financial Statements

for the 52 weeks ended 25 April 2010
continued

34. Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 25 April 2010 were as follows:

Name	Country of incorporation	Percentage of issued share capital held	Nature of business
Antigua Enterprises Inc*	USA	100	Sporting and leisure goods wholesale and brand licensing
Brands & Fashion NV*	Belgium	100	Brand management and licensing
Brands Inc Limited*	England	100	Brand management and licensing
Brands Holdings Limited	England	100	Brand management and licensing
CDS Holdings SA	Belgium	100	Sporting and leisure goods retail
Donnay International SA*	Belgium	100	Sporting and leisure goods wholesale and brand licensing
Dunlop Slazenger Group Limited*	England	100	Sporting and leisure goods wholesale and brand licensing
Everlast Worldwide Inc.*	USA	100	Sporting and leisure goods wholesale and brand licensing
Field and Trek (UK) Limited*	England	100	Sporting and leisure goods retail
International Brand Management Limited	England	100	Brand management
Kangol Holdings Limited*	England	100	Fashion and leisure goods wholesale and brand licensing
Karrimor Limited*	England	100	Fashion and leisure goods wholesale and brand licensing
Lillywhites Limited*	England	100	Sporting and leisure goods retail
Lonsdale Boxing Limited*	England	100	Fashion and leisure goods wholesale and brand licensing
Lonsdale Sports Limited*	England	100	Sporting and leisure goods wholesale and brand licensing
Smith and Brooks Holdings Limited*	England	100	Sporting and leisure goods wholesale and brand licensing
Sports Essentials Limited*	England	100	Sporting and leisure goods wholesale and brand licensing
Sportsdirect.com Retail Limited*	England	100	Sporting and leisure goods retail
Sports 2000 Sportne Trogovine	Slovenia	100	Sporting and leisure goods retail
The Trademark Licensing Company Limited*	England	100	Brand licensing
Universal Cycles Limited*	England	86	Bicycle wholesaler

* Held by an intermediate subsidiary.

All subsidiaries have coterminous year ends. All principal subsidiary undertakings operate in their country of incorporation.

A full list of the Group's operating subsidiary undertakings will be annexed to the next Annual Return filed at Companies House.

There are no significant restrictions on the ability of the subsidiary undertakings to transfer funds to the parent, other than those imposed by the legal requirements.

On 18 February 2010 the Group announced a takeover bid for all of the outstanding common shares of Antigua Enterprises Inc (Antigua) not already owned. The purchase of these shares was completed on 23 April 2010 and Antigua was de-listed from the TSX exchange on 30 April 2010.

35. Ultimate controlling party

The Group is controlled by Mike Ashley through his 100% shareholding in MASH Holdings Limited, which has a 71% shareholding in the Company.

36. Post balance sheet events

No material post balance sheet events occurred after 25 April 2010 to the date of this Annual Report.

Report of the Independent Auditor

to the members of Sports Direct International plc

We have audited the parent company financial statements of Sports Direct International plc for the 52 week period to 25 April 2010 which comprise the balance sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part I 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 AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

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 25 April 2010;
- 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; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Report of the Independent Auditor

to the members of Sports Direct International plc
continued

OTHER MATTERS

We have reported separately on the Group financial statements of Sports Direct International plc for the 52 week period to 25 April 2010.

Paul Etherington
Senior Statutory Auditor,
For and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
London

22 July 2010

Company Balance Sheet

as at 25 April 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Investments	2	1,000,811	996,808
Current assets			
Debtors	3	3,610	1,871
		3,610	1,871
Creditors: amounts falling due within one year.	4	(28,266)	(22,932)
Net current liabilities		(24,656)	(21,061)
Net assets		976,155	975,747
Capital and reserves			
Called up share capital	5	64,050	64,045
Share premium	6	874,300	874,300
Treasury shares reserve	6	(85,088)	(85,088)
Permanent contribution to capital	6	50	50
Capital redemption reserve	6	8,005	8,005
Own share reserve	6	(6,094)	(6,094)
Profit and loss account	6	120,932	120,529
Shareholders' funds	7	976,155	975,747

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

The financial statements were approved by the Board on 22 July 2010 and were signed on its behalf by:

Bob Mellors
Director

Notes to the Company Financial Statements

1. Accounting policies

These accounts have been prepared in accordance with applicable United Kingdom accounting standards. A summary of the more important accounting policies adopted are described below.

BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost convention.

As permitted by Section 408 of the Companies Act 2006, a profit and loss account of the Company is not presented. The Company's loss after taxation for the 52 week period 25 April 2010 was £10,364,000 (2009 £27,694,000 profit).

INVESTMENTS

Fixed asset investments are stated at cost less any provision for impairment.

Cost represents cash consideration or the amount of ordinary shares issued by the Company at nominal value after taking account of merger relief available under s612 of the Companies Act 2006 plus related acquisition costs capitalised at fair value.

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 uncertain.

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 dealt with 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 s612 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 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group.

SHARE BASED PAYMENTS

The Company has applied the requirements of FRS 20, "Share based Payment". The Company issues equity-settled share based payments to certain directors and employees of the Company and its subsidiaries. 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, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of a Monte Carlo method. 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 £10,767,000 was recognised for the 52 weeks ended 25 April 2010 based on the directors' best estimate of the number of shares that will vest. £10,446,000 of this share based payment was recharged to subsidiary undertakings of the Company.

2. Investments

	2010 £'000
Shares in Group undertakings:	
As at 26 April 2009	996,808
Additions:	4,003
As at 25 April 2010	1,000,811

None of the Company's investments are listed.

The Company is the principal holding company of the Group. The principal subsidiary undertakings of the Company are set out in note 34 to the Group financial statements.

3. Debtors

	2010 £'000	2009 £'000
Amounts owed by Group undertakings	1,560	598
Other debtors	473	1,273
Prepayments	1,577	-
	3,610	1,871

4. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Bank overdraft	2,182	164
Trade creditors	431	519
Amounts owed to Group undertakings	21,631	14,429
Accurals	4,022	155
Other creditors	-	7,665
	28,266	22,932

Notes to the Company Financial Statements

continued

5. Called up share capital

	2010 £'000	2009 £'000
Authorised		
999,500,010 ordinary shares of 10p each	99,950	99,950
499,990 redeemable preference shares of 10p each	50	50
	100,000	100,000
Called up and fully paid		
640,502,369 (2009: 640,452,369) ordinary shares of 10p each	64,050	64,045

	2010 £'000	2009 £'000
Share capital		
At 26 April 2009	64,045	64,045
Issue of shares	5	-
At 25 April 2010	64,050	64,045

6. Reserves

	Share premium account £'000	Treasury share reserve £'000	Permanent contribution to capital £'000	Capital redemption reserve £'000	Own share reserve £'000	Profit and loss account £'000
At 26 April 2009	874,300	(85,088)	50	8,005	(6,094)	120,529
Loss for the financial period	-	-	-	-	-	(10,364)
Share based payments	-	-	-	-	-	10,767
At 25 April 2010	874,300	(85,088)	50	8,005	(6,094)	120,932

The Company holds 64,000,000 ordinary shares in Treasury.

The final dividend for 2008 of £13,870,000 (2.44p) was paid on 31 October 2009 and the interim dividend for 2009 of £6,935,000 (1.22p) was paid on 30 April 2009.

7. Reconciliation of movement on shareholders' funds

	2010 £'000
Opening shareholders' funds	975,747
Issue of shares	5
Loss for the financial period	(10,364)
Share based payments	10,767
Closing shareholders' funds	976,155

8. Post balance sheet events

No material post balance sheet events occured after 25 April 2010 to the date of this Annual Report.

Consolidated Five Year Record

Unaudited Income Statement

	IFRS	IFRS	IFRS	IFRS	IFRS
					For the financial year ended:
	25 April 2010 £'000	26 April 2009 £'000	27 April 2008 £'000	29 April 2007 £'000	30 April 2006 £'000
Continuing operations:					
Revenue	1,451,621	1,367,321	1,259,510	1,347,144	1,194,736
Cost of sales	(862.490)	(809,685)	(709,809)	(751,003)	(738,057)
Gross profit	589,131	557,636	549,701	596,141	456,679
Selling, distribution and administrative expenses	(524,611)	(463,297)	(444,109)	(445,198)	(351,622)
Other operating income	3,493	4,004	4,023	1,783	3,044
Costs of admission to the London Stock Exchange	-	-	-	(586)	-
Past performance bonuses	-	-	-	(56,400)	-
Profit on disposal of certain retail concessions	-	-	-	4,160	-
Leofelis legal claim	-	-	-	(6,000)	-
Reorganisation costs	-	-	-	-	(3,368)
Regulatory enquiries	7,800	-	-	-	-
Legal dispute	2,186	-	-	-	-
Impairment of intangible fixed assets	-	(14,832)	-	-	-
Impairment of Freehold property	-	(15,682)	-	-	-
Exceptional items	(9,986)	(30,514)	-	(58,826)	(3,368)
Operating profit	58,027	67,829	109,615	93,900	104,733
Investment income	24,653	(51,949)	43,874	1,790	2,624
Finance income	40,150	15,927	5,370	3,449	3,387
Finance costs	(10,528)	(23,633)	(45,006)	(42,081)	(17,832)
Share of profit of associated undertakings and joint ventures	7,200	2,482	5,020	3,422	3,406
Profit before taxation	119,502	10,656	118,873	60,480	96,318
Taxation	(30,286)	(26,164)	(41,126)	(23,360)	(31,448)
Profit for the period	89,216	(15,508)	77,747	37,120	64,870
Equity holders of the Group	89,433	(15,838)	78,182	37,671	62,886
Minority interests	(217)	330	(435)	(551)	1,984
Profit for the period	89,216	(15,508)	77,747	37,120	64,870

Notes to the consolidated income statement five year record:

1. Information for the 52 weeks ended 25 April 2010, the 52 weeks ended 26 April 2009, 52 weeks ended 27 April 2008 and the 52 weeks ended 29 April 2007 and the 53 weeks ended 30 April 2006 is presented under IFRS.

2. The five year record has been prepared on the same basis as the financial statements for the 52 weeks ended 25 April 2010, as set out in Note 1, basis of preparation, of the consolidated financial statements.

Additional Information

Shareholder Information

REGISTRAR AND TRANSFER OFFICE

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA
Telephone 0870 664 0300

COMPANY SECRETARY AND REGISTERED OFFICE

Bob Mellors
Sports Direct International plc
Unit A, Brook Park East
Shirebrook
NG20 8RY
Telephone 0870 333 9400

Sports Direct International plc is registered in England and Wales (No. 6035106)

SOLICITORS

Freshfields Bruckhaus Derringer
65 Fleet Street
London
EC4Y 1HS

BROKERS

Singer Capital Markets Ltd
One Hanover Street
London
W1S 1AX

Merrill Lynch International
Merrill Lynch Financial Centre
2 King Edward Street
London
EC1A 1HQ

PRINCIPAL BANKERS

Bank of Scotland
Corporate Banking
PO Box No 39900
Bishopsgate Exchange
London
EC2M 3YB

AUDITORS

Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 3.00pm on Tuesday 7 September 2010 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 24 April 2011:

Interim management statement: 7 September 2010
Half year results announced: 16 December 2010
Interim management statement: 15 February 2011
Preliminary announcement of full year results: July 2011
Annual report circulated July/August 2011

SHAREHOLDER HELPLINE

The Sports Direct shareholder register is maintained by Capita Registrars 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 Capita on:

Telephone: 0871 664 0300 calls cost 10p a minute plus network extra's.

Address: Northern House, Woodsome Park, Fenay Bridge, Huddersfield. HD8 0LA

Website: www.capitaregistrars.com

WEBSITE

The Sports Direct website at www.sportsdirect.com provides news and details of the Company's activities plus information for shareholders. The investor section of the website 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 Services Authority at www.moneymadeclear@fsa.gov.uk.a

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 or register on-line at www.mpsonline.org.uk

Notes