

16th July 2009

Sports Direct International plc
(“Sports Direct”, “the Group” or “the Company”)

Preliminary Results
For the 52 weeks to 26 April 2009

Financial highlights

- Group revenue up 8.6% to £1,367m (2008: £1,260m)
- Underlying EBITDA down 8.9% to £136.8m (2008: £150.2m) ⁽¹⁾
- Underlying profit before tax down 20.2% to £68.2m (2008: £85.4m) ^{(1) (2)}:
 - Reported profit before tax down 91% to £10.7m (2008: £118.9m) ⁽³⁾ after currency exchange and non-cash adjustments ⁽⁴⁾
- Underlying earnings per share down 7.5% to 7.93p (2008: 8.57p) ^{(1) (2)}
- Group gross margin decreased by 280 basis points to 40.8% (2008: 43.6%):
 - UK retail gross margins down to 42.5% (2008: 45.7%); flat on currency neutral basis
- Net debt at year end £431.3m:
 - Operating comfortably within banking covenants
 - Target to reduce debt below £400m in FY 2009/10
- UK Retail like-for-like gross contribution: +2.5% ⁽⁵⁾
- Board decided not to recommend final dividend

Operational highlights

- UK Retail clear market leader:
 - Sales exceeded £1bn
 - Consolidated position through increasing product range and availability, controlling costs, improving sourcing, supply chain efficiencies and strengthening third party brand relationships
- Successfully expanded international retail:
 - Opened seven new stores
- Brands division good progress:
 - Growth in brands licensing – 41 new licences signed during the year
 - Further consolidation of Brands division management in Shirebrook

(1) Underlying EBITDA, underlying profit before taxation and underlying EPS exclude realised foreign exchange in selling and administration costs, exceptional costs and the derecognition and profit on sale of strategic investments.

(2) Underlying profit before taxation and underlying EPS also exclude profits/losses relating to the IAS 39 fair value adjustment on forward currency contracts in financing income/costs.

(3) Reported profit before tax includes the impact of foreign exchange, derecognition of strategic investments for accounting purposes and exceptional costs.

(4) Non-cash adjustments include impairment of freehold property and intangible assets (£30.5m) and the impact of accounting treatment of strategic investments held by Kaupthing Singer and Friedlander (£53.1m).

(5) Like-for-like gross contribution for UK Retail is 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. The gross contribution would only be adjusted if a significant promotion affected the comparison. This is the first year that this KPI has been reported.

Dave Forsey, Chief Executive said:

“The second half of the year remained challenging, but we are pleased with these solid full year results that reflect the resilience and relevance of our flexible business model, focused on the core principles of retailing.

“We strengthened our position in our core UK market during the year; grew revenues across both Retail and Brands divisions and delivered underlying EBITDA in line with our expectations. Our strategy remains the right one for the business and against the tough market conditions.

“The Board is confident that our initiatives and hard work across all areas of the Group leave us well positioned for the next phase of growth. Accordingly, at current exchange rates, we are expecting underlying EBITDA to be at least £140m this financial year.”

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CHAIRMAN'S REPORT

In a very challenging market environment, the Group's relentless focus on the basics of retailing has resulted in the delivery of very creditable, solid results. We grew sales in both Retail and Brands divisions, and while we have seen a decline in gross margin – caused almost entirely by the drop in the value of the pound, and a corresponding drop in underlying EBITDA.

We maintained our position as the UK market leader by continuing to implement our back to basics strategy – offering the most comprehensive product range, ensuring stock availability, closely controlling costs and making efficiencies where possible. During the year the Group developed its relationships further with our third party brand suppliers, many of whom have offices within our head office at Shirebrook.

We improved stock control and sourcing within international retail. We were very pleased with the Group's ability to sign an agreement, produce the goods and roll out branded areas in 121 stores in China within a four month period from start to finish.

During the year we opened 27 stores in the UK (excluding Northern Ireland), nine stores opened in the Republic of Ireland and Northern Ireland through Heaton's, and seven stores in Europe; including our first stores in Cyprus.

The Group continued to consolidate Brands division management into Shirebrook. Licensing remains the key driver of growth within the division, and we signed 41 new licence deals during the year.

The Board has decided not to recommend the payment of a final dividend this year as we believe reducing debt should be our priority. We will continue to keep this under review.

Our strategy for growth

We have established an excellent platform for growth, which we will build on with our proposed EBITDA related share bonus scheme, of which there are more details on page 9.

Our priorities going forward are to:

- Continue to strengthen our position in our core UK market
- Continue to develop our international store portfolio
- Maintain our brand market leading positions
- Reduce debt, with a target of achieving below £400m in FY 2009/10

Finally I wish to pay tribute to the hard work of all our people, from my colleagues on the Board to our people in the stores, and thank them for all their endeavours.

Simon Bentley

Acting Non-Executive Chairman

16 July 2009

CHIEF EXECUTIVE'S REPORT AND BUSINESS REVIEW

Overview of financial performance

In the 52 weeks ended 26 April 2009 (the Year), Group revenue was up 8.6% at £1,367m compared with revenue of £1,260m for the 52 weeks ended 27 April 2008. At constant exchange rates the increase was 5.1%. UK Retail sales were up 5.1% and broke through £1bn again to £1,006m (2008: £958m). Adjusted for acquisitions and disposals of subsidiaries, UK Retail sales in 2009 increased by 9.2%.

The Group strengthened revenues in other core business segments. International retail sales were up 32.3% to £102.3m (2008: £77.3m); on a currency neutral basis this increase was 12.6%. Brands division revenue rose 19.7% to £230.5m (2008: £192.6m); 4.7% on a currency neutral basis. Within the division, wholesale revenues were up 18.7% to £203.6m (2008: £171.5m) and licensing revenues were up 27.0% to £26.9m (2008: £21.1m), both reflecting the full year impact of acquisitions in the prior year including Everlast, and the effect of a stronger US dollar.

Group gross margin in the Year fell by 280 basis points from 43.6% to 40.8%. In the Retail division margin fell by 300 basis points to 41.3% (2008: 44.3%). The main contributor to the fall in margin was UK Retail where margin fell to 42.5% (2008: 45.7%) as a result of the adverse movement of the US dollar and the challenging trading environment in the UK. Had the pound/dollar exchange rate remained at 2008 levels, gross margin in UK Retail would have been maintained at 45.7%.

Gross margin fell in the Brands division from 40.2% to 38.3%, due to the pressure on margins in the wholesale business in an increasingly competitive global market.

Administration costs include a realised exchange profit of £14.2m compared to a profit of £3.5m in the preceding year. The fair value adjustment on forward foreign exchange contracts required under IFRS is included in finance income (2008: costs) and this unrealised profit amounted to £12.6m as opposed to a £5.2m loss in 2008. These amounts are excluded from the definition of Underlying profit before tax and Underlying EBITDA used in the business and as reported here. The Group's holding of forward foreign exchange contracts has greatly reduced during the Year, reducing an element of potential volatility in reported profit, and we expect the holding to continue at or below the current low level in 2009/10.

Group Underlying EBITDA for the Year fell 8.9% to £136.8m (2008: £150.2m) and Group Underlying profit before tax fell 20.2% to £68.2m (2008: £85.4m), in both cases due to the decreases in margin.

There is a significant difference between Underlying and the lower reported profits before tax. Underlying profits before tax (and Underlying EBITDA) exclude exceptional items, which decreased profit by £30.5m, realised exchange profit/loss and IFRS revaluation of foreign currency contracts, which increased 2009 profit by £14.2m and £12.6m respectively, a £1.8m loss on fair value adjustments within associated undertakings and a £52.1m non-cash loss in recorded value of investments previously provided for through equity and now charged to the Income Statement as a result of the derecognition of the investments for accounting purposes.

	EBITDA	PBT
	£m	£m
Reported	151.0	10.7
Realised FX Profit	(14.2)	(14.2)
IAS 39 FX fair value adjustment on forward currency contracts	-	(12.6)
Profit on disposal of listed investments	-	(1.0)
Derecognition of investments held by KSF	-	53.1
Exceptional items	-	30.5
Fair value adjustment within associates	-	1.7
Underlying	136.8	68.2

Capital expenditure in the Year amounted to £37.8m (2008: £132.4m). This included acquisitions of retail property, plant and equipment, including £6.4m (2008: £90.6m) on freehold property.

The Group continues to operate comfortably within its banking covenants. Our facilities are in place until April 2011 and we will commence discussions with our banks during the 2009/10 financial year.

Mindful that the financial markets remain difficult, we consider it is prudent that debt reduction should be a priority. We are therefore targeting to reduce debt levels to below £400m by April 2010, which will be achieved by:

- Growing EBITDA
- Working capital turning positive by the year end, as we reduce inventory levels through the year
- Targeting a reduced level of capital expenditure, in the region of £20m, in the current year
- Further reductions in financing costs as a result of ongoing low interest rates (and the reduction in debt)
- Saving the cost of the final dividend

Net debt at year end decreased to £431.3m (2008: £465.2m); £20.3m of the reduction resulted from the accounting treatment of the arrangements with Kaupthing Singer and Friedlander.

Review by business segment

	52 weeks ended 26 April 2009 (£'m)	52 weeks ended 27 April 2008 (£'m)	Change %
Retail Revenue			
UK Retail	1,006.5	957.7	
UK wholesale and other	28.0	31.9	
International Retail	102.3	77.3	
Total	1,136.8	1,066.9	+6.5
Cost of sales	(667.5)	(594.7)	
Gross margin	469.3	472.2	
Gross margin percentage	41.3%	44.3%	
Brands Revenue:			
Wholesale	203.6	171.5	
Licensing	26.9	21.1	
Total	230.5	192.6	+19.7
Cost of sales	(142.2)	(115.1)	
Gross margin	88.3	77.5	
Gross margin percentage	38.3%	40.2%	

Business review

Despite tough economic conditions, revenue grew in both the Retail and Brands divisions, but Underlying EBITDA fell notwithstanding good cost control across the Group, almost entirely due to the strengthening of the US dollar. We continue to focus our efforts on UK Retail, where our attention to the basics of retailing leaves us well positioned for growth.

Retail division

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

We focused on back to basics, offering the customer the most comprehensive range and the best product availability, and reducing our costs wherever possible. By way of example, in UK Retail and at Shirebrook, we

reduced our daytime energy consumption of electricity by 7.7% and our night time usage by 14%, on increased floor space. We continued to review our store portfolio carefully, looking at the performance of each store and ways of maximising it, and examined rigorously every proposal to open or acquire a retail outlet. We continued to develop our store layout, and to incentivise our store staff in ways that encourage better performance. Our “state-of-the-art” national distribution centre at Shirebrook continued to deliver efficiencies.

Sales in the division rose by 6.5% (10.3% excluding the impact of prior year disposals), and in the UK by 5.1% (9.2% excluding prior year disposals). In the second half of the Year sales growth accelerated, due to the impact of new store openings, the attractiveness of our range compared with that of our competitors, and product availability.

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, and that enables us to work very closely with them on a day to day basis.

During the Year we strengthened our running category through our partnership with Sweatshop and the creation of a “she runs he runs” section within our UK stores.

None of the home nations qualified for the Euro 2008 football championships. Undoubtedly sales in 2008/09, particularly in the first half, were significantly affected by that lack of home nations’ participation in a major international football competition.

Gross margin in the division during the Year was adversely affected by the weakness of the pound against the US dollar. Margin in the division fell from 44.3% to 41.3% in the Year, and in the UK from 45.7% to 42.5%, with the greatest fall in margin coming in the second half of the Year. Almost all the Group branded goods that we sell in our stores are bought in US dollars, and we calculate the cost price of these goods in sterling by applying the average exchange rate for the year. Had the pound/dollar exchange rate remained at 2008 levels, gross margin in UK Retail would have been 45.7%. We expect the percentage margin in 2009/10 to remain at a similar level to the actual level in 2008/09.

UK Retail like-for-like gross contribution increased by 2.5% over the 12 month period. This is the first time we have reported this KPI.

Underlying costs in UK Retail were closely controlled, rising by only 0.7% in the year, in spite of significant increases in the cost of energy, the minimum wage, an increase in floor space and a rise in sales of just over 5%.

During the Year the Office of Fair Trading (OFT) investigated our acquisition of stores from JJB Sports, and concluded that in five locations they raised some concerns. We are currently working with the OFT to agree undertakings regarding the divestment of five stores.

International Retail revenue for the 52 weeks was up 32.3% to £102.3m (2008: £77.3m). On a currency neutral basis the sales increase was 12.6%. We opened seven new stores across Europe in the period, in line with our plans for developing our international store portfolio, and trading has been satisfactory in those new stores.

International Retail grew gross margin by 170 basis points, largely due to improved stock control and sourcing.

By July 2008 trial branded areas had been opened in 121 of the larger ITAT stores in China, stocked with a bespoke product range designed and manufactured for the Chinese market. We were extremely pleased with the execution of the roll out and merchandising of the branded areas and feedback was that the product range was well received by consumers. We were in discussions with ITAT management concerning the development of the business, and some issues were proving difficult to resolve. Subsequently we understand ITAT has recently been acquired by one of its largest suppliers, and those discussions are now on hold. Accordingly we consider it prudent to make a provision against the cost of fixtures, fittings and stock currently held in China.

Our internet retail business continues to grow strongly, albeit from a low base, and we continue to build systems and fulfilment capability within our Shirebrook facility.

Store portfolio

As of 26 April 2009, we operated 359 stores in the UK (excluding Northern Ireland), a total retail sales space of circa 3.5m sq ft (2008: circa 3.4m sq ft). Through the Group's 42.5% shareholding in the Heatons chain, it has products in eight stores in Northern Ireland and 22 stores in the Republic of Ireland.

We closed a net 16 stores in the Year, with 27 new Sports Direct stores opened in the UK including three relocations. All new stores are operating under the SPORTSDIRECT.com fascia. We closed or disposed of 40 stores (excluding the three relocations) which were typically smaller non-core stores.

We have rigorous criteria that must be satisfied before any new store opening or acquisition is agreed, and we will continue to apply them. We are now targeting circa between 10 and 15 new core stores in the UK (other than Northern Ireland) this year.

Internationally, as at 26 April 2009 we operated 43 stores in Belgium, 13 in Slovenia, four in Holland, two in Cyprus and one in Luxembourg. The stores in Belgium, Holland, Luxembourg and Slovenia are wholly owned by the Group, and those in Cyprus are within a store under an agreement with a local retailer. 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 division

Total Brands revenue was up 19.7% to £230.5m (2008: £192.6m); up 4.7% on a currency neutral basis.

Within this, wholesale revenue was up 18.7% to £203.6m (2008: £171.5m). Revenue from licensing was up 27.5% to £26.9m (2008: £21.1m).

Gross margin decreased to 38.3% from 40.2%, due to the need to remain competitive in a number of markets in order to retain market share in a difficult trading environment.

The consolidation of the Brands division management into Shirebrook continued, and costs were tightly controlled as systems and controls were standardised. Payroll costs in the division reduced significantly.

Growth in the licensing business remains the preferred avenue for development of the Brands business outside the UK and 41 new licensing agreements were signed during the Year with a minimum guaranteed contract value of \$60m US dollars over their terms, including licences in the United States for Donnay rackets and golf, Lonsdale boxing equipment, Dunlop sports apparel and Kangol clothing.

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, sponsorship of Paul Collingwood, England's captain at the ICC World Twenty20 cricket competition, and the England mens and womens national hockey teams.

During the Year we greatly expanded our cycle category following the acquisition of Universal Cycles, and launched our online cycle business, cyclesdirect.com. We also acquired the 20% minority shareholding in Lonsdale Sports not previously owned by the Group.

During the Year we made a number of small brands acquisitions such as Golddigga.

Operating costs increased in the division due to the full year inclusion of acquisitions such as Everlast, and the impact of the weak pound on non-sterling costs when translated into sterling.

Strategic investments

During the Year we reduced our strategic investments in other related businesses. We still believe that in the right circumstances taking strategic investments is beneficial for the Group, and the Board will continue to evaluate opportunities. However strategic investments compete with other priorities, including debt reduction, for cash, and it is unlikely that further significant investments will be made in the short term. In addition, as explained in the Financial Review on page 19, we have for accounting purposes derecognised the strategic investments held through arrangements with Kaupthing Singer and Friedlander.

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 in it. Changes 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, most if not all of which the Group cannot influence.

The above factors also influence and impact on our many retail competitors, who may also be affected by other matters relating to the general economic climate, such as the availability of finance, and also our suppliers may react differently to the changing economic environment.

All of the above apply equally to our Brands businesses, both wholesale and retail. 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 demands for their products. Difficult economic times also sometimes 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.

We have later in this statement commented on risks and uncertainties that relate to the Group's businesses, and while we manage risks to reduce, where possible, the likelihood of their occurring and their impact if they do, each is a factor that could influence the Group or part of it.

We anticipate that the football World Cup in 2010 will be a major opportunity for the UK Retail business, but given the likely launch of new football strips in March - a month later than in previous years - its impact (subject to qualification of the home nations - and in particular England) will come later in the calendar year than hitherto, and will be largely reflected in the 2010/11 financial year.

As previously commented, the Group's holding of forward foreign exchange contracts has greatly reduced during the Year, reducing an element of potential volatility in reported profit, and we expect the holding to continue at or below the current low level in 2009/10.

Proposed bonus share scheme

The hard work and loyalty of our employees are key to our success, and we intend to motivate them and enable them to share in the Group's success by seeking shareholder approval at the AGM for a new bonus scheme.

The bonus scheme is intended to drive underlying EBITDA, and to motivate and increase retention of staff, to encourage staff participation in the shares of the Company, and to align the interests of Staff and shareholders.

All permanent UK employees in UK Retail, Brands and Head Office with at least one year's service at the beginning of 2009/10 will participate, irrespective of seniority. The scheme will replace, where relevant, existing annual bonus schemes, but not workplace based schemes. The bonus targets are stretch targets, and are net of scheme costs.

The bonus is in two stages. The first bonus is 25% of base pay in shares at £1.00 per share. The first bonus target is Underlying EBITDA of £155m in 2009-10. The first bonus will vest two years after the EBITDA target of £155m is reached, and is subject to continuous employment until then.

The second bonus is 75% of base pay in shares at £1.25 per share. The second stage of the bonus is conditional upon the first bonus target being met in 2009-10 and second bonus targets are Underlying EBITDA of £195m in 2010-2011, and Underlying Net Debt/EBITDA 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.

Underlying EBITDA is defined on page 1 and is not at constant exchange rates.

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 above, in the Group's case, the majority of 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. The Group historically hedged the risk of currency movements using forward purchases of foreign currency, but has determined to reduce that hedging significantly.

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. The Group does not use interest rate financial instruments to hedge its exposure to interest rate movements.

Credit risk

The Group 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.

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 competes at national and local levels with a wide variety of retailers of varying sizes who may have competitive advantages. 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.

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.

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 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. 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 will address the renewal of its facilities during this financial Year.

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.

Key performance indicators

The Board monitors the performance of the Group by reference to a number of key performance indicators (KPIs). The most important of these KPIs are:

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
Financial KPIs		
Group revenue	£1,367m	£1,260m
Underlying EBITDA ⁽¹⁾	£136.8m	£150.2m
UK Retail gross margin	42.5%	45.7%
UK Retail like-for-like stores gross contribution ⁽²⁾	+2.5%	n/a
Underlying earnings per share ⁽³⁾	7.93p	8.57p
Non Financial KPIs		
No. of core stores ⁽⁴⁾	292	272
Customer complaints % change ⁽⁵⁾	-7.49%	n/a
Employee turnover ⁽⁶⁾	29.0%	38.4%
Cardboard recycling	6,007 tonnes	5,558 tonnes

- (1) The way in which Underlying EBITDA is calculated is set out in the Financial Review on page 15.
- (2) Like-for-like gross contribution for UK Retail is 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. The gross contribution would only be adjusted if a significant promotion affected the comparison. This is the first year that this KPI has been reported.
- (3) The way in which Underlying earnings per share is calculated is set out in the Financial Review on page 17.
- (4) A core store is a store acquired and fitted out by the Group or otherwise so designated.
- (5) Records containing complaints received prior to the beginning of 2007/08 were not retained, and accordingly annual percentage change in customer complaints in 2008 is not available.
- (6) Employee turnover was affected in both the Year and in 2007/08 by the relocation of head office, retail and brand support functions, and warehousing and distribution activities to Shirebrook throughout these periods.

Our strategy for growth

We will focus on growing the core UK Retail business by continuing to drive efficiencies and deliver outstanding value to our customers. We have established an excellent platform for growth, which we will build on with our proposed EBITDA related share bonus scheme.

In order to develop our store portfolio, both in the UK and internationally, we will continue to evaluate opportunities and will take them when we believe there is quantifiable and significant benefit in doing so.

We have learned valuable lessons in China that we will be able to apply both there and in other parts of the world.

Outside the UK our brands business will focus on licensing opportunities, and continue the restructuring of the wholesale businesses.. We will continue to invest in our brands through advertising and promotional spend and develop grassroots initiatives.

We believe that making acquisitions and taking strategic investments in other related businesses is beneficial for the Group, and we will continue to evaluate opportunities while, for the time being, being mindful of the priority to reduce debt.

Outlook for the current year

The Board is confident that our initiatives and hard work across all areas of the Group leave us well positioned for the next phase of growth. Accordingly, at current exchange rates, we are expecting underlying EBITDA to be at least £140m this financial year.

Dave Forsey
Chief Executive
16 July 2009

FINANCIAL REVIEW

Basis of reporting

The financial statements for the Group for the 52 weeks ended 26 April 2009 are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Summary of results

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008	Change
	(£'m)	(£'m)	%
Revenue:	1,367.3	1,259.5	+9.0
Underlying EBITDA	136.8	150.2	-8.9
Underlying profit before tax	68.2	85.4	-20.2
Reported profit before taxation	10.7	118.9	-91.0
	Pence per share	Pence per share	
Basic EPS	(2.79)	12.23	-90.1
Underlying EPS	7.93	8.57	-6.2

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.

Revenue and margin

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008	Change
	(£'m)	(£'m)	%
Retail Revenue:			
UK Retail	1,006.5	957.7	+5.1
UK wholesale and other	28.0	31.9	-12.2
International Retail	102.3	77.3	+32.3
Total	1,136.8	1,066.9	+6.6
Brands Revenue:			
Wholesale	203.6	171.5	+18.7
Licensing	26.9	21.1	+27.5
Total	230.5	192.6	+19.7
Total revenue	1,367.3	1,259.5	+8.6

Total Group revenue increased by 8.6%.

Retail revenue increased by 6.6%. The UK accounted for 91.0% of total retail revenues with the balance in continental European stores.

UK wholesale and other includes income on property transactions which is not regarded as being exceptional or non recurring totalling £Nil at no margin (2008: £10.5m at no margin).

Retail margins in the UK decreased from 45.7% to 42.5%.

Our representation in both parts of Ireland is covered by Heatons, in which we have a 42.5% interest, the results of which are reported as an associate.

Brands revenue increased by 19.7%, including the full year effect of prior year acquisitions such as Everlast. Licensing income increased by 27.5%, with an increase in wholesale revenue of 18.7%. The contribution made by Everlast in the year for revenue and profit after taxation amounted to £35.9m and £4.4m respectively.

Brands margins decreased from 40.2% to 38.3%.

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. During the Year the holding of forward purchase contracts has been significantly reduced.

The exchange gain of £14.2m (2008: £3.5m 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 £12.6m (2008: £5.2m loss) 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 in anticipation of the loss which may be realised in the accounts to 25 April 2010.

The sterling exchange rate with the US dollar was \$1.986 at 27 April 2008 and \$1.471 at 26 April 2009.

Exceptional operating costs and revenues

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	(£'m)	(£'m)
Impairment of intangible assets	14.8	-
Impairment of freehold property	15.7	-
	30.5	-

The impairment of freehold property was recognised to reflect the fall in market values of commercial property in the last year.

The impairment of intangible assets was recognised to reflect an increase in discount rate to reflect specific risk factors and a softening in sales growth as a result of the economic climate.

Finance income

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	(£'m)	(£'m)
Bank interest receivable	1.2	3.1
Expected return on pension plan assets	2.1	2.3
Fair value adjustment to forward foreign exchange contracts	12.6	-
	15.9	5.4

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

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	(£'m)	(£'m)
Interest on bank loans and overdrafts	(20.0)	(33.0)
Interest on other loans	(1.1)	(4.5)
Interest on retirement benefit obligations	(2.5)	(2.3)
Fair value adjustment to forward foreign exchange contracts	-	(5.2)
	(23.6)	(42.1)

The fall in interest payable is a result of the reduction in interest rates during the year.

Taxation

The effective tax rate on profit before tax for 2009 was 245.6% (2008: 34.6%). This rate reflects tax relief being unavailable on the derecognition of listed investments and the impairment of freehold property, as well as depreciation on non-qualifying assets and the non-relievable losses in certain overseas subsidiaries.

Earnings

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008	Change
	pence per share	pence per share	%
Basic EPS	(2.79)	12.23	-122.8
Underlying EPS	7.93	8.57	-7.5
Weighted average number of shares (actual)	568,452,000	639,010,000	-11.0

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 are as follows:

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	(£'m)	(£'m)
Profit after tax:	(15.8)	77.7
Post tax effect of Exceptional items:		
(Loss)/profit on disposal of listed investments net of interest	(1.0)	(24.6)
Derecognition of listed investments	53.2	-
Fair value adjustment to forward foreign exchange contracts	(8.5)	3.6
Realised profit on forward foreign exchange contracts	(9.6)	(2.4)
Impairment of freehold property	15.6	-
Impairment of intangible assets	10.0	-
Fair value adjustment within associated undertakings	1.2	-
Underlying profit after tax	45.1	54.3

Dividends

A final dividend of 2.44p per share (totalling £11.71m), in respect of the year ended 27 April 2008, was paid on 31 October 2008 to shareholders on the register at 3 October 2008.

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 £37.8m (2008: £132.4m). This included £6.4m (2008: £90.6m) on freehold property. The prior year includes a freehold office in London acquired for £31.9m and the purchase of freehold stores. The remaining balance includes intangibles such as licenses.

Acquisitions

The Group spent £6.6m on acquisitions during the Year. The principal acquisition was the remaining 20% of share capital in Lonsdale Sports which was not previously owned by the Group. This has been accounted for as a movement between minority interests and goodwill.

Strategic investments

During the year the Group held investments in Amer Sports, Blacks Leisure, JD Sports and JJB Sports. 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.

	26 April 2009
	(£'m)
Total available for sale investments at 27 April 2008	65.7
Additions in the period	4.9
Disposal proceeds in the period	(12.8)
Profit taken to the income statement	2.4
Fair value adjustments taken through equity	(28.6)
Derecognition of shares held by KSF	(26.1)
Total available for sale investments at 26 April 2009	5.5

We have previously reported that 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 are in dispute with the administrators concerning the ownership of the shares they hold. We have now concluded that, while we continue to maintain that the shares are ours and should be delivered to us, we may not “control” the shares for accounting purposes. We have therefore treated them in the accounts as having been derecognised. Doing so has no impact on net assets as the value of the shares (£26.1m) has been replaced by a reduction in creditors (£20.3m owed to KSF) and the creation of a £5.9m debtor. It has, however, had a significant impact on reported profit as the loss in value of the Black’s shareholding, which was previously charged to the statement of recognised income and expense has now been taken to the Income Statement.

The respective shareholdings at 26 April 2009 and 27 April 2008 (not reflecting the derecognition for accounting purposes) were as follows:

	At 26 April 2009		At 27 April 2008	
	Shares 'm	Holding	Shares 'm	Holding
Blacks Leisure Group	12.728	29.85%	12.728	29.85%
Amer Sports Corporation	1.066	1.48%	1.066	1.48%
JD Sports Fashion	6.475	13.31%	5.955	12.34%
adidas AG	-	-	0.398	0.02%
JJB Sports	11.944	4.76%	-	-
Other	-	-	-	-

Cash flow and net debt

In addition to the amounts invested in capital expenditure and acquisitions, the Group received a net £8.9m cash inflow from the purchase and disposal of strategic investments. Net debt decreased to £431.3m at 26 April 2009 from £465.2m at 27 April 2008. £20.3m of the reduction in Net Debt resulted from the derecognition of the loan used to finance strategic investments held by KSF.

The analysis of debt at 26 April 2009 was as follows:

	At 26 April 2009	At 27 April 2008
	(£'m)	(£'m)
Cash and cash equivalents	32.4	25.4
Borrowings	(463.7)	(490.6)
Net debt	(431.3)	(465.2)

Cash Flow

Total movement is as follows:

	At 26 April 2009 (£'m)	At 27 April 2008 (£'m)
Underlying EBITDA	136.8	150.2
Realised profit on forward foreign exchange contracts	14.2	3.5
Taxes paid	(25.3)	(37.6)
Free cash flow	125.7	116.0
Invested in:-		
Working capital and other	(31.5)	(90.4)
Acquisitions (including debt)	(6.6)	(120.1)
Net proceeds from investments	8.9	45.5
Reduction in KSF debt	20.3	-
Net capital expenditure	(34.8)	(132.4)
Share buy back programme	-	(201.5)
Equity dividend paid	(25.6)	(7.4)
Finance costs and other financing activities	(22.5)	(36.7)
Decrease/(increase) in net debt	33.9	(427.1)

Reconciliation of movement in equity

Total equity movement is as follows:

	26 April 2009 (£'m)
Total equity at 27 April 2008	128.4
Loss after tax for the 52 weeks ended 26 April 2009	(15.8)

Items taken directly to equity:

	26 April 2009 (£'m)
Exchange differences on translation of foreign operations	44.6
Actuarial loss on pension	(0.4)
Fair value adjustment in respect of available-for-sale financial assets	(28.6)
Transfer of historic losses on available-for-sale financial assets	53.2
Tax on items taken directly to equity	(6.9)

Movement in equity issues:

Movement in Minority interests	-
Dividends paid/declared	(20.8)

Total equity at 26 April 2009	153.7
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Pensions

The Group operates a number of closed defined benefit schemes in the Dunlop Slazenger companies. The net deficit in these schemes increased from £11.7m at 27 April 2008 to £12.4m at 26 April 2009.

Bob Mellors

Finance Director
16 July 2009

CONSOLIDATED INCOME STATEMENT FOR THE 52 WEEKS ENDED 26 APRIL 2009

		52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	Notes	£'000	£'000
Continuing operations:			
Revenue	1,2	1,367,321	1,259,510
Cost of sales		(809,685)	(709,809)
Gross profit		557,636	549,701
Selling, distribution and administrative expenses		(463,297)	(444,109)
Other operating income		4,004	4,023
Exceptional items	3	(30,514)	-
Operating profit	4	67,829	109,615
Profit on disposal of available-for-sale financial assets	5	1,035	41,367
Transfer of historic losses on available-for-sale financial assets	5	(53,156)	-
Dividend income from investments	5	172	2,507
Finance income	6	15,927	5,370
Finance costs	7	(23,633)	(45,006)
Share of profit of associated undertakings and joint ventures		2,482	5,020
Profit before taxation		10,656	118,873
Taxation	8	(26,164)	(41,126)
(Loss)/profit for the period	2	(15,508)	77,747
Attributable to:			
Equity holders of the Group	14	(15,838)	78,182
Minority interests		330	(435)
(Loss)/profit for the period	2	(15,508)	77,747

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

		Pence per share	Pence per share
Basic earnings per share	9	(2.79)	12.23
Diluted earnings per share	9	(2.79)	12.23

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE 52 WEEKS ENDED 26 APRIL 2009**

		52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	Notes	£'000	£'000
Exchange differences on translation of foreign operations	14	44,654	4,763
Actuarial (losses)/gains on defined benefit pension schemes		(449)	1,683
Fair value adjustment in respect of available-for-sale financial assets	12	(28,586)	(20,571)
Transfer of historic losses on available-for-sale financial assets	12	53,156	-
Taxation on items taken directly to equity	16	(6,849)	5,760
Income and expense recognised directly in equity		61,926	(8,365)
(Loss)/profit for the period	2	(15,508)	77,747
Total income and expense recognised in the period		46,418	69,382
Attributable to:			
Equity holders of the Group		46,088	69,817
Minority interests		330	(435)
		46,418	69,382

CONSOLIDATED BALANCE SHEET AS AT 26 APRIL 2009

		26 April 2009	27 April 2008
	Notes	£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	295,795	322,792
Intangible assets	11	221,958	185,010
Investments in associated undertakings and joint ventures		32,379	28,452
Available-for-sale financial assets	12	5,467	65,714
Deferred tax assets	16	15,468	29,110
		<u>571,067</u>	<u>631,078</u>
Current assets			
Inventories	13	262,263	218,763
Trade and other receivables		111,932	94,481
Cash and cash equivalents		32,358	25,418
		<u>406,553</u>	<u>338,662</u>
TOTAL ASSETS		<u>977,620</u>	<u>969,740</u>
EQUITY AND LIABILITIES			
Share capital		64,045	64,045
Share premium		874,300	874,300
Treasury shares reserve	14	(85,088)	(201,483)
Permanent contribution to capital		50	50
Capital redemption reserve		8,005	8,005
Foreign currency translation reserve	14	48,580	3,926
Reverse combination reserve		(987,312)	(987,312)
Own share reserve	14	(6,094)	-
Retained earnings	14	233,964	363,636
		<u>150,450</u>	<u>125,167</u>
Minority interests		3,232	3,242
Total equity		<u>153,682</u>	<u>128,409</u>
Non-current liabilities			
Other payables		2,656	2,829
Borrowings	15	4,713	14,255
Derivative financial liabilities	18	-	14,744
Retirement benefit obligations		12,324	11,705
Deferred tax liabilities	16	33,490	26,422
Provisions	17	36,419	22,910
		<u>89,602</u>	<u>92,865</u>
Current liabilities			
Derivative financial liabilities	18	34,993	32,894
Trade and other payables		209,739	207,598
Borrowings	15	458,899	476,400
Current tax liabilities		30,705	31,574
		<u>734,336</u>	<u>748,466</u>
Total liabilities		<u>823,938</u>	<u>841,331</u>
TOTAL EQUITY AND LIABILITIES		<u>977,620</u>	<u>969,740</u>

CONSOLIDATED CASH FLOW STATEMENT FOR THE 52 WEEKS ENDED 26 APRIL 2009

		52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	Notes	£'000	£'000
Cash inflow from operating activities	19	117,470	59,519
Income taxes paid		(25,305)	(37,638)
Net cash inflow from operating activities		<u>92,165</u>	<u>21,881</u>
Cash flow from investing activities			
Proceeds on disposal of property, plant and equipment		3,002	9,924
Proceeds on disposal of listed investments		13,807	595,921
Derecognition of listed investments		20,298	-
Proceeds on disposal of subsidiary		-	5,000
Purchase of subsidiaries, net of cash acquired		(6,608)	(108,188)
Purchase of intangible assets		(3,958)	(657)
Purchase of property, plant and equipment		(33,872)	(128,180)
Purchase of listed investments		(4,887)	(565,392)
Investment income received		2,088	3,696
Net cash outflow from investing activities		<u>(10,130)</u>	<u>(187,876)</u>
Cash flow from financing activities			
Finance income received		1,161	3,104
Finance costs paid		(23,633)	(39,831)
Increase in/(repayments of) borrowings		1,745	(9,403)
Equity dividend paid		(25,580)	(7,416)
Purchase of treasury shares		-	(201,483)
Net cash outflow from financing activities		<u>(46,307)</u>	<u>(255,029)</u>
Net increase/(decrease) in cash and cash equivalents including overdrafts		35,728	(421,024)
Cash and cash equivalents including overdrafts at beginning of period		<u>(446,053)</u>	<u>(25,029)</u>
Cash and cash equivalents including overdrafts at the period end		<u><u>(410,325)</u></u>	<u><u>(446,053)</u></u>

NOTES TO THE PRELIMINARY ANNOUNCEMENT FOR THE 52 WEEKS ENDED 26 APRIL 2009

1. Basis of preparation

The financial information which comprises the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash flow statement and related notes do not constitute full accounts within the meaning of s435 of the Companies Act 2006.

The auditors have reported on the Group's statutory accounts for the 52 week period ended 26 April 2009 under s495 of the Companies Act 2006, which does not contain statements under s498(2) or s498(3) of the Companies Act 2006 and is unqualified. The statutory accounts for the 52 week period ended 26 April 2009 will be filed with the Registrar in due course.

The auditors have reported on the Group's statutory accounts for the 52 week period ended 27 April 2008 under s235 of the Companies Act 1985, which does not contain statements under s237(2) or s237(3) of the Companies Act 1985 and is unqualified. The statutory accounts for the 52 week period ended 27 April 2008 have been delivered to the Registrar of Companies.

The consolidated financial information has 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 information has been prepared under the historical cost convention, as modified to include fair valuation of financial assets and derivative financial instruments.

The Directors believe that the 'underlying' profit and earnings per share measures provide additional useful information for shareholders on underlying performance of the business, and are consistent with how business performance is measured internally. It is not a recognised profit measure under IFRS and may not be directly comparable with 'underlying' profit measures used by other companies.

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 26 April 2009:

	Retail				Brands			Eliminations	Total	
	UK wholesale & other		UK total	International retail	Total	Wholesale	Licensing	Total		
	UK retail	£'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
Profit on disposal of available-for-sale financial assets										1,035
Transfer of historic losses on available-for-sale financial assets										(53,156)
Investment income										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	Brands	Total
	£'000	£'000	£'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	Brands	Eliminations	Total
	£'000	£'000	£'000	£'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

Segmental information for the 52 weeks ended 27 April 2008:

	Retail					Brands			Eliminations	Total
	UK		International			Wholesale	Licensing	Total	£'000	£'000
	UK retail	wholesale & other	UK total	retail	Total					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Sales to external customers	957,652	31,956*	989,608	77,257	1,066,865	171,558	21,087	192,645	-	1,259,510
Sales to other segments	-	1,662	1,662	-	1,662	6,841	568	7,409	(9,071)	-
Revenue	957,652	33,618	991,270	77,257	1,068,527	178,399	21,655	200,054	(9,071)	1,259,510
Gross profit			439,741	32,382	472,123			77,578	-	549,701
Operating profit before foreign exchange and exceptional items			93,169	2,035	95,204			10,950	-	106,154
Operating profit			96,408	1,897	98,305			11,310	-	109,615
Profit on disposal of available-for-sale financial assets										41,367
Investment income										2,507
Finance income										5,370
Finance costs										(45,006)
Share of profits of associated undertakings and joint ventures										5,020
Profit before taxation										118,873
Taxation										(41,126)
Profit for the period										77,747

* Includes £10.5 million in relation to property transactions income at nil margin.

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 27 April 2008:

	Retail	Brands	Total
	£'000	£'000	£'000
Depreciation	33,869	1,714	35,583
Amortisation	210	1,813	2,023
Impairment	-	1,394	1,394

Information regarding segment assets and liabilities as at 27 April 2008 and capital expenditure for the 52 weeks then ended:

	Retail	Brands	Eliminations	Total
	£'000	£'000	£'000	£'000
Investments in associated undertakings and joint ventures	21,040	7,412	-	28,452
Other assets	837,708	391,916	(288,336)	941,288
Total assets	858,748	399,328	(288,336)	969,740
Total liabilities	(726,064)	(363,037)	247,770	(841,331)
Tangible asset additions	126,223	1,957	-	128,180
Intangible asset additions	406	251	-	657
Total capital expenditure	126,629	2,208	-	128,837

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 26 April 2009:

	UK	Non-UK	Eliminations	Total
	£'000	£'000	£'000	£'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

Segmental information for the 52 weeks ended 27 April 2008:

	UK	Non-UK	Eliminations	Total
	£'000	£'000	£'000	£'000
Segmental revenue from external customers	1,047,717	220,864	(9,071)	1,259,510
Total capital expenditure	117,964	10,873	-	128,837
Segmental assets	1,027,686	230,390	(288,336)	969,740

3. Exceptional items

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	£'000	£'000
Impairment of intangible assets (note 11)	14,832	-
Impairment of freehold property (note 10)	15,682	-
	<u>30,514</u>	<u>-</u>

4. Operating profit

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

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	£'000	£'000
Foreign exchange gains ⁽¹⁾	(14,241)	(3,461)
Depreciation of property, plant and equipment		
- owned assets	45,533	35,332
- assets held on finance leases	9	251
Amortisation of intangible assets	2,914	2,023
Operating lease rentals		
- Land and buildings	97,954	94,985
- Other	679	701

(1) Included within this amount for 2008 is a foreign exchange gain of £15,428,000 on disposal of available-for-sale financial assets.

5. Available-for-sale financial assets

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	£'000	£'000
Profit on disposal of available-for-sale financial assets (Note 12) ⁽¹⁾	1,035	41,367
Transfer of historic losses on available-for-sale financial assets (Note 12)	(53,156)	-
Dividend income from investments	<u>172</u>	<u>2,507</u>

(1) The profit for 2008 relates to the disposal of strategic stakes in Amer Sports Corp, adidas A.G, and Umbro PLC.

6. Finance income

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	£'000	£'000
Bank interest receivable	1,161	3,068
Other interest receivable	-	36
Expected return on pension plan assets	2,121	2,266
Fair value adjustment to forward foreign exchange contracts ⁽¹⁾	12,645	-
	<u>15,927</u>	<u>5,370</u>

⁽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.

7. Finance costs

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	£'000	£'000
Interest on bank loans and overdrafts	19,980	32,955
Interest on other loans and finance leases	1,147	4,559
Interest on retirement benefit obligations	2,506	2,317
Fair value adjustment to forward foreign exchange contracts ⁽¹⁾	-	5,175
	<u>23,633</u>	<u>45,006</u>

⁽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.

8. Taxation

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	£'000	£'000
Current tax	31,280	40,588
Adjustment in respect of prior periods	(6,844)	(2,251)
	<u>24,436</u>	<u>38,337</u>
Deferred tax (Note 16)	1,728	2,789
	<u>26,164</u>	<u>41,126</u>
Tax reconciliation		
Profit before taxation	<u>10,656</u>	<u>118,873</u>
Taxation at the standard rate of tax in the UK of 28% (2008: 28%)	2,983	33,284
Tax effects of:		
Expenses not deductible for tax purposes	8,156	3,418
Impact of tax losses and other short-term temporary differences not recognised in deferred tax	1,050	2,613
Deferred tax recognised in respect of unremitted earnings from an associate	-	(965)
Unrelieved foreign tax	536	90
De-recognition of listed investments	14,884	-
Other tax adjustments	267	2,127
Effect of change in UK rate from 30% to 28%	-	2,810
Adjustments in respect of prior periods – Current tax	(6,844)	(2,251)
Adjustments in respect of prior periods – Deferred tax	5,132	-
	<u>26,164</u>	<u>41,126</u>

9. 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.

Share awards granted during the period were anti-dilutive as at 26 April 2009 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 26 April 2009. 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

	52 weeks ended 26 April 2009	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008	52 weeks ended 27 April 2008
	Basic £'000	Diluted £'000	Basic £'000	Diluted £'000
(Loss)/profit for the period	(15,838)	(15,838)	78,182	78,182
	Number in thousands		Number in thousands	
Weighted average number of shares	568,452	568,452	639,010	639,010
	Pence per share		Pence per share	
Earnings per share	<u>(2.79)</u>	<u>(2.79)</u>	<u>12.23</u>	<u>12.23</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 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.

Underlying earnings per share (continued)

	52 weeks ended 26 April 2009	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008	52 weeks ended 27 April 2008
	Basic £'000	Diluted £'000	Basic £'000	Diluted £'000
(Loss)/profit for the period	(15,838)	(15,838)	78,182	78,182
Post tax adjustments to profit for the period for the following exceptional items:				
Realised gain on forward exchange contracts	(9,556)	(9,556)	(2,423)	(2,423)
Fair value adjustment to forward foreign exchange contracts	(8,485)	(8,485)	3,623	3,623
Profit on disposal of listed investments (Not taxed)	(1,035)	(1,035)	(24,648)	(24,648)
De-recognition of listed 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	1,194	1,194	-	-
Underlying profit for the period	<u>45,070</u>	<u>45,070</u>	<u>54,734</u>	<u>54,734</u>
	Number in thousands	Number in thousands		
Weighted average number of shares	568,452	568,452	639,010	639,010
	Pence per share	Pence per share		
Earnings per share	<u>7.93</u>	<u>7.93</u>	<u>8.57</u>	<u>8.57</u>

10. Property, plant and equipment

	Freehold land and buildings	Long leasehold property	Short leasehold property	Plant and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 29 April 2007	29,856	11,312	97,553	235,668	374,389
Exchange differences	15	-	145	2,283	2,443
Additions through business combinations	10,090	-	50	3,791	13,931
Additions	80,548	534	7,543	39,555	128,180
Eliminated on disposals	(3,274)	(906)	(4,321)	(9,723)	(18,224)
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
Accumulated depreciation and impairment					
At 29 April 2007	(4,710)	(3,680)	(28,963)	(112,573)	(149,926)
Exchange differences	27	(1)	-	(589)	(563)
Charge for the period	(4,067)	(8)	(6,453)	(25,055)	(35,583)
Eliminated on disposals	736	48	1,799	5,562	8,145
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)
Net book amount					
At 26 April 2009	96,886	7,110	67,846	123,953	295,795
At 27 April 2008	109,221	7,299	67,353	138,919	322,792
Finance leased assets included in the above net book values					
At 26 April 2009	-	-	-	-	-
At 27 April 2008	-	-	-	581	581

In the figures for the 52 week period ended 27 April 2008 an amount of £3,596,000 has been transferred from 'Additions' to 'Additions through business combinations' as it was incorrectly classified in the prior year.

An impairment of £15,682,000 was recognised in the Retail segment to reflect the fall in market value of commercial property during the year and this is shown within Exceptional items.

11. Intangible assets

	Goodwill	Trade marks and licences	Brands	Total
	£'000	£'000	£'000	£'000
Cost				
At 29 April 2007	58,590	18,343	15,600	92,533
Arising on business combinations	53,167	-	-	53,167
Additions through business combinations	-	3,089	56,146	59,235
Other additions	-	657	-	657
Disposals	(7,658)	(155)	(4,800)	(12,613)
At 27 April 2008	104,099	21,934	66,946	192,979
Arising on business combinations	11,908	-	-	11,908
Additions through business combinations (Note 19)	-	-	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

	Goodwill	Trade marks and licences	Brands	Total
	£'000	£'000	£'000	£'000
Amortisation and impairment				
At 29 April 2007	-	(3,152)	(1,400)	(4,552)
Amortisation charge	-	(2,023)	-	(2,023)
Impairment charge	(1,394)	-	-	(1,394)
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)
Net book amount				
At 26 April 2009	118,300	18,012	85,646	221,958
At 27 April 2008	102,705	16,759	65,546	185,010

Amortisation is charged to selling, distribution and administrative expenses in the Consolidated Income Statement. In the current year impairments have been recognised in exceptional items in the Consolidated Income Statement.

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

	Goodwill	Brands
	£'000	£'000
Retail	13,809	834
Brands	104,491	84,812
	<u>118,300</u>	<u>85,646</u>

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 26 April 2009 were as follows:

Retail and Brands (with the exception of Everlast)

- Annual sales growth for the first five years of between 5% and 6% depending on the constituent elements of the CGU, followed by terminal sales growth of 2%.
- 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 9.4%.

Everlast

- Annual sales growth of 10% for the first 5 years followed by terminal sales growth of 5%, reflecting specific plans for the business.
- Gross margin and capital expenditure within the Retail and Brands range.
- Discount rates are estimated at a risk adjusted pre-tax weighted average cost of capital of 12.8%.

The key assumptions are based on management's historical experience and future plans for each CGU.

With the exception of Everlast, a reasonably possible change in any key assumption would not cause the carrying value of any unit to exceed its recoverable amount.

For Everlast, reasonably possible changes in assumptions would have the following impact:

- Reducing the risk specific discount rate of 12.8% to the Group's weighted average cost of capital of 9.4% would result in no impairment and the value of goodwill would exceed its carrying value by £126m.
- Changing the risk specific discount rate by 1% would result in a change in valuation of £19m.
- A change of 1% in the forecasted terminal growth rate would result in a change of valuation of £14m.

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.

An impairment charge of £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.

12. Available-for-sale financial assets

	26 April 2009	27 April 2008
	£'000	£'000
Available-for-sale financial assets	5,467	65,714

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:

	26 April 2009	27 April 2008
	£'000	£'000
At beginning of period	65,714	75,447
Additions	4,887	565,392
Disposals	(12,772)	(554,554)
Derecognition of investments held with KSF	(26,219)	-
Revaluation through the income statement	2,443	-
Revaluation through equity	(28,586)	(20,571)
At end of period	5,467	65,714

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 are in dispute with the administrators concerning the ownership of the shares they hold. We have now concluded that, while we continue to maintain that the shares are ours and should be delivered to us, we may not directly "control" the shares for accounting purposes. We have therefore treated them in the accounts as having been derecognised. Doing so has no impact on net assets as the value of the shares (£26,219,000) has been replaced by a derecognition of a liability (£20,298,000 owed to KSF) and the recognition of a £5,921,000 receivable. This derecognition has resulted in the transfer of historic losses, previously recognised in the statement of recognised income and expense, of £53,156,000 into the income statement.

13. Inventories

	26 April 2009	27 April 2008
	£'000	£'000
Raw materials	4,238	3,640
Work in progress	828	1,234
Goods for resale	257,197	213,889
	<u>262,263</u>	<u>218,763</u>

£3,601,000 of stock held at the end of the year in China has been fully written off and recognised as a cost in Retail cost of sales.

14. Reserves

	Treasury shares £'000	Foreign currency translation £'000	Own share reserve £'000	Retained earnings £'000	Other reserves £'000	Total £'000
At 29 April 2007	-	(837)	-	317,708	(40,912)	275,959
Expense recognised directly in equity	-	-	-	(13,128)	-	(13,128)
Profit for the financial period	-	-	-	78,182	-	78,182
Dividends	-	-	-	(19,126)	-	(19,126)
Cost of shares acquired	(201,483)	-	-	-	-	(201,483)
Translation differences – group	-	2,598	-	-	-	2,598
Translation differences - associates	-	2,165	-	-	-	2,165
At 27 April 2008	(201,483)	3,926	-	363,636	(40,912)	125,167
Income recognised directly in equity	-	-	-	17,272	-	17,272
Loss for the financial period	-	-	-	(15,838)	-	(15,838)
Dividends	-	-	-	(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)	-	-
Translation differences - group	-	41,293	-	-	-	41,293
Translation differences - associates	-	3,361	-	-	-	3,361
At 26 April 2009	(85,088)	48,580	(6,094)	233,964	(40,912)	150,450

Between 24 July 2007 and 11 March 2008 the Group acquired 151,547,631 of its own shares for total consideration of £201,483,000, with the purchase price ranging between £0.95 and £1.50.

Between 12 October 2007 and 14 March 2008 the Group cancelled 79,547,631 shares purchased in the market under the share re-purchase programme. The average purchase price of the shares cancelled was £1.3295 and hence a transfer from Treasury shares to Retained earnings of £105,759,000 was processed.

On 16 September 2008 the Group sold 8,000,000 ordinary shares of 10 pence each from Treasury to the newly formed Sports Direct Employee Benefit Trust, an employee share scheme within the meaning of Section 1166 of the Companies Act 2006, at the market value of 76.17 pence per share. These shares are shown within the Own share reserve. The difference between the market value and the average original purchase price of 132.95 pence per share has been transferred to retained earnings.

Following the above transaction the Company now 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.

15. Borrowings

	26 April 2009	27 April 2008
	£'000	£'000
Non-current:		
Bank and other loans	4,090	13,641
Obligations under finance leases	623	614
	<u>4,713</u>	<u>14,255</u>
Current:		
Bank overdrafts	442,683	471,471
Bank and other loans	16,216	4,704
Obligations under finance leases	-	225
	<u>458,899</u>	<u>476,400</u>
Total borrowings:		
Bank overdrafts	442,683	471,471
Bank and other loans	20,306	18,345
Obligations under finance leases	623	839
	<u>463,612</u>	<u>490,655</u>

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

	26 April 2009	27 April 2008
	£'000	£'000
Borrowings are repayable as follows:		
Within one year	19,629	8,197
Between one and two years	354	8,576
Between two and five years	613	900
After five years	333	1,511
	<u>20,929</u>	<u>19,184</u>
Borrowings — Sterling	2,580	4,665
Borrowings — Other	18,349	14,519
	<u>20,929</u>	<u>19,184</u>

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 are in dispute with the administrators concerning the ownership of the shares they hold. We have now concluded that, while we continue to maintain that the shares are ours and should be delivered to us, we may not directly "control" the shares for accounting purposes. We have therefore treated them in the accounts as having been derecognised. Doing so has no impact on net assets as the value of the shares (£26,219,000) has been replaced by a derecognition of a liability (£20,298,000 owed to KSF) and the recognition of a £5,921,000 receivable. This derecognition has resulted in the transfer of historic losses, previously recognised in the statement of recognised income and expense, of £53,156,000 into the income statement.

16. Deferred tax asset and liabilities

	Accounts depreciation exceeding tax depreciation	Tax losses recoverable	Pension plan liabilities	Unremitted earnings from an associate	Recognised on acquisitions	Other temporary differences	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 29 April 2007	(9,661)	4,379	3,414	(4,244)	(4,681)	24,132	13,339
(Charged)/credited to the income statement	3,865	(2,485)	1,023	682	-	(4,984)	(1,899)
Effect of reducing tax rate	644	(292)	(228)	283	312	(1,609)	(890)
Credited to the statement of recognised income and expense	-	-	-	-	-	5,760	5,760
Acquisitions	(494)	-	-	-	(13,128)	-	(13,622)
At 27 April 2008	(5,646)	1,602	4,209	(3,279)	(17,497)	23,299	2,688
Charged to the income statement	1,364	(127)	108	-	3,701	(6,774)	(1,728)
Credited to the statement of recognised income and expense	-	-	-	-	-	(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)	(25,929)	9,676	(18,022)

	26 April 2009	27 April 2008
	£'000	£'000
Deferred tax assets	15,468	29,110
Deferred tax liabilities	(33,490)	(26,422)
Net deferred tax balance	(18,022)	2,688

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.

17. Provisions

	Dilapidations	Onerous contracts	Total
	£'000	£'000	£'000
At 27 April 2008	18,584	4,326	22,910
Amounts provided	5,193	10,882	16,075
Amounts utilised	(1,742)	(651)	(2,393)
Amounts reversed	(168)	(5)	(173)
At 26 April 2009	<u>21,867</u>	<u>14,552</u>	<u>36,419</u>

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.

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

18. Financial instruments

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 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 foreign exchange contracts do not meet the criteria for treatment as an effective hedge 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:

	26 April 2009	27 April 2008
	£'000	£'000
Fair value of derivative financial instruments - liabilities	34,993	47,638

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

	26 April 2009	27 April 2008
	£'000	£'000
US dollar purchases	350,000	1,081,668
Contracted rates	1.46-1.88	1.86 – 2.00
US dollar sales	(250,000)	(397,000)
Contracted rates	1.92-1.94	1.92-1.98
Euro sales	(202,179)	(259,716)
Contracted rates	1.08-1.40	1.25 – 1.40
Euro purchases	223,662	-
Contracted rates	1.12-1.12	-

Forward foreign currency purchase and sale contracts generally have a maturity at inception of approximately 12 months. At 26 April 2009 no purchase contracts and no sale contracts had a maturity at inception of greater than 12 months (2008: £250 million of purchase contracts).

19. Cash inflow from operating activities

	52 weeks ended 26 April 2009	52 weeks ended 27 April 2008
	£'000	£'000
Profit before taxation	10,656	118,873
Net finance costs	7,706	39,636
De-recognition of available-for-sale financial assets	53,156	-
Profit on disposal of available-for-sale financial assets	(1,035)	(41,367)
Investment income	(172)	(2,507)
Share of profit of associated undertakings and joint ventures	(2,482)	(5,020)
Operating profit	<u>67,829</u>	<u>109,615</u>
Depreciation	45,542	35,583
Amortisation charge	2,944	2,023
Impairment charge	30,514	1,394
Loss on disposal of intangibles	195	155
Loss on disposal of subsidiary undertakings	1	1,883
Defined benefit pension plan current service cost	395	69
Defined benefit pension plan employer contributions	(1,225)	(1,110)
Operating cash inflow before changes in working capital	<u>146,195</u>	<u>149,612</u>
(Increase)/decrease in receivables	(9,788)	6,395
(Increase)/decrease in inventories	(43,500)	23,511
Increase/(decrease) in payables	24,563	(119,999)
Cash inflow from operating activities	<u><u>117,470</u></u>	<u><u>59,519</u></u>