



**24 July 2007**

**Sports Direct International plc (“Sports Direct” or “the Company”)**

**Unaudited Preliminary Results**

Sports Direct International plc, the UK's leading sports retailer, announces its Preliminary Results for the 52 week period ended on 29<sup>th</sup> April 2007.

**Financial highlights**

- Revenue up 12.8% to £1.35bn
- EBITDA pre exceptional items up 31.8% to £191m\*
- Underlying profit before tax up 38.3% to £151m
- Group margin up 600 basis points to 44.3%
- Capital investment of £61.6m
- Net debt at year end of £38.1m
- Marketable securities held £75m as at year end
- Underlying earnings per share up 40.4% to 14.0p

**Group Operational highlights**

- Operating profit growth across all divisions
- Continued store roll-out in the UK and internationally
- Further development and consolidation of head office and distribution campus at Shirebrook
- Acquisitions of Original Shoe Company, Streetwise and Kangol
- Acquired Sportsdirect.com domain name
- IPO on London Stock Exchange

**Recent highlights**

- \$182.3m merger agreement with Everlast
- Acquired 60% of Field & Trek for £5m
- Acquired freehold retail sites and London office for total of £76m
- Middle East licensing agreement
- Dividend of 1.03p per share payable on 31st July 2007
- Decision to exercise powers to buy back own shares and place them into treasury
- Decision to seek shareholder approval to acquire freehold properties from Mike Ashley

Dave Forsey, Chief Executive of Sports Direct, said:

“These are a good set of results in which EBITDA pre exceptional items is in line with the expectations we set during the IPO process.

“The first three months of the current financial year have been exceptionally difficult with the unprecedented weather conditions having an immediate impact on sales.

“Despite this, and at this early stage in the financial year, due to the underlying strength of the business and its model, the Board believes there should be limited growth in EBITDA pre exceptionals from the £191m reported today in the current financial year.”

\* EBITDA of £191m includes a property transaction profit of £10.0m

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**About Sports Direct International plc**

Sports Direct is the UK's leading sports retailer by revenue and operating profit. As at 29 April 2007, the group operated out of 462 stores, of which 414 are located in the UK (excluding Northern Ireland), 33 in Belgium, 11 in Slovenia, 4 in Holland. In addition, through its 42.5% shareholding in the Heatons chain, Sports Direct has 13 (3 in Northern Ireland and 10 in Eire). The majority of the Group's stores trade under the Sports World fascia, although the Sports Direct.com has been used on most new stores since the [www.sportsdirect.com](http://www.sportsdirect.com) domain name was acquired in April 2006. The group has also acquired a number of retail businesses over the last few years and therefore continues to trade under the following fascias; Exsports, Lillywhites, McGurks, Gilesports, Hargreaves, Streetwise and Original Shoe Company.

In addition to retailing third party brands including Nike, adidas, Reebok and Umbro, the Group owns a portfolio of internationally recognised sports and leisure brands, including Antigua, Dunlop, Kangol, Karrimor, Lonsdale and Slazenger, which are sold in its own stores and through third-party retailers and licensees.

Sports Direct targets a broad customer base and differentiates itself from its competitors through its reputation as a price leader in the sports retail sector. The Group's successful business model - leveraging Sports Direct's retail and brand expertise to enhance margins and cash flow - has been a key contributor to its rapid growth. Strategic retail add-on acquisitions - including Hargreaves, Gilesports and Streetwise and the stand-alone Original Shoe Company chain - have contributed to the development of Sports Direct as one of the largest sports retailers in Europe.

## OPERATIONAL REVIEW

In the 52 weeks ended 29 April 2007, the Group achieved sales growth of 12.8% taking total revenue to £1.35 billion. Group margins strengthened to 44.3% so allowing a growth in EBITDA pre exceptional items to £191 million and in underlying profit before tax to £151 million. Underlying earnings per share were up 40.4% to 14.0 pence. In accordance with the statements made at the time of the IPO, a dividend of 1.03p per share, totalling £7.4m, will be paid on 31 July 2007 to shareholders who were on the register on 30 June 2007.

### Review by business segment

	52 weeks ended 29 April 2007 £m	53 weeks ended 30 April 2006 £m	%
<b>Retail</b>			
Revenue:			
UK retail	1,069.7	943.8	
UK wholesale and other	41.5	14.8	
International retail	64.0	52.7	
Total retail revenue	1,175.2	1,011.3	+16.2
Cost of sales	(654.9)	(631.8)	
Gross margin	520.3	379.5	
Gross margin percentage	44.3%	37.5%	
<b>Brands</b>			
Revenue:			
Wholesale	154.5	169.2	
Licensing	17.4	14.2	
Total brands revenue	171.9	183.4	-6.3
Cost of sales	(96.0)	(106.2)	
Gross margin	75.9	77.2	
Gross margin percentage	44.1%	42.1%	

### Retail commentary

Sports Direct's growth over many years has enabled it to build a strong, market-leading position. The group is now able to benefit from this purchasing power and the strength of its group brands. This manifests itself in the value that we pass onto customers.

In May 2006, we acquired the Original Shoe Company ('OSC'). OSC stores are principally located on the high street, with a concentration in Scotland and the North of England. Following market analysis

and discussions with our leading 3rd party brands, we believe that, with OSC, there is the opportunity to develop a different store concept as premium outlets with higher specifications selling highly fashionable products. This concept would target customer groups who do not regularly visit Sports World stores. We believe that there is the potential for 250 OSC stores in the UK. In addition, the other retail acquisition of Streetwise has been fully integrated.

As at 29th April 2007, the group operated out of 462 stores, of which 414 are located in the UK (excluding Northern Ireland), 33 in Belgium, 11 in Slovenia and 4 in Holland. In addition, through its 42.5% shareholding in the Heaton's chain, Sports Direct has 13 (3 in Northern Ireland and 10 in Eire). The majority of the Group's stores trade under the Sports World fascia, although the Sports Direct.com has been used on most new stores since the [www.sportsdirect.com](http://www.sportsdirect.com) domain name was acquired in April 2006. The group has also acquired a number of retail businesses over the last few years and therefore continues to trade under the following fascias; Exsports, Lillywhites, McGurks, Gilesports, Hargreaves, Streetwise and Original Shoe Company.

We took our first steps into the Dutch market with the opening of four sites. Our international retail operations are continuing to develop as we place the same emphasis on margin growth.

## **Brand Division**

Brands revenue fell overall, largely due to the loss of sales of golf balls following the closure of the golf ball factory in the USA, but licensing income grew by 22.5%, and licensing continues to be the main driver of growth within the brand division. We continue to invest in sponsorship and marketing around the core values of each brand. We are also looking to consolidate our UK-based brand businesses into the Shirebrook campus.

The Brands Division has recently concluded an agreement with Dubai based company Retail Corp that will see Lillywhites and Sports Direct stores open throughout the Middle East region and the Republic of South Africa.

The agreement, gives retail corp exclusive rights to open Lillywhites and Sports Direct stores within their designated territory of UAE, Kingdom of Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, Egypt and the Republic of South Africa.

Carrying IBML and proprietary brands, a minimum of 15 stores are due to be opened during the 25-year contract, with the total number expected to reach 25. Of these, 18 are planned to open by 2010. This is particularly exciting for South Africa as it coincides with the country's hosting of the 2010 FIFA World Cup.

The stores will range from 900 to 1600m<sup>2</sup> with the use of Lillywhites or Sports Direct fascia determined by the consumer profile in each location. Retail Corp is also committed to allocate significant shop space to IBML brands. Initially products will be sourced from Shirebrook, but this will move to direct supply from the Far East in time.

## **Shirebrook Campus**

As expected the remaining functions in Dunstable were transferred during March and April 2007 to the new facility at Shirebrook. Also transferred in the period between January 2007 and April 2007 were the head office and support functions for both Original Shoe Company and Streetwise. All UK retail

functions now operate out of the Shirebrook campus and we are hoping to consolidate as many of the Brands business units as possible during the current financial year. Shirebrook will enhance our operational efficiency and accommodate growth for the next decade.

### **Supply chain including sourcing**

Another key strength of the business is the sourcing capability. The group has long standing relationships with suppliers who concentrate on product development, design, quality control and factory procurement. Members of the team are regularly in Shirebrook liaising with the group's designers and buyers to improve information flow and commercial decision making.

#### **Strategy**

The Group is looking to grow profitability across all its divisions. This will be driven by attempting to leverage the following:

***Organic growth*** - through sales and margin growth and by widening the product offer into new categories. Also by enhancing supply chain efficiencies, especially utilising the new distribution facility at Shirebrook.

***New space development*** – through the addition of approximately 40 new stores in the UK during FY08, under the Sports Direct fascia. Also we continually appraise all stores in the portfolio, including the more recently acquired stores, to maximise the retail performance.

We intend to start an initial trial of three health and fitness clubs which will include a retail element with a full Sports Direct offer. This initiative is still at a very early stage and we will provide a further update when the trial has progressed further.

***Acquisitions*** - through continued retail and brand acquisitions.

The group is always looking to add complementary brands to its portfolio especially where we can identify potential growth across retail, wholesale and licensing. These acquisitions may also take us into new product categories not previously catered for within the portfolio.

Strategic stakes, are held to help develop deeper relationships with our other company brands and can relate to both retail and brand opportunities. Investments are made where management believe there is strategic value and there could be possible commercial advantages.

***International expansion*** – driven by entry into new territories utilising our existing companies, joint ventures with partners in new territories and through licensing deals with retail partners.

### **Share buyback**

The Board has decided, subject to market conditions to exercise its powers to buy back its own shares and place them into treasury, thus increasing the earnings of the remaining shares.

### **Freehold Property**

The Board has decided to seek shareholder approval at the AGM to acquire from Mike Ashley 35 freehold properties from which the group companies trade or has offices as part of its new policy of

owning the freehold interest in properties where appropriate, and in order to avoid any future conflict of interest.

### **Current Trading and Outlook**

The first three months of the current financial year have been exceptionally difficult with the unprecedented weather conditions having an immediate impact on sales.

Despite this, and at this early stage in the financial year, due to the underlying strength of the business and its model, the Board believes there should be limited growth in EBITDA pre exceptionals from the £191m reported today in the current financial year.

Dave Forsey  
Chief Executive

## FINANCIAL REVIEW

### Basis of reporting

The financial statements for the Sports Direct International plc group for the 52 weeks ended 29 April 2007 are presented in accordance with International Financial Reporting Standards as adopted by the EU (IFRS). They are the first financial statements prepared under IFRS and accordingly they take account of the requirements and options in IFRS 1, “First-time Adoption of International Financial Reporting Standards”, as they relate to the comparative financial information for the 53 weeks ended 30 April 2006.

In March 2007, the Company acquired 100 per cent of the ordinary shares of Sports World International Limited, Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA through a combination of cash, non cash and ordinary share issues. This transaction has been accounted for under the principles of merger accounting and reverse acquisition accounting and the consolidated financial statements of the Company represents a continuation of the financial statements of Sports World International Limited, Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA and their subsidiaries.

### Summary results

	52 weeks ended 29 April 2007 £m	53 weeks ended 30 April 2006 £m	%
Revenue	1,347.1	1,194.7	+12.8
EBITDA pre exceptionals	190.6	144.6	+31.8
Operating profit pre exceptionals	152.7	108.1	+41.3
Reported profit before taxation (after exceptionals)	60.5	96.3	- 37.2
	pence per share	pence per share	
Basic EPS	8.18	15.32	-46.6
Underlying EPS	14.03	9.99	+40.4

Profit, pre exceptionals is used by management as a key measure of profitability within the Group. It is defined as profit for the period excluding certain exceptional items. The Directors believe that EBITDA pre exceptionals and operating profit pre exceptionals provide additional useful information for shareholders on the underlying performance of the business, and is 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 share of profit of associated undertakings and joint ventures of £3.4m (2006: £3.4m). EBITDA pre exceptionals is calculated as EBITDA before exceptional items, operating profit pre exceptionals is calculated as operating profit before exceptional items and profit

after tax pre exceptionals is defined as profit after tax before the post tax effect of exceptional items and losses on the year end revaluation of forward foreign currency contracts in accordance with IFRS.

The comparative period covers 53 weeks and the effect of the additional week was to add £12.6m to revenue and £1.3m to operating profit. Amounts in this report have not been adjusted to remove the 53rd week from 2006.

## Revenue and margin

<b>Revenue</b>	<b>52 weeks ended 29 April 2007 £m</b>	<b>53 weeks ended 30 April 2006 £m</b>	<b>%</b>
Retail			
UK retail	1,069.7	943.8	+13.3
UK wholesale and other	41.5	14.8	+180.4
International retail	64.0	52.7	+21.4
Total retail	1,175.2	1,011.3	+16.2
Brands			
Wholesale	154.5	169.2	-8.7
Licensing	17.4	14.2	+22.5
Total brands	171.9	183.4	-6.3
Total revenue	1,347.1	1,194.7	+12.8

Overall revenue grew by 12.8%.

Retail revenue grew by 16.2%. The UK accounted for 94.6% of retail with the balance in Belgium, The Netherlands and Slovenia.

Brands revenue fell by 6.3% overall. Licensing income increased by 22.5%. The reduction in wholesale revenue of 8.7% is primarily due to the loss of sales to third parties of golf balls following the closure of the manufacturing facility in the USA.

Retail margins in the UK increased from 37.5% to 44.3%. The most significant component being the improvement in price in the second half of the year. The weakness of the dollar accounted for about 20% of margin improvement and about a further 30% came from efficiencies associated with the new distribution centre in Shirebrook, such as reduced stock loss through improved security and less write down of stock because such reductions are identified and implemented quicker and are therefore of less significant value.

UK wholesale and other includes income on property transactions which is not regarded as being exceptional or non recurring totalling £14.7m.

Brands margins increased from 42.1% to 44.1% as a result of the reduction in lower margin wholesale business and the increase in high margin licensing income.

## **Selling, distribution and administration costs**

Selling, distribution and administration costs increased as a percentage of revenue. This was a result of costs in the acquired companies and a realised foreign exchange loss of £24 million compared to a profit of £16 million in the previous period.

The centralised distribution, IT and head office facility in Shirebrook was opened in March 2006 and the final move from Dunstable was completed in April 2007. We have continued to see the benefit of the move through increased operational efficiencies through decreased stock handling costs. It is expected that the Shirebrook centre will provide the space to support the expansion of the group for many years to come.

We continue to protect our brand rights whenever they are threatened. Provision is made in these accounts for action the outcome of which may not be in our favour.

## **Exceptional operating costs and revenues**

Exceptional operating costs and revenues in the 52 weeks ended 29 April 2007 comprised:

	<b>52 weeks ended 29 April 2007 £m</b>	<b>53 weeks ended 30 April 2006 £m</b>
Costs relating to Admission	<b>0.6</b>	-
Past performance bonuses including National Insurance	<b>56.4</b>	-
Legal claims	<b>6.0</b>	-
Profit on disposal of certain retail concessions	<b>(4.2)</b>	-
Reorganisation costs	-	<b>3.4</b>
	<b>58.8</b>	<b>3.4</b>

## Finance income and costs

	52 weeks ended 29 April 2007 £m	53 weeks ended 30 April 2006 £m	
Finance income:			
Bank interest receivable	0.7	0.8	
Other interest receivable	0.6	0.7	
Expected return on pension plan assets	2.1	1.9	
	<hr/>	<hr/>	
	3.4	3.4	
Finance costs:			
Interest on bank loans and overdrafts	(7.0)	(4.0)	
Interest on other loans	(0.9)	(2.2)	
Interest on retirement benefit obligations	(2.5)	(2.1)	
Fair value adjustment to forward foreign exchange contracts	(31.7)	(9.5)	
	<hr/>	<hr/>	
	(42.1)	(17.8)	

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

## Taxation

The effective tax rate on profit before tax for the 52 weeks ended 29 April 2007 was 38.6% (2006: 32.7%). The increase is due to the tax impact of the unremitted earnings of an associate and the greater impact in percentage terms of prior year underprovisions and non deductible items.

## Earnings

	52 weeks ended 29 April 2007 p per share	53 weeks ended 30 April 2006 p per share	%
Basic EPS	8.18	15.32	-46.6
Underlying EPS	14.03	9.99	+40.4

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. The comparative weighted average number of shares has been adjusted for the impact of reverse acquisition accounting methodology adopted.

The underlying earnings per share reflects the underlying performance of the business compared with the prior year and is calculated by dividing underlying earnings after tax by the number of shares in issue at the year end. 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 in arriving at the underlying profit are as follows:

	<b>52 weeks ended 29 April 2007 £m</b>	<b>53 weeks ended 30 April 2006 £m</b>
Profit after tax	<b>37.1</b>	<b>64.9</b>
Post tax effect of Exceptional items:		
Costs relating to Admission	<b>0.4</b>	-
Past performance bonuses including National Insurance	<b>39.5</b>	-
P legal claim	<b>4.2</b>	-
Profit on disposal of certain retail concessions	<b>(2.9)</b>	
Reorganisation costs	-	<b>2.3</b>
Fair value adjustment to forward foreign exchange contracts	<b>22.2</b>	<b>6.7</b>
	<hr/>	<hr/>
Underlying profit after tax	<b>100.5</b>	<b>73.9</b>
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## Dividends

No dividends were paid during the year. A dividend of 1.03p per share, totalling £7.42m, will be paid on 31 July 2007 to shareholders on the register on 30 June 2007.

## Capital expenditure

Expenditure, including acquisitions, on property, plant and equipment amounted to £61.6m (2006: £75.6m). This related to over £50m on new and refurbished stores, with the balance covering further spend at Shirebrook, other plant and equipment and IT hardware.

## Acquisitions

The Group spent £20.2m on acquisitions during the 52 weeks ended 29 April 2007. The principal acquisitions related to Kangol, Original Shoe Company and Streetwise. The net assets acquired have been analysed and separate intangible assets and the residual goodwill recognised as appropriate in accordance with IFRS3: Business Combinations. As part of the acquisition, the brand name “Streetwise”, recognised on acquisition at £1.4m, has been impaired in full as we intend to re-badge the stores acquired in the short to medium term as the opportunities to do so arise.

## Cash flow and net debt

Out of net operating cash flow of £175.4m (2006: £61.3m), in addition to the amount invested in capital expenditure and acquisitions, the Group invested £67.2m (2006: £13.3m) in strategic stakes. Net debt fell from £53.5m at 30 April 2006 to £38.1m at 29 April 2007. Taking into account the inclusion of marketable securities (available for sale financial assets) there was no net debt at the date of the IPO and at 29 April 2007.

The analysis of debt at 29 April 2007 was as follows:

	<b>29 April 2007 £m</b>	<b>30 April 2006 £m</b>
Cash – sterling	<b>26.6</b>	<b>8.7</b>
Cash – US dollars	<b>147.0</b>	<b>27.6</b>
Cash – Euros	<b>4.6</b>	<b>10.3</b>
Cash – others	<b>3.6</b>	<b>2.3</b>
	<b><u>181.8</u></b>	<b><u>48.9</u></b>
Borrowings – sterling	<b>(201.8)</b>	<b>(97.4)</b>
Borrowings – other	<b>(18.1)</b>	<b>(5.0)</b>
	<b><u>(38.1)</u></b>	<b><u>(53.5)</u></b>
Net debt		
Market value of marketable securities	<b>75.4</b>	<b>15.3</b>
Net liquidity/(indebtedness)	<b><u>37.3</u></b>	<b><u>(38.2)</u></b>

## Reconciliation of movement in equity

Total equity movement is as follows:

	52 weeks ended 29 April 2007 £m	52 weeks ended 29 April 2007 £m
Total equity at 30 April 2006		291.2
Profit for the 52 weeks ended 29 April 2007		37.1
Items taken directly to equity:		
Exchange differences on translation of foreign operations	0.1	
Actuarial (losses)/gains on defined benefit pension schemes	(0.5)	
Fair value adjustment in respect of available-for-sale financial assets	(7.1)	
Tax on items taken directly to equity	2.3	
	—	(5.2)
Movement in equity issued:		
Capital issued	969.0	
Reverse combination reserve	(987.4)	
Share issue costs	(23.5)	
	—	(41.9)
Dividends		(0.4)
Total equity at 29 April 2007		<u>280.8</u>

## Pensions

The Group operates a number of closed defined benefit schemes in the Dunlop Slazenger companies. The net deficit in these schemes fell from £15.2m at 30 April 2006 to £14.0m at 29 April 2007.

## Strategic investments

The Group has, from time to time, taken strategic stakes in other companies. At 29 April 2007, the Group held investments in Blacks Leisure and JD Sports. Changes in the value of these investments are recognised directly in equity in accordance with IFRS.

## Financial risks, systems and controls

The principal financial risks the Group faces are:

- Movement in interest rates on borrowings. The Group has not historically hedged this risk.
- Movement in currency exchange rates. A significant amount of the Group's purchases are in US dollars. The Group hedges the risk of such movements by using forward purchases of foreign

currency Certain of the Group's assets are held overseas in local currency and are revalued in accordance with currency movements. This currency risk is not hedged.

- Funding and liquidity for the Group's operations are provided through bank loans and shareholders' funds. The objective is to maintain sufficient funding and liquidity for the Group's requirements.

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 finance effectively and efficiently.

### **Post balance sheet events**

Since 29 April 2007, the Group has:

- Built a strategic stake in Amer Sports, a company listed on the Finnish stock exchange.
- Increased its credit facilities.
- Entered into a merger agreement with Everlast, a company listed on NASDAQ.
- Acquired 60% of the issued share capital of Field & Trek.
- Acquired freehold properties for retail stores, health clubs and a London head office.
- Decided, subject to market conditions, to exercise its powers to buy back its own shares and place them into treasury, thus increasing the earnings of the remaining shares

At the forthcoming Annual General Meeting the Board proposes to put a resolution to members to:

- Approve the acquisition from Mike Ashley of freehold properties occupied by the Group, in order to avoid any future potential conflict of interests

Bob Mellors  
Finance Director  
24 July 2007

UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007

		52 weeks ended 29 April 2007	53 weeks ended 30 April 2006
	Notes	£'000	£'000
<b>Continuing operations:</b>			
<b>Revenue</b>	2	1,347,144	1,194,736
Cost of sales		(751,003)	(738,057)
<b>Gross profit</b>		596,141	456,679
Selling, distribution and administrative expenses		(445,198)	(351,622)
Other operating income		1,783	3,044
Exceptional items	3	(58,826)	(3,368)
<b>Operating profit</b>	2	93,900	104,733
Investment income		1,790	2,624
Finance income	4	3,449	3,387
Finance costs	5	(42,081)	(17,832)
Share of profit/(loss) of associated undertakings and joint ventures		3,422	3,406
<b>Profit before taxation</b>		60,480	96,318
Taxation		(23,360)	(31,448)
<b>Profit for the period</b>	2	37,120	64,870
Equity holders of the Group		37,671	62,886
Minority interests	15	(551)	1,984
<b>Profit for the period</b>	2	37,120	64,870
<b>Earnings per share from total and continuing operations attributable to the equity shareholders</b>			
		<b>Pence per share</b>	<b>Pence per share</b>
<b>Basic earnings per share</b>	6	8.18	15.32
<b>Diluted earnings per share</b>	6	8.18	15.32

**UNAUDITED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE  
FOR THE 52 WEEKS ENDED 29 APRIL 2007**

		<b>52 weeks ended 29 April 2007</b>	<b>53 weeks ended 30 April 2006</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Exchange differences on translation of foreign operations	11	110	(947)
Actuarial (losses)/gains on defined benefit pension schemes		(456)	1,226
Fair value adjustment in respect of available-for-sale financial assets		(7,106)	2,011
Taxation on items taken directly to equity		2,268	(974)
<b>Income and expense recognised directly in equity</b>		<b>(5,184)</b>	<b>1,316</b>
<b>Profit for the period</b>	2	<b>37,120</b>	<b>64,870</b>
<b>Total income and expense recognised in the period</b>		<b>31,936</b>	<b>66,186</b>
Equity holders of the Group		32,487	64,202
Minority interests	15	(551)	1,984
		<b>31,936</b>	<b>66,186</b>

UNAUDITED CONSOLIDATED BALANCE SHEET AS AT 29 APRIL 2007

		29 April 2007	30 April 2006
	Notes	£'000	£'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		224,463	205,122
Intangible assets		87,981	49,364
Investments in associated undertakings and joint ventures		21,988	18,408
Available-for-sale financial assets		75,447	15,338
Deferred tax assets		31,925	14,106
		<u>441,804</u>	<u>302,338</u>
<b>Current assets</b>			
Inventories		231,383	219,065
Trade and other receivables		88,615	98,021
Cash and cash equivalents		181,808	48,875
		<u>501,806</u>	<u>365,961</u>
		<u>943,610</u>	<u>668,299</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
Share capital	7	72,000	1,000
Share premium	8	874,300	—
Permanent contribution to capital	9	50	—
Capital redemption reserve	10	50	—
Foreign currency translation reserve	11	(837)	(947)
Merger reserve	12	—	43
Reverse combination reserve	13	(987,312)	—
Retained earnings	14	317,708	285,711
		<u>275,959</u>	<u>285,807</u>
Minority interests	15	4,845	5,396
		<u>280,804</u>	<u>291,203</u>
<b>Non-current liabilities</b>			
Other payables		2,408	1,032
Borrowings	16	1,935	2,628
Retirement benefit obligations		14,032	15,179
Deferred tax liabilities		18,586	13,115
Provisions		23,821	23,092
		<u>60,782</u>	<u>55,046</u>
<b>Current liabilities</b>			
Derivative financial liabilities		42,463	10,798
Trade and other payables		309,944	194,084
Borrowings	16	217,996	99,782
Current tax liabilities		31,621	17,386
		<u>602,024</u>	<u>322,050</u>
		<u>662,806</u>	<u>377,096</u>
<b>Total liabilities</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>			
		<u>943,610</u>	<u>668,299</u>

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007

		52 weeks ended 29 April 2007	53 weeks ended 30 April 2006
	Notes	£'000	£'000
<b>Cash inflow from operating activities</b>	18	199,261	85,933
Income taxes paid		(23,886)	(24,635)
<b>Net cash inflow from operating activities</b>		<u>175,375</u>	<u>61,298</u>
<b>Cash flow from investing activities</b>			
Proceeds on disposal of property, plant and equipment		10,120	4,767
Purchase of joint venture		(238)	(7,368)
Purchase of subsidiaries, net of cash acquired	17	(22,747)	(13,234)
Purchase of intangible assets		(2,978)	(1,965)
Purchase of property, plant and equipment		(54,797)	(70,302)
Purchase of listed investments		(67,215)	(13,327)
Investment income received		1,790	2,624
<b>Net cash outflow from investing activities</b>		<u>(136,065)</u>	<u>(98,805)</u>
<b>Cash flow from financing activities</b>			
Finance income received		1,339	1,528
Finance costs paid		(7,948)	(6,195)
Net repayments of borrowings		(6,583)	(123)
Proceeds from share issues		928,850	—
Purchase of a certain percentage of previous owner's equity investment		(928,800)	—
Share issue costs		(9,762)	—
Equity dividend paid		(380)	—
<b>Net cash outflow from financing activities</b>		<u>(23,284)</u>	<u>(4,790)</u>
<b>Net increase/(decrease) in cash and cash equivalents including overdrafts</b>		16,026	(42,297)
<b>Cash and cash equivalents including overdrafts at beginning of period</b>		(41,055)	1,242
<b>Cash and cash equivalents including overdrafts at the period end</b>		<u>(25,029)</u>	<u>(41,055)</u>

## NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007

### 1 Basis of preparation

The consolidated financial information disclosed in this preliminary announcement for the 52 weeks ended 29 April 2007 has been prepared on the basis of the accounting policies set out in the Group's 2007 Annual Report and Financial Statements. The financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority.

The consolidated financial information for the 52 weeks ended 29 April 2007 does not constitute the full financial statements of the Group within the meaning of section 240 of the Companies Act 1985. The consolidated financial information is extracted from the Group's financial statements. Those financial statements have not yet been delivered to the Registrar nor have the auditors reported on them.

The Company was incorporated on 21 December 2006 and in March 2007 acquired one hundred per cent of the ordinary shares of Sports World International Limited, Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA (the "Continuing Business Entities") through a combination of cash, non cash assets and ordinary share issues.

Prior to this transaction M J W Ashley personally controlled each of the Continuing Business Entities and by virtue of his controlling shareholding in Sports Direct International plc, M J W Ashley continues to control the Continuing Business Entities. As common control transactions are outside the scope of IFRS 3: Business Combinations the directors have, as required by IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, used their judgement in developing and applying an accounting policy which reflects the economic substance of the transaction to account for the Continuing Business Entities.

The directors consider the principles of merger accounting to be appropriate to account for the combination of Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA with the Company. As a result Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA are presented as if they have legally been a group of companies since the 25 April 2005 following the merger accounting principles set out below:

- the assets and liabilities of Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA are recorded at book value;
- intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable IFRS; and
- no goodwill is recorded.

The combination of Sports World International Limited with the Company is also a common control transaction which falls outside of the scope of IFRS 3: Business Combinations. Again the directors have used their judgement in developing and applying an accounting policy which reflects the economic substance of the transaction. The directors consider the guidance contained within IFRS 3: Business Combinations in relation to reverse acquisitions to be appropriate in these circumstances and as a result the principles of reverse acquisition accounting have been applied with Sports World International Limited identified as the acquirer.

Under the principles of reverse acquisitions, the cost of the acquisition is measured at the fair value of the notional number of equity instruments that would have been issued by the subsidiaries to the parent in order to provide the resulting one hundred per cent ownership in Sports World International Limited. The net assets of the parent are restated to fair value in the consolidated financial information and the goodwill (if any) is calculated based on the difference between the cost of acquisition and the restated net assets of the parent. The deemed cost of the acquisition was £50,000 and no goodwill was created on the reverse acquisition of the Company by Sports World International Limited.

The share capital and premium reported in the consolidated balance sheet is required to be that of the legal parent. However, it is also a requirement that the total of the issued equity instruments of the consolidated Group should reflect that of the legal subsidiaries plus the cost of the acquisition. To achieve this, a reverse combination reserve is created, being the difference between the required total of the Group's equity instruments and the reported equity of the legal parent. The reported consolidated retained earnings are the consolidated retained earnings of the legal subsidiaries plus those of the legal parent subsequent to the reverse combination.

## NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007 (CONTINUED)

### 1 Basis of preparation (continued)

This consolidated financial information therefore represents a continuation of the financial information of Brands Holdings Limited, International Brand Management Limited, CDS Holdings SA and Sports World International Limited with the Company as the reporting entity. Comparatives for the 53 weeks ended for 30 April 2006 relate solely to the Continuing Business Entities. The consolidated financial information for the 52 weeks ended 29 April 2007 is the first consolidated financial information prepared by the Group in accordance with IFRS. As such, they take account of the requirements and options in IFRS 1: First-time Adoption of International Financial Reporting Standards, as they relate to the comparative financial information for the 53 weeks ended 30 April 2006 included therein. The Group's transition date to IFRS was 25 April 2005.

In preparing these consolidated financial information the Group has elected to apply certain exemptions available under IFRS 1, which are as follows:

- the Group has deemed cumulative translation differences for foreign operations to be zero at the date of transition. Any gains and losses or subsequent disposals of foreign operations will not therefore include translation differences arising prior to the transition date;
- IFRS 3 – Business Combinations is applied from 25 April 2005 and not retrospectively to earlier business combinations;
- The effect of translation differences arising on fair value adjustments and goodwill in business combinations is not applied retrospectively before 25 April 2005 thereby treating the goodwill and fair value adjustments as assets of the Company as opposed to the entities acquired by the Company; and
- all cumulative actuarial gains and losses in respect of the Group's defined benefit pension scheme which have been recognised in equity under UK GAAP have continued to be recognised in equity at the transition date.

The consolidated financial information have been prepared in accordance with IFRS (including International Accounting Standards ("IAS")) and International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under accounting standards as adopted for use in the EU. The consolidated financial information have been prepared under the historical cost convention, as modified to include fair valuation of financial assets and derivative financial instruments with borrowings recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost as required by IFRS.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**2 Segmental analysis**

**Primary reporting format — business 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 29 April 2007:*

	Retail					Brands			Eliminations	Total
	UK retail	UK wholesale & other	UK total	International retail	Total	Wholesale	Licensing	Total		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Sales to external customers	1,069,667	41,525*	1,111,192	64,018	1,175,210	154,484	17,450	171,934	—	1,347,144
Sales to other segments	—	11,235	11,235	—	11,235	12,523	—	12,523	(23,758)	—
Revenue	<u>1,069,667</u>	<u>52,760</u>	<u>1,122,427</u>	<u>64,018</u>	<u>1,186,445</u>	<u>167,007</u>	<u>17,450</u>	<u>184,457</u>	<u>(23,758)</u>	<u>1,347,144</u>
Gross profit			498,101	22,173	520,274			75,867	—	596,141
Operating profit before exceptional items			131,762	1,264	133,026			19,700	—	152,726
Operating profit			81,790	1,264	83,054			10,846	—	93,900
Investment income										1,790
Finance income										3,449
Finance costs										(42,081)
Share of profits of associated undertakings and joint ventures										3,422
Profit before taxation										60,480
Taxation										(23,360)
Profit for the period										<u>37,120</u>

\* Includes £14.7 million in relation to property transactions.

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

Other segment items included in the income statement for the 52 weeks ended 29 April 2007:

	Retail	Brands	Total
	£'000	£'000	£'000
Depreciation	29,022	1,882	30,904
Amortisation	—	3,584	3,584

Information regarding segment assets and liabilities as at 29 April 2007 and capital expenditure for the 52 weeks then ended:

	Retail	Brands	Eliminations	Total
	£'000	£'000	£'000	£'000
Investments in associated undertakings and joint ventures	14,847	7,141	—	21,988
Other assets	984,598	265,434	(328,410)	921,622
Total assets	<u>999,445</u>	<u>272,575</u>	<u>(328,410)</u>	<u>943,610</u>
Total liabilities	<u>(744,811)</u>	<u>(246,405)</u>	<u>328,410</u>	<u>(662,806)</u>
Tangible asset additions	57,732	3,875	—	61,607
Intangible asset additions	20,756	21,445	—	42,201
Total capital expenditure	<u>78,488</u>	<u>25,320</u>	<u>—</u>	<u>103,808</u>

NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)

2 Segmental analysis (continued)

Segmental information for the 53 weeks ended 30 April 2006:

	Retail				Brands			Eliminations	Total	
	UK retail	UK wholesale & other	UK total	International retail	Total	Wholesale	Licensing	Total		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Sales to external customers	943,841	14,792	958,633	52,664	1,011,297	169,193	14,246	183,439	—	1,194,736
Sales to other segments	—	10,649	10,649	—	10,649	19,711	—	19,711	(30,360)	—
Revenue	943,841	25,441	969,282	52,664	1,021,946	188,904	14,246	203,150	(30,360)	1,194,736
Gross profit			363,508	15,951	379,459			77,220	—	456,679
Operating profit before exceptional items			89,173	926	90,099			18,002	—	108,101
Operating profit			85,805	926	86,731			18,002	—	104,733
Investment income										2,624
Finance income										3,387
Finance costs										(17,832)
Share of profits of associated undertakings and joint ventures										3,406
Profit before taxation										96,318
Taxation										(31,448)
Profit for the period										64,870

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

Other segment items included in the income statement for the 53 weeks ended 30 April 2006:

	Retail	Brands	Total
	£'000	£'000	£'000
Depreciation	28,375	3,790	32,165
Amortisation	—	968	968

Information regarding segment assets and liabilities as at 30 April 2006 and capital expenditure for the 53 weeks then ended:

	Retail	Brands	Eliminations	Total
	£'000	£'000	£'000	£'000
Investments in associated undertakings and joint ventures	11,379	7,029	—	18,408
Other assets	534,375	212,599	(97,083)	649,891
Total assets	545,754	219,628	(97,083)	668,299
Total liabilities	(279,266)	(194,913)	97,083	(377,096)
Tangible asset additions	74,072	1,484	—	75,556
Intangible asset additions	2,718	2,988	—	5,706
Total capital expenditure	76,790	4,472	—	81,262

NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)

2 Segmental analysis (continued)

*Secondary reporting format — geographic segments*

The Group operates in two geographic segments, UK and Non-UK. These geographic segments are the basis on which the Group reports its secondary segment information, as presented below:

*Segmental information for the 52 weeks ended 29 April 2007:*

	UK	Non-UK	Unallocated	Eliminations	Total
	£'000	£'000	£'000	£'000	£'000
Segmental revenue from external customers	1,178,528	192,374	—	(23,758)	1,347,144
Total capital expenditure	94,873	8,935	—	—	103,808
Segmental assets	1,112,957	133,532	25,531	(328,410)	943,610

*Segmental information for the 53 weeks ended 30 April 2006:*

	UK	Non-UK	Unallocated	Eliminations	Total
	£'000	£'000	£'000	£'000	£'000
Segmental revenue from external customers	1,040,369	184,727	—	(30,360)	1,194,736
Total capital expenditure	73,565	4,138	3,559	—	81,262
Segmental assets	601,146	116,175	48,061	(97,083)	668,299

3 Exceptional items

	52 weeks ended 29 April 2007	53 weeks ended 30 April 2006
	£'000	£'000
Reorganisation costs	—	3,368
Costs relating to admission to the London Stock Exchange	586	—
Past performance bonuses including national insurance	56,400	—
Profit on disposal of certain retail concessions <sup>(1)</sup>	(4,160)	—
Legal claims	6,000	—
	58,826	3,368

<sup>(1)</sup> In May 2006, the Group disposed of its Hargreaves airport concessions.

NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)

4 **Finance income**

	<b>52 weeks ended 29 April 2007</b>	<b>53 weeks ended 30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	709	796
Other interest receivable	630	732
Expected return on pension plan assets	2,110	1,859
	<u>3,449</u>	<u>3,387</u>

5 **Finance costs**

	<b>52 weeks ended 29 April 2007</b>	<b>53 weeks ended 30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank loans and overdrafts	7,024	3,977
Interest on other loans and finance leases	924	2,217
Interest on retirement benefit obligations	2,468	2,132
Fair value adjustment to forward foreign exchange contracts	31,665	9,506
	<u>42,081</u>	<u>17,832</u>

The fair value adjustment to forward foreign exchange contracts relates to adverse differences between the nominal value of forward foreign currency contracts and their fair value at each period end.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**6 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. The comparative weighted average number of shares has been adjusted for the impact of the application of the principles of reverse acquisition accounting as set out in note 1, Basis of Preparation.

Share awards granted during the period were anti-dilutive as at 29 April 2007 as the exercise price exceeded the average market price of the Company's shares during the period from when the share awards were granted to 29 April 2007. As a result share awards are not taken into account when determining the weighted average number of ordinary shares in issue during the period and therefore the basic and diluted earnings per share are the same.

*Basic and diluted earnings per share*

	<b>52 weeks ended 29 April 2007</b>	<b>52 weeks ended 29 April 2007</b>	<b>53 weeks ended 30 April 2006</b>	<b>53 weeks ended 30 April 2006</b>
	<b>Basic £'000</b>	<b>Diluted £'000</b>	<b>Basic £'000</b>	<b>Diluted £'000</b>
Profit for the period	37,671	37,671	62,886	62,886
	<b>Number in thousands</b>		<b>Number in thousands</b>	
Weighted average number of shares	460,582	460,582	410,400	410,400
	<b>Pence per share</b>		<b>Pence per share</b>	
Earnings per share	<u>8.18</u>	<u>8.18</u>	<u>15.32</u>	<u>15.32</u>

*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 shares in issue at the period end. 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.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**6 Earnings per share (continued)**

*Underlying earnings per share (continued)*

	<b>52 weeks ended 29 April 2007</b>	<b>52 weeks ended 29 April 2007</b>	<b>53 weeks ended 30 April 2006</b>	<b>53 weeks ended 30 April 2006</b>
	<b>Basic £'000</b>	<b>Diluted £'000</b>	<b>Basic £'000</b>	<b>Diluted £'000</b>
Profit for the period	37,671	37,671	62,886	62,886
Post tax adjustments to profit for the period for the following exceptional items:				
Costs relating to admission to the London Stock Exchange	410	410	—	—
Past performance bonuses including national insurance	39,480	39,480	—	—
Fair value adjustment to forward foreign exchange contracts	22,166	22,166	6,654	6,654
Profit on disposal of certain retail concessions	(2,912)	(2,912)	—	—
Reorganisation costs	—	—	2,358	2,358
Legal claims	4,200	4,200	—	—
Underlying profit for the period	<b>101,015</b>	<b>101,015</b>	<b>71,898</b>	<b>71,898</b>
	<b>Number in thousands</b>	<b>Number in thousands</b>		
Shares in issue at the period end	720,000	720,000	720,000	720,000
	<b>Pence per share</b>	<b>Pence per share</b>		
Earnings per share	14.03	14.03	9.99	9.99

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**7 Share capital**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised</b>		
999,500,010 ordinary shares of 10p each (2006: 1,000,000 ordinary shares of £1 each)	99,950	1,000
499,990 redeemable preference shares of 10p each (2006: nil)	50	—
	<u>100,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid</b>		
720,000,010 ordinary shares of 10p each (2006: 1,000,000 ordinary shares of £1 each)	<u>72,000</u>	<u>1,000</u>

Consistent with the principle of reverse acquisition accounting, as described in note 1 Basis of preparation, the issued share capital shown above at 29 April 2007 is that of the Company with the comparative issued share capital being that of Sports World International Limited.

The following share issues and redemptions were made by the Company since its incorporation:

<b>Date</b>	<b>No. of ordinary shares</b>	<b>No. of redeemable preference shares</b>
21 December 2006 – on incorporation	10	—
8 February 2007 – ordinary share issue	—	499,990
2 March 2007 – ordinary share issue	673,560,000	—
2 March 2007 – redemption of redeemable preference shares	—	(499,990)
29 March 2007 – ordinary share issue	<u>46,440,000</u>	<u>—</u>
	<u>720,000,010</u>	<u>—</u>

The Company was incorporated on 21 December 2006 with an authorised share capital of £1,000, divided into 10,000 ordinary shares of 10p each, of which 10 ordinary shares were issued at par at the date of incorporation.

On 8 February 2007, the authorised share capital of the Company was increased to £50,000 by the creation of 490,000 new ordinary shares of 10p each.

On 8 February 2007, the authorised share capital of the Company was reorganised into 499,990 redeemable preference shares of 10p each and 10 ordinary shares of 10p each.

On 8 February 2007, the Company issued 499,990 redeemable preference shares at par.

On 26 February 2007, the authorised share capital of the Company was increased from £50,000 to £100,000,000 by the creation of 999,500,000 new ordinary shares of 10p each.

On 2 March 2007, the Company was admitted to the Official List and to trading on the London Stock Exchange and issued 309,600,000 ordinary shares at £3 per share, giving rise to share premium of £897,840,000. The cash proceeds from this share issue were used to acquire a certain percentage of the previous owner's equity investment in Sports World International Limited.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**7 Share capital (continued)**

On 2 March 2007, the Company issued 326,304,000 ordinary shares at £3 per share in exchange for 478,210 ordinary shares of £1 each in Sports World International Limited. No share premium arose as the directors applied the merger relief provisions available under the Companies Act 1985.

On 2 March 2007, the Company issued 37,656,000 ordinary shares at £3 per share in exchange for the entire ordinary share capital of £1 each of Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA. No share premium arose as the directors applied the merger relief provisions available under the Companies Act 1985.

On 2 March 2007, the Company redeemed its 499,990 redeemable preference shares of 10p each at par.

On 29 March 2007, the Company issued 46,440,000 ordinary shares at £3 per share in exchange for 68,060 ordinary shares of £1 each in Sports World International Limited. No share premium arose as the directors applied the merger relief provisions available under the Companies Act 1985.

*Share options*

**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 offer options to purchase 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.

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

No share-based payment charge was recognised in respect of these share awards for the 52 weeks ended 29 April 2007 as the directors did not consider it material to the Group's financial results or position.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**8 Share premium**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
At 1 May 2006	—	—
Shares issued	897,840	—
Share issue costs	(23,540)	—
At 29 April 2007	<u>874,300</u>	<u>—</u>

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

**9 Permanent contribution to capital**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
At 1 May 2006	—	—
Permanent contribution to capital in the period	50	—
At 29 April 2007	<u>50</u>	<u>—</u>

M J W 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.

**10 Capital redemption reserve**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
At 1 May 2006	—	—
Redemption of redeemable preference shares	50	—
At 29 April 2007	<u>50</u>	<u>—</u>

The capital redemption reserve arose on the redemption of the Company's redeemable preference shares of 10p each at par on 2 March 2007.

**11 Foreign currency translation reserve**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
At 1 May 2006	(947)	—
Translation differences — Group	190	(1,125)
Translation differences — associates	(80)	178
At 29 April 2007	<u>(837)</u>	<u>(947)</u>

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**12 Merger reserve**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
At 1 May 2006	43	43
Release of merger reserve on group reorganisation	(43)	—
At 29 April 2007	<u>—</u>	<u>43</u>

The merger reserve of £43,000 represents the nominal value of the share capital of Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA following their merger with Sports World International Limited as at 25 April 2005.

**13 Reverse combination reserve**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
At 1 May 2006	—	—
Reverse acquisition accounting on group reorganisation	(987,355)	—
Release of merger reserve on group reorganisation	43	—
At 29 April 2007	<u>(987,312)</u>	<u>—</u>

The reverse combination reserve exists as a result of the adoption of the principles of reverse acquisition accounting, see note 1 Basis of preparation, 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.

**14 Retained earnings**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
At 1 May 2006	285,711	220,562
(Expense)/income recognised directly in equity	(5,294)	2,263
Profit for the financial period	37,671	62,886
Dividends	(380)	—
At 29 April 2007	<u>317,708</u>	<u>285,711</u>

**15 Minority interests**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
At 1 May 2006	5,396	3,412
Share of (loss)/profit for the period	(551)	1,984
At 29 April 2007	<u>4,845</u>	<u>5,396</u>

NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)

16 **Borrowings**

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
<i>Non-current:</i>		
Bank and other loans	1,844	2,628
Obligations under finance leases	91	—
	<u>1,935</u>	<u>2,628</u>
<i>Current:</i>		
Bank overdrafts	206,837	89,930
Bank and other loans	10,463	9,852
Obligations under finance leases	696	—
	<u>217,996</u>	<u>99,782</u>
<i>Total borrowings:</i>		
Bank overdrafts	206,837	89,930
Bank and other loans	12,307	12,480
Obligations under finance leases	787	—
	<u>219,931</u>	<u>102,410</u>

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

	<b>29 April 2007</b>	<b>30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
Borrowings are repayable as follows:		
Within one year	11,159	9,852
Between one and two years	922	908
Between two and five years	924	1,720
After five years	89	—
	<u>13,094</u>	<u>12,480</u>
Borrowings — Sterling	4,231	7,435
Borrowings — Other	8,863	5,045
	<u>13,094</u>	<u>12,480</u>

Loans and overdrafts are all on commercial variable rates of interest ranging between 0.6% and 2.5% over the base rate of the country within which the borrowing entity resides.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**17 Acquisitions**

Details of principal acquisitions for the 52 weeks ended 29 April 2007 are set out below.

	<u>Date of acquisition</u>	<u>Percentage of equity acquired</u>	<u>Nature of activity</u>
Focus Golf Systems Inc	4 May 2006	100	Wholesale
Original Shoe Company Limited	5 May 2006 <sup>(1)</sup>	100	Retail
Dunlop International Limited	1 July 2006	100	Licensing
PBF International Limited	13 July 2006	50	Wholesale
Antigua Enterprises Inc	6 October 2006 <sup>(2)</sup>	5	Wholesale
Kangol Group Limited	13 October 2006	100	Licensing
Streetwise Sports Company Limited	8 December 2006	100	Retail
Sports Direct Netherlands BV	28 December 2006	100	Retail
E Walters UK Limited	11 February 2007	100	Wholesale

<sup>(1)</sup> A further tranche of shares in Original Shoe Company Limited was acquired on 7 June 2006.

<sup>(2)</sup> This was an additional acquisition which takes the cumulative holding to 65%.

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

	<u>Total</u>
	<u>£'000</u>
Cash consideration including costs	20,190
Less: fair value of net assets acquired	(847)
Goodwill	<u>19,343</u>

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

	<u>Carrying values at acquisition</u>	<u>Fair value adjustment</u>	<u>Fair value of net assets acquired</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Property, plant and equipment	10,078	(3,268)	6,810
Intangible assets	4,280	15,600	19,880
Inventories	14,812	—	14,812
Trade and other receivables	6,790	—	6,790
Cash and cash equivalents	(2,557)	—	(2,557)
Borrowings	(7,197)	—	(7,197)
Trade and other payables	(26,325)	—	(26,325)
Deferred tax liability	(1)	(4,680)	(4,681)
Provisions	—	(6,685)	(6,685)
	<u>(120)</u>	<u>967</u>	<u>847</u>

Separately identifiable intangible assets, primarily representing intellectual property acquired, amounting to £15,600,000 (deferred tax liability thereon totalling £4,680,000) were recognised as a fair value adjustment on acquisition.

Dilapidations and onerous lease provisions totalling £6,685,000 were recognised as a fair value adjustment on acquisition.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**17 Acquisitions (continued)**

£65,541,000 of revenue and £7,320,000 of operating profit has been included within the Group's financial information for the period in respect of the above acquired entities since their dates of acquisition.

If the above acquired entities had been acquired at the beginning of the period £93,615,000 of revenue and £12,984,000 of operating profit would have been included within the Group's financial information.

Cash flows arising from acquisitions are as follows:

	<b>29 April 2007</b>
	<b>£'000</b>
Cash consideration	20,190
Bank overdraft acquired	2,557
Net cash outflow in the cash flow statement	<u>22,747</u>

**18 Cash inflow from operating activities**

	<b>52 weeks ended 29 April 2007</b>	<b>53 weeks ended 30 April 2006</b>
	<b>£'000</b>	<b>£'000</b>
Profit before taxation	60,480	96,318
Net finance costs	38,632	14,445
Investment income	(1,790)	(2,624)
Share of profit of associated undertakings and joint ventures	(3,422)	(3,406)
Operating profit	93,900	104,733
Depreciation	30,904	32,165
Amortisation charge	3,584	968
Excess of fair value on acquisition over consideration	—	(570)
Profit on disposal of property, plant and equipment	—	(159)
Defined benefit pension plan current service cost	175	331
Defined benefit pension plan employer contributions	(2,136)	(424)
Operating cash inflow before changes in working capital	126,427	137,044
Decrease/(increase) in receivables	16,196	(17,972)
Decrease/(increase) in inventories	2,494	(51,295)
Increase in payables	54,144	18,156
Cash inflow from operating activities	<u>199,261</u>	<u>85,933</u>

**19 Dividends**

A dividend of 1.03p per share has been declared and approved and will be paid on 31 July 2007 to shareholders on the register on 29 June 2007.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**20 Reconciliation of net assets and profit under UK GAAP to IFRS**

As explained in Note 1: Accounting Policies the Group did not legally exist prior to March 2007. To properly reflect the substance of the combination of Sports World International Limited, Brands Holdings Limited, International Brand Management Limited and CDS Holdings SA (the "Continuing Business Entities") the directors have followed the principles of merger and reverse acquisition accounting to present the results, position and cash flows of the Continuing Business Entities as if it had always existed. As a direct consequence there was no requirement historically for the directors to prepare and file UK GAAP consolidated financial statements for the Continuing Business Entities. For reasons of transparency the directors present below equity, net asset and profit reconciliations from previously unpublished UK GAAP financial information to IFRS as re-presented in IAS 1 format:

**Reconciliation of equity at 25 April 2005**

	UK GAAP 25 April 2005 £'000	IFRS transition adjustments			IFRS 25 April 2005 £'000
		1 £'000	2 £'000	3 £'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Intangible assets	44,626	—	—	—	44,626
Property, plant and equipment	165,728	—	—	—	165,728
Investments in associated undertakings	7,456	—	—	—	7,456
Deferred tax asset	7,801	388	—	—	8,189
	<u>225,611</u>	<u>388</u>	<u>—</u>	<u>—</u>	<u>225,999</u>
<b>Current assets</b>					
Inventories	158,712	—	—	—	158,712
Trade and other receivables	76,848	—	—	—	76,848
Cash and cash equivalents	21,393	—	—	—	21,393
	<u>256,953</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>256,953</u>
<b>TOTAL ASSETS</b>	<u>482,564</u>	<u>388</u>	<u>—</u>	<u>—</u>	<u>482,952</u>

NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)

20 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of equity at 25 April 2005 (continued)

	UK GAAP 25 April 2005 £'000	IFRS transition adjustments			IFRS 25 April 2005 £'000
		1 £'000	2 £'000	3 £'000	
<b>EQUITY AND LIABILITIES</b>					
Equity attributable to equity holders of the Company					
Share capital	1,000	—	—	—	1,000
Merger reserve	43	—	—	—	43
Retained earnings	223,259	(904)	449	(2,242)	220,562
	224,302	(904)	449	(2,242)	221,605
Minority interests	3,412	—	—	—	3,412
<b>Total equity</b>	<b>227,714</b>	<b>(904)</b>	<b>449</b>	<b>(2,242)</b>	<b>225,017</b>
<b>Non current liabilities</b>					
Provisions	20,352	—	—	—	20,352
Borrowings	4,132	—	(641)	—	3,491
Other payables	240	—	—	—	240
Retirement benefit obligations	16,170	—	—	—	16,170
Deferred tax liabilities	5,458	—	192	2,242	7,892
	46,352	—	(449)	2,242	48,145

NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)

20 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of equity at 25 April 2005 (continued)

	UK GAAP 25 April 2005 £'000	IFRS transition adjustments			IFRS 25 April 2005 £'000
		1 £'000	2 £'000	3 £'000	
<b>Current liabilities</b>					
Derivative financial liabilities	—	1,292	—	—	1,292

Trade and other payables	170,591	—	—	—	170,591
Borrowings	29,005	—	—	—	29,005
Current tax liabilities	8,902	—	—	—	8,902
	208,498	1,292	—	—	209,790
<b>Total liabilities</b>	254,850	1,292	(449)	2,242	257,935
<b>TOTAL EQUITY AND LIABILITIES</b>	482,564	388	—	—	482,952

1. The Group has not taken advantage of the exemption under IFRS 1 of not restating its comparatives in respect of IAS 32, 'Financial Instruments: Presentation' and IAS 39, 'Financial Instruments: Recognition and Measurement'. This transitional adjustment is to fair value account as at the balance sheet date in respect of forward foreign currency purchase contracts held by the Group resulting in a derivative financial liability being recognised.
2. As per adjustment 1 above, the Group has fully adopted IAS 32 and IAS 39 and consequently has applied a fair value adjustment in respect of interest free loans as at the date of transition to reflect the cost of the interest free loans if interest rates were applied based on the borrowing facilities available to the Group at the date of transition. The loans are subsequently accounted for at amortised cost as required by IAS 39.
3. Deferred tax liability arising on unremitted earnings of an associate in accordance with IAS 12 as the Group has no control over when earnings are to be remitted back to the Group.

NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)

20 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of equity at 30 April 2006

	UK GAAP 30 April 2006	IFRS transition adjustments						IFRS 30 April 2006
		1	2	3	4	5	6	
		£'000	£'000	£'000	£'000	£'000	£'000	
<b>ASSETS</b>								
<b>Non-current assets</b>								
Property, plant and equipment	205,122	—	—	—	—	—	—	205,122
Intangible assets	43,685	5,109	570	—	—	—	—	49,364
Investments in associated undertakings	18,408	—	—	—	—	—	—	18,408
Financial assets	13,327	—	—	—	—	2,011	—	15,338
Deferred tax asset	10,868	—	—	3,238	—	—	—	14,106
	291,410	5,109	570	3,238	—	2,011	—	302,338
<b>Current assets</b>								
Inventories	219,065	—	—	—	—	—	—	219,065
Trade and other receivables	98,021	—	—	—	—	—	—	98,021
Cash and cash equivalents	48,875	—	—	—	—	—	—	48,875
	365,961	—	—	—	—	—	—	365,961
<b>TOTAL ASSETS</b>	<b>657,371</b>	<b>5,109</b>	<b>570</b>	<b>3,238</b>	<b>—</b>	<b>2,011</b>	<b>—</b>	<b>668,299</b>

NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)

20 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)

Reconciliation of equity at 30 April 2006 (continued)

	UK GAAP 30 April 2006 £'000	IFRS transition adjustments						IFRS 30 April 2006 £'000
		1	2	3	4	5	6	
		£'000	£'000	£'000	£'000	£'000	£'000	
<b>EQUITY AND LIABILITIES</b>								
Equity attributable to equity holders of the Company								
Share capital	1,000	—	—	—	—	—	—	1,000
Foreign currency translation reserve	(947)	—	—	—	—	—	—	(947)
Merger reserve	43	—	—	—	—	—	—	43
Retained earnings	289,106	5,109	399	(7,560)	319	1,408	(3,070)	285,711
	289,202	5,109	399	(7,560)	319	1,408	(3,070)	285,807
Minority interests	5,396	—	—	—	—	—	—	5,396
<b>Total equity</b>	<b>294,598</b>	<b>5,109</b>	<b>399</b>	<b>(7,560)</b>	<b>319</b>	<b>1,408</b>	<b>(3,070)</b>	<b>291,203</b>
<b>Non current liabilities</b>								
Borrowings	3,083	—	—	—	(455)	—	—	2,628
Other payables	1,032	—	—	—	—	—	—	1,032
Retirement benefit obligations	15,179	—	—	—	—	—	—	15,179
Deferred tax liabilities	9,135	—	171	—	136	603	3,070	13,115
Provisions	23,092	—	—	—	—	—	—	23,092
	51,521	—	171	—	(319)	603	3,070	55,046

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**20 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)**

**Reconciliation of equity at 30 April 2006 (continued)**

	IFRS transition adjustments							IFRS 30 April 2006 £'000
	UK GAAP 30 April 2006 £'000	1 £'000	2 £'000	3 £'000	4 £'000	5 £'000	6 £'000	
	<b>Current liabilities</b>							
Derivative financial liabilities	—	—	—	10,798	—	—	—	10,798
Trade and other payables	194,084	—	—	—	—	—	—	194,084
Borrowings	99,782	—	—	—	—	—	—	99,782
Current tax liabilities	17,386	—	—	—	—	—	—	17,386
	311,252	—	—	10,798	—	—	—	322,050
<b>Total liabilities</b>	362,773	—	171	10,798	(319)	603	3,070	377,096
<b>TOTAL EQUITY AND LIABILITIES</b>	657,371	5,109	570	3,238	—	2,011	—	668,299

1. Under IFRS 3, goodwill is not amortised but instead subject to annual impairment testing. Consequently, the goodwill balances were reviewed for impairment at 24 April 2005 and 30 April 2006 and no impairment adjustments were identified. The amortisation charge previously recognised under UK GAAP has been reversed.
2. As per 1 above, write back of negative goodwill balance arising on acquisitions as required by IFRS 3 and reclassified from negative goodwill previously capitalised under UK GAAP.
3. The Group has not taken advantage of the exemption under IFRS 1 of not restating its comparatives in respect of IAS 32 and IAS 39. This transitional adjustment is to fair value account as at the balance sheet date in respect of forward foreign currency purchase contracts held by the Group resulting in a derivative financial liability being recognised.
4. As per adjustment 3 above, the Group has fully adopted IAS 32 and IAS 39 and consequently has applied a fair value adjustment in respect of interest free loans as at the date of transition to reflect the cost of the interest free loans if interest rates were applied based on the borrowing facilities available to the Group at the date of transition. The loans are subsequently accounted for at amortised cost as required by IAS 39.
5. The Group has applied a fair value adjustment in respect of available-for-sale financial assets held as at 30 April 2006 in accordance with IAS 39.
6. Deferred tax liability arising on unremitted earnings of an associate in accordance with IAS 12 as the Group has no control over when earnings are to be remitted back to the Group.

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

20 **Reconciliation of net assets and profit under UK GAAP to IFRS (continued)**

**Reconciliation of profit for the 52 weeks ended 30 April 2006 (continued)**

	IFRS transition adjustments							
	UK GAAP						IFRS 53	
	53 weeks ended 30 April 2006	1	2	3	4		5	weeks ended 30 April 2006
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Revenue</b>	1,194,736	—	—	—	—	—	1,194,736	
Cost of sales	(738,057)	—	—	—	—	—	(738,057)	
<b>Gross profit</b>	456,679	—	—	—	—	—	456,679	
Selling, distribution and administrative expenses	(357,301)	5,109	570	—	—	—	(351,622)	
Other operating income	3,044	—	—	—	—	—	3,044	
Exceptional items	(3,368)	—	—	—	—	—	(3,368)	
<b>Operating profit</b>	99,054	5,109	570	—	—	—	104,733	
Investment income	2,624	—	—	—	—	—	2,624	
Finance income	3,387	—	—	—	—	—	3,387	
Finance costs	(8,140)	—	—	(9,506)	(186)	—	(17,832)	
Share of profit of associated undertakings	3,406	—	—	—	—	—	3,406	
<b>Profit before taxation</b>	100,331	5,109	570	(9,506)	(186)	—	96,318	
Taxation	(33,357)	—	(171)	2,852	56	(828)	(31,448)	
<b>Profit for the financial year</b>	66,974	5,109	399	(6,654)	(130)	(828)	64,870	
Equity holders of Sports Direct Group	64,990	5,109	399	(6,654)	(130)	(828)	62,886	
Minority interest	1,984	—	—	—	—	—	1,984	
<b>Profit for the financial year</b>	66,974	5,109	399	(6,654)	(130)	(828)	64,870	

**NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 29 APRIL 2007  
(CONTINUED)**

**20 Reconciliation of net assets and profit under UK GAAP to IFRS (continued)**

**Reconciliation of profit for the 52 weeks ended 30 April 2006 (continued)**

1. Under IFRS 3, goodwill is not amortised but instead subject to annual impairment testing. Consequently, the goodwill balances were reviewed for impairment at 24 April 2005 and 30 April 2006 and no impairment adjustments were identified. The amortisation charge previously recognised under UK GAAP has been reversed.
2. Under IFRS 3, negative goodwill should not be amortised. Transitional adjustment to write back negative goodwill arising on acquisitions as required by IFRS 3 and reclassified from negative goodwill previously capitalised under UK GAAP.
3. The Group has not taken advantage of the exemption under IFRS 1 of not restating its comparatives in respect of IAS 32 and IAS 39. This transitional adjustment is to fair value account as at the balance sheet date in respect of forward foreign currency purchase contracts held by the Group resulting in a derivative financial liability being recognised.
4. As per adjustment 3 above, the Group has fully adopted IAS 32 and IAS 39 and consequently has applied a fair value adjustment in respect of interest free loans as at the date of transition to reflect the cost of the interest free loans if interest rates were applied based on the borrowing facilities available to the Group at the date of transition. The loans are subsequently accounted for at amortised cost as required by IAS 39.
5. Deferred tax liability arising on unremitted earnings of an associate in accordance with IAS 12 as the Group has no control over when earnings are to be remitted back to the Group.

**Significant changes to the cash flow statement for the 53 weeks ended 30 April 2006**

None of the adjustments arising from IFRS relates to cash and therefore there is no impact on reported cash flows.