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SPORTS DIRECT INTERNATIONAL PLC

14 December 2017

Interim Results for the 26 weeks to 29 October 2017 (“FY18 H1”)

	FY18 H1	FY17 H1	Change
	£m	**£m**	**%**
Group revenue	**1,714.6**	**1,637.7**	**+4.7**
UK Sports Retail (1)	1,142.3	1,153.7	-1.0
International Sports Retail stores	343.5	330.2	+4.0
US Retail	63.9	-	-
Premium Lifestyle	67.7	40.9	+65.5
Brands	97.2	112.9	-13.9
Group gross margin	**38.6%**	**40.4%**	**-180 bps**
UK Sports Retail (2)	39.4%	40.2%	-80 bps
International Sports Retail	40.8%	39.7%	+110 bps
US Retail (3)	38.5%	-	-
Underlying EBITDA (4)	**156.1**	**145.3**	**+7.4**
Underlying profit before tax (4)(5)	**88.0**	**71.6**	**+22.9**
Reported profit before tax	45.8	140.2	-67.3
Underlying earnings per share (4)(5)	**11.3p**	**8.5p**	**+32.9**
Reported earnings per share	4.9p	15.6p	-68.6
Underlying free cash generation	150.9	129.5	+16.5
Net debt (8)	**471.7**	**182.1**	**+159.0**

Key highlights

- Group revenue increased by 4.7%. Excluding acquisitions, disposals and on a currency neutral basis, revenue increased by 1.2%

- UK Sports Retail revenue fell 1.0% due to reduced online promotional activity and store closures as part of the continued elevation of the portfolio

- International Sports Retail fell 0.8% on a currency neutral basis(6)

- US Retail acquired in May 2017, revenue was £63.9m

- Group underlying EBITDA up 7.4% to £156.1m

- Underlying profit before tax up 22.9% to £88.0m

- Underlying free cash generation of £150.9m (7)

- Net Debt has increased to £471.7m from £182.1m as at 30 April 2017. This is due to continued long term investment in strategic relationships, the high street elevation strategy and the share buyback programme.

- Due to increasing customer expectations for new product, inventory provisions have increased to £133.9m (FY17 H1: £122.7m, FY17: £98.4m). We currently expect inventory provisions to remain consistent relative to inventory levels.

Mike Ashley, Chief Executive of Sports Direct International plc, said:

“Our high street elevation strategy is currently delivering spectacular trading performance within our flagship stores. We intend to open between 10 and 20 new flagship stores next year.

“Whilst our reported profit before tax has been impacted by fair value adjustments and transitional factors such as the disposal of assets in FY17; our underlying profit before tax remains healthy. We will continue to invest for the long-term and our net debt has increased in line with management expectations.

"We continue to anticipate that growth in underlying EBITDA during FY18 will be within our forecast range of 5% to 15%."

(1) Total UK Sports Retail revenue, including wholesale and other.

(2) Retail and online only, excludes wholesale and other.

(3) US Retail margin excludes £17.5m of losses due to acquisition accounting adjustments. See note 12 to the financial information for further details on the Bob's Stores and Eastern Mountain Sports acquisition.

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

(5) Underlying PBT and underlying EPS also exclude profits/losses relating to the IAS 39 fair value adjustment on forward currency contracts in finance income/costs, but includes the Share Scheme charges.

(6) Sales and margin increases on a currency neutral basis are calculated by revaluing the division's foreign currency denominated sales at the prior period average exchange rate for the period.

(7) Underlying free cash generation is defined as operating cash flow before working capital, made up of underlying EBITDA before Share Scheme costs, plus realised foreign exchange gains and losses, less corporation tax paid.

(8) Net debt is borrowings less cash held. £182.1m is net debt as at 30 April 2017, as at 23 October 2016, net debt was £71.9m. See note 8 of the Financial information.

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Cameron Olsen, Company Secretary

KBA PR T: 0207 734 9995
Keith Bishop

CHAIRMAN'S STATEMENT

Overview

FY18 H1 has seen the Company continue to make good progress in elevating our retail proposition on the high street and elsewhere in order to deliver an enhanced offering to customers. I am pleased to report that the Company remains on course to deliver an increase in underlying earnings in line with our forecast in July. This is a significant achievement and I would like to thank all our people at Sports Direct for their continued hard work and loyalty. Over the half year, underlying EBITDA was up +7.4% to £156.1m due to healthy trading and reduced costs. Underlying PBT was up +22.9% to £88.0m; and the Group generated free cash flow of £150.9m. As a result of investing in our long-term strategy requirements, our net debt increased in line with management expectations from £182.1m as at 30 April 2017 to £471.7m at 29 October 2017.

Strategy and Strategic Priorities

The elevation of our retail proposition remains a key objective. A crucial driver of this over the long-term continues to be our high street elevation strategy via the active management of our property portfolio. This is facilitating our continued transition towards a new generation of stores and FY18 H1 saw us open new flagship stores in a number of key retail locations. This is enabling us to fulfil our commitment to developing elevated sports and lifestyle space, whilst working closely with our third party brand partners to ensure greater integration of key products.

Our People and Our Practices

The Board remains fully committed to ensuring that our people are treated with dignity and respect. I am confident the improvements we have made over the last 18 months have made a positive difference. However, we will continue to monitor our working practices on a rolling basis in order to avoid complacency. In September, bonuses worth £43m were paid to eligible employees when 11.1m ordinary shares were acquired by almost 2,000 participants in the Company's share schemes. The Board hopes to launch a new share scheme at an appropriate time in the future, and the Company is also examining other methods of rewarding staff. As stated in our Annual Report 2017, the Company pays other awards and incentives to staff that total approximately £19m per annum. These incentives are on top of normal wages, which are banded above National Minimum Wage (and for those aged 25 or over are above statutory National Living Wage). As previously stated on many occasions, Sports Direct continues to meet all of its obligations to pay holiday pay and statutory sick pay to permanent and casual staff.

Workers' Representative

We are very proud to be one of the first public companies in the UK to embrace the idea of having a workers' representative on the Board. The Sports Direct Workers' Representative, Alex Balacki (who was elected by staff in April) has attended all meetings of the Board during FY18 H1. The Board has accepted a number of recommendations from Alex, and we will be providing an update in due course. Alex is part of the Sports Direct team that will be meeting with key stakeholders going forward. He also took part in a Q & A session with shareholders at our AGM in September, and I would like to thank him for his valuable contribution. Alex is the first person to fill this important role, the scope of which continues to develop and evolve. To this end, and following consultations with staff, we envisage that the inaugural period during which Alex is in the role will be extended by an additional year (which will then be followed by a new staff election).

Banking Facility

Sports Direct recently announced that we have entered into a new Revolving Credit Facility ("RCF"). The RCF is valid for four years (with a one year extension option), and it will provide the Group with access to borrowings of up to £907.5m. As announced on 21 November 2017, the Company anticipates that due to our ongoing High Street Elevation Strategy, it is likely that we will seek via an accordion arrangement to increase this facility to £1 billion.

John Ashley and General Meeting

The Board trusts that shareholders will welcome the steps taken to reassure them that John Ashley did not benefit inappropriately from being the brother of majority shareholder Mike Ashley. In fact, John was actually disadvantaged by approximately £11m after he forewent bonuses that he would have received if he were treated equally to other executives who helped to build the Company (as outlined in our RNS of 24 November 2017).

By voluntarily abstaining from voting on this issue, the Board has provided the Company's independent shareholders the opportunity to determine whether or not to make a retrospective payment to John Ashley. The Board notes that independent shareholders voted against making this payment at yesterday's General Meeting. The Board respects the views of the Company's independent shareholders, and considers all these matters to be closed. We now intend to move on.

Strategic Investments

In October we were pleased to announce that the Group has appointed Liam Rowley in the new role of Head of Strategic Investments. Liam is a former equity research analyst with experience in banking and investment funds; and he brings additional corporate expertise to Sports Direct. He will oversee and manage our strategic stakes, with a view to delivering benefits to our customers, broadening or enhancing our commercial relationships and retail channels, selectively growing our market share, and/or further diversifying our operations.

Currency

The Group manages the volatility of currency movements through the use of forward and option instruments. We have now hedged our forecast requirements for FY19.

Investing in the High Street

Finally, I would like to extend my thanks to the many councils and local authorities who have recently extended a warm welcome towards our long-term investment in key retail locations. Our elevation strategy is not only providing jobs in these communities and boosting local economies, but it is also helping to sustain the high street as a much-loved destination for customers. The coming year will see us open flagship stores in important locations such as Leicester, Watford and Thurrock; and we anticipate the strategy will create over 200 new jobs in these areas. We look forward to working closely with communities in these areas and in other locations in order to deliver a truly impressive retail experience.

Dr Keith Hellawell, QPM
Non-Executive Chairman
14 December 2017

Overview of Financial Performance

Summary of Results

	26 Weeks ended 29 October 2017	26 Weeks ended 23 October 2016	Change
	(£m)	(£m)	%
Revenue	1,714.6	1,637.7	+4.7
Underlying EBITDA	156.1	145.3	+7.4
Underlying profit before tax	88.0	71.6	+22.9
Reported profit before tax	45.8	140.2	-67.3
	Pence per share	**Pence per share**	
Underlying EPS (1)	11.3	8.5	+32.9
Reported EPS (1)	4.9	15.6	-68.6

(1) Based on 532.9 million and 591.6 million ordinary shares outstanding in FY18 H1 and FY17 H1, respectively.

Basis of reporting

The financial statements for the Group for the 26 weeks ended 29 October 2017 are presented in accordance with International Accounting Standard (IAS) 34 – Interim Financial Reporting which has been adopted for use in the EU (IFRS).

The Directors believe that underlying EBITDA, underlying PBT and underlying EPS provide more useful information for shareholders on the underlying performance of the business than the reported numbers and are consistent with how business performance is measured internally. They are not recognised profit measures under IFRS and may not be directly comparable with "adjusted" or "alternative" 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 from associated undertakings and joint ventures. Underlying EBITDA, underlying profit before taxation (PBT) and underlying earnings per share (EPS) exclude realised foreign exchange gains/losses in selling and administration costs, exceptional costs, profit/loss on sale of properties and the profit/loss on sale of strategic investments. Underlying EBITDA also excludes the Share Scheme charges. Reconciliations are given in the financial review.

Business Review

Overview of FY18 H1 financial performance

Group revenue was up 4.7% to £1,714.6m, aided by favourable Euro exchange rates and the acquisition of Bob's Stores and Eastern Mountain Sports during the period. This was offset by store closures as part of the continued elevation of the portfolio. Excluding this acquisition, the Dunlop disposal and on a currency neutral basis, Group revenue was up 1.2%.

Gross margin for the Group decreased 180 basis points to 38.6% (FY17 H1: 40.4%) due to the impact of increased stock provisions and continued impact of the USD exchange rate. As at 29 October 2017, the Group had hedged its forecast FY18 USD purchases in the UK at USD/GBP 1.31.

During the period, Group operating costs decreased by 3.9% to £496.5m (FY17 H1: £516.7m). Excluding acquisitions and disposals and currency neutral, operating costs were down 3.5%. This is largely due to prior period onerous lease provisions and the closure of loss making stores in Europe.

As a result, Group underlying EBITDA increased by 7.4% to £156.1m.

In FY18 H1, depreciation and amortisation decreased by 7.0% to £64.0m. Group underlying PBT increased by 22.9% to £88.0m (FY17 H1: £71.6m). Underlying EPS increased by 32.9% to 11.3p.

Reported profit before tax decreased by 67.3% to £45.8m. The prior period included a profit of £119.7m relating to the sale of JD Sports plc shares. Reported EPS similarly decreased by 68.6% to 4.9p.

The Group generated underlying free cash flow of £150.9m during the period, up from £129.5m in the prior period as a result of the increase in Underlying EBITDA, aided by a gain on exchange differences in the period. FY18 H1 capital expenditure amounted to £99.9m, purchases of listed investments were £131.6m and purchases of own shares including the share scheme vesting were £133.7m.

On 21 November 17 the Group announced that it had entered into a new Revolving Credit Facility which is valid for a minimum of four years with access to borrowings of up to £907.5m with an accordion option to bring the total to £1 billion. This replaced the previous Revolving Credit Facility.

Net Debt which increased to £471.7m at the period end (£182.1m at 30 April 2017), equating to 1.6 times LTM EBITDA(1) (FY17 H1: 0.2 times on net debt of £71.9m).

(1) LTM EBITDA is the last twelve months historic underlying EBITDA.

UK Sports Retail financial performance

Due to changes in the way the business is managed, the revenue, margin and EBITDA relating to the USC fascia have been moved from Premium Lifestyle to the UK Retail division. This better reflects the nature of the USC trade and the separate sales locations of the Premium Lifestyle businesses. Accordingly, the prior period has been restated to include £42.5m of sales, £17.1m of margin and £18.4m of overheads.

	26 weeks ended 29 October 2017 (£m)	26 weeks ended 23 October 2016 (£m)	Change %
Retail (1)			
Revenue	1,120.3	1,135.7	-1.4
Cost of Sales	(678.9)	(678.8)	-
Gross Profit (1)	**441.4**	**456.9**	**-3.4**
Gross Margin %	**39.4%**	**40.2%**	
Wholesale and Other Gross Profit	**12.8**	**13.4**	**-4.5**
Operating costs	(300.2)	(332.3)	-9.7
Associates	(8.5)	-	-
UK Sports Retail Underlying EBITDA	**145.5**	**138.0**	**+5.4**

The UK Sports Retail segment includes all of the Group's sports retail and USC store and web operations in the UK, all of the Group's Sports Online business, the Group's Fitness Division, and the Group's Shirebrook campus operations, as well as the Heatons Northern Ireland stores. UK Sports Retail is the main driver of the Group trading performance and accounts for over 65% of Group revenue.

Store Portfolio	**As at 29 October 2017**	**As at 23 October 2016**	**As at 30 April 2017**
Stores at period end	507	519	513
Opened	7	4	21
Closed	13	8	31
Area (sq. ft.)	c.5.4m*	c.5.3m*	c.5.3m*

**This implies a range between 5.0m sq.ft. – 5.5m sq.ft.*

Heatons N.I. and USC stores are included within the above.

UK Sports Retail sales fell by 1.4%(1), mainly due to reduced online promotional activity and store closures as part of the continued elevation of the portfolio.

During the period, UK Sports Retail gross margin decreased by 80 basis points to 39.4% (FY17 H1: 40.2%)(1). This was primarily the result of additional stock provisions and the continued adverse USD rate.

UK Sports Retail's operating costs decreased by 9.7% to £300.2m (FY17 H1: £332.3m), partly due to leased store closures as part of the elevation strategy. The prior period included increased provisions for the outcome of potential claims against the Group.

The loss on Associates largely relates to the trade losses and impairment of the Group's investment in Brasher Leisure, and other associate losses.

UK Sports Retail underlying EBITDA increased by 5.4% to £145.5m (FY17 H1: £138.0m).

(1) Retail and online only, excludes wholesale and other.

International Sports Retail financial performance

	26 weeks ended 29 October 2017 (£m)	26 weeks ended 23 October 2016 (£m)	Change %
Revenue	343.5	330.2	+4.0
Cost of Sales	(203.4)	(199.2)	+2.1
Gross Profit	**140.1**	**131.0**	**+6.9%**
Gross Margin %	**40.8%**	**39.7%**	
Operating costs	(124.5)	(141.7)	-12.1
International Sports Retail Underlying EBITDA	**15.6**	**(10.7)**	**-**

The International Sports Retail division includes the Group's sports retail store management and operations outside of the UK, including the Group's European distribution centres in Belgium and Austria, but excludes the new acquisition in the US. International Sports Retail accounts for over 20% of Group revenue.

All of the following stores are operated by companies wholly owned by the Group, except Estonia, Latvia and Lithuania where the Group owns 60.0% and Malaysia where the Group owns 51.0%.

Store Portfolio – Europe (1)	As at 29 October 2017	As at 23 October 2016	As at 30 April 2017
Republic of Ireland (2)	33	29	32
Malaysia	30	23	25
Belgium	38	41	39
Austria	30	39	36
Estonia (3)	27	26	26
Lithuania (3)	16	16	16
Latvia (3)	17	15	16
Portugal	17	17	17
Poland	16	16	16
Slovenia	15	15	15
Hungary	9	13	11
Czech Republic	10	9	10
France	5	7	6
Cyprus	6	6	6
Holland	6	6	6
Slovakia	6	6	6
Germany	2	3	2
Luxembourg	2	2	2
Spain	2	2	2
Total	**287**	**291**	**289**

(1) Excluding Iceland
(2) Excludes Heatons fascia stores
(3) Includes only stores with SPORTSDIRECT.com and Sportland fascias

In addition to the above we operate 14 standalone Heatons stores in the Republic of Ireland and one store owned by an associate in Iceland.

International Sports Retail achieved sales growth of 4.0%, largely due to the translation of sales at an improved EUR/GBP exchange rate. On a currency neutral basis, International Sports Retail revenue decreased by 0.8%, mainly due to store closures. During the period, gross margin increased by 110 basis points to 40.8% (FY17 H1: 39.7%), largely due to improvements in the Republic of

Ireland because of better product mix. Forecast USD purchases for the remainder of FY18 are hedged at USD/EUR 1.11 which reduces the impact of currency volatility on margins.

International Sports Retail's operating costs decreased by 12.1% in FY18 H1 due to the closure of loss making stores and onerous lease provisions of £15.6m in the prior period. On a currency neutral basis, International Sports Retail's operating costs decreased by 16.2%.

International Sports Retail underlying EBITDA increased to £15.6m (FY17 H1: £10.7m loss).

US Retail financial performance

On 18 May 2017, the Group completed the acquisition of the trade and assets of Bob's Stores and Eastern Mountain Sports in the US. This retail chain consists of 49 retail stores and will provide Sports Direct with a footprint in US bricks-and-mortar retail and a platform from which to grow US on-line sales.

	26 weeks ended 29 October 2017 (£m)
Revenue	63.9
Cost of Sales	(56.8)
Gross Profit	**7.1**
Gross Margin %	**11.1%**
Operating costs	(30.1)
US Retail Underlying EBITDA	**(23.0)**

US Retail's underlying EBITDA is made up of £5.5m of trading losses as group processes and strategies are implemented, and £17.5m of losses relating to fair value accounting adjustments and accounting policy alignments. See note 12 to the financial statements for further details on the acquisition.

Premium Lifestyle financial performance

	26 weeks ended 29 October 2017 (£m)	**26 weeks ended 23 October 2016 (£m)**	**Change %**
Revenue	67.7	40.9	+65.5
Cost of Sales	(46.2)	(24.5)	+88.6
Gross Profit	**21.5**	**16.4**	**+31.1**
Gross Margin %	**31.8%**	**40.1%**	
Operating costs	(20.8)	(15.5)	+34.2
Premium Lifestyle Underlying EBITDA	**0.7**	**0.9**	**-22.2**

The Group's Premium Lifestyle division includes the Group's premium lifestyle fascias in the UK: Flannels.com, Cruise and van mildert along with their ecommerce sites. Due to a change in the way the business operates, USC results are now included in UK retail, therefore the prior period has been restated. Accordingly, the prior period has been restated to exclude £42.5m of sales, £17.1m of margin and £18.4m of overheads.

Store Portfolio	**As at 29 October 2017**	**As at 23 October 2016**	**As at 30 April 2017**
Flannels.com	16	12	13
Cruise	10	10	10
van mildert	4	7	5
Other	-	5	-
	30	**34**	**28**

Sales in the period were up by 65.5% to £67.7m (FY17 H1: £40.9m), largely due to the increased sales through the Flannels.com website and new stores.

Gross margin decreased to 31.8% (FY17 H1: 40.1%), due to an increase in stock provisions and customer demand for the latest products.

Operating costs increased by 34.2% to £20.8m (FY17 H1: £15.5m) due to new Flannels stores.

As a result, Premium Lifestyle underlying EBITDA reduced from £0.9m to £0.7m.

Brands financial performance

	26 weeks ended 29 October 2017 (£m)	26 weeks ended 23 October 2016 (£m)	Change %
Wholesale revenue	80.6	95.6	-15.7
Licensing revenue	16.6	17.3	-4.0
Total Revenue	**97.2**	**112.9**	**-13.9**
Cost of Sales	(59.1)	(68.6)	-13.8
Gross Profit	**38.1**	**44.3**	**-14.0**
Wholesale Margin %	**26.7%**	**28.2%**	
Gross Margin %	**39.2%**	**39.2%**	
Operating costs	(20.8)	(27.2)	-23.5
Brands Underlying EBITDA	**17.3**	**17.1**	**1.2**

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

Brands division total revenue decreased by 13.9% to £97.2m (FY17 H1: £112.9m). Wholesale revenues were down 15.7% to £80.6m (FY17 H1: £95.6m), mainly due to the disposal of the Dunlop wholesale activity in March 2017.

Licensing revenues in FY17 H1 decreased 4.0% to £16.6m (FY17 H1: £17.3m). Our strategic focus remains on delivering further growth in licensing revenues and during the half year, 11 new agreements were signed across 5 new licensees, and the Group renewed some licensees, with total minimums of $5m over the life of the contracts. In total, the Group has 308 active licensing agreements, across 227 licensees, with minimum revenues of $209m over the remaining contract lifetimes.

Wholesale gross margin decreased by 150 bps to 26.7% (FY17 H1: 28.2%) due to changes in the product mix resulting from the removal of Dunlop meaning a higher proportion of lower margin direct delivery sales. Brands total gross margin was maintained at 39.2% (FY17 H1: 39.2%).

Brands operating costs decreased by 23.5% to £20.8m (FY17 H1: £27.2m) in the period, as a result of the removal of the Dunlop overheads. We expect investment in key Group Brands to be maintained at similar levels to those of previous years.

As a result, underlying EBITDA in the division increased to £17.3m (FY17 H1 £17.1m).

Currency exposure

- 42 months of cover in place on GBP/EUR sales – a mix of forwards and options gives between €1.3bn and €3.2bn cover
- 18 months of cover in place on USD/GBP – a mix of forwards and options gives between $1.1bn and $1.4bn cover
- 30 months of cover in place on EUR/USD – a mix of forwards and options gives between $0.4bn and $0.5bn cover

Mike Ashley
Chief Executive
14 December 2017

Reconciliation of reported to underlying results

	Note	EBITDA FY18 H1 £m	EBITDA FY17 H1 £m	PBT FY18 H1 £m	PBT FY17 H1 £m
Operating profit		127.4	80.0		
Depreciation		62.1	63.6		
Amortisation		1.9	5.2		
Share of loss of associated undertakings		(8.5)	-		
Reported EBITDA/PBT		182.9	148.8	45.8	140.2
Realised FX gain		(15.1)	(18.6)	(15.1)	(18.6)
IAS 39 foreign exchange fair value adjustment on unhedged forward and options currency contracts	7	-	-	36.3	55.8
Loss/(gain) on disposal of listed investments and fair value movement on derivative agreements	4,5	-	-	32.7	(119.7)
Exceptional items	3	5.0	13.9	5.0	13.9
Profit on disposal of properties		(16.7)	-	(16.7)	-
Share scheme charge		-	1.2	-	-
Underlying EBITDA/PBT		156.1	145.3	88.0	71.6

Fair value movement in derivative agreements represents the movement in fair value of equity options in the period.

Reconciliation of selling, distribution and administration costs to operating costs

	FY18 H1 £m	FY17 H1 £m
Selling, distribution and administrative expenses	556.0	576.1
Depreciation and amortisation	(64.0)	(68.8)
Bonus share scheme	-	(1.1)
Realised FX loss	15.1	18.5
Operating income	(10.7)	(8.0)
Operating expenses	496.4	516.7

Underlying EBITDA by Business Segment

	FY18 H1 £m	FY17 H1 £m	Change %
UK Sports Retail	145.5	138.0	+5.4
International Sports Retail	15.6	(10.7)	-
US Retail *	(23.0)	-	-
Premium Lifestyle	0.7	0.9	-22.2
Brands	17.3	17.1	+1.2
Group Underlying EBITDA	**156.1**	**145.3**	**+7.4**

*US Retail’s underlying EBITDA is made up of £5.5m of trading losses as group processes and strategies are implemented, and £17.5m of losses relating to fair value accounting adjustments and accounting policy alignments.

Foreign exchange

The Group manages the impact of currency movements through the use of forward fixed rate currency purchase and sales contracts and written option contracts. The Group’s strategy is to hold or hedge up to five years of anticipated Euro denominated on-line sales and Euro and US dollar purchases. Both forwards and options are used as part of our overall risk management strategy, but only forward contracts are used as part of our hedging strategy. This hedging strategy has been approved by the board. The group has an ongoing requirement to purchase USD and to sell Euros, and therefore these option arrangements have a direct relationship to the Group’s future business needs. Should the Group wish to mitigate its potential losses on options, or reassess its potential additional currency requirements, these can be closed out unilaterally.

As at 29 October 2017 the Group was party to €1,290m of Euro sale forward contracts that qualify for hedge accounting and €1,950m of forwards and written option contracts that do not.

The forward contracts will be covered by our forecast Euro denominated on-line and international sales over the 42-month period of cover in place. We consider these forecasts to be highly probable. Sales that we make over and above the covered amount, and existing surplus Euros within the business will mitigate the risk associated with the written options.

If sterling depreciates by 10% against the Euro (by reference to October 2017 rates), a fair value loss of approximately £7.4m would be recognised in the income statement in relation to these option contracts and unhedged forwards.

As at 29 October 2017 the Group was party to $525m of USD purchase forward contracts that qualify for hedge accounting and $285m of options that do not. The forward contracts are to cover our forecast USD purchases for FY18. Any purchases over and above that level will mitigate the risk associated with the options.

If sterling depreciates by 10% against the USD (by reference to October 2017 rates), a fair value loss of approximately £1.7m would be recognised in the income statement in relation to these option contracts.

The realised exchange gain of £15.1m (FY17 H1: £18.6m gain) included in administration costs has arisen from the translation of Dollar and Euro denominated assets and liabilities at the period end rate or date of realisation.

The exchange loss of £36.3m (FY16 H1: £55.8m) included in finance costs substantially represents the increase in the mark-to-market liability made for the Group's unhedged forward and written option contracts as at 29 October 2017. The majority of the forward contracts outstanding at 29 October 2017 qualify for hedge accounting and the fair value loss on these contracts has been debited to equity through the Consolidated Statement of Comprehensive Income.

The Sterling exchange rate with the US Dollar was $1.294 at 30 April 2017 and $1.313 at 29 October 2017. The sterling exchange rate with the Euro was €1.188 at 30 April 2017 and €1.13 at 29 October 2017.

The fair value of outstanding foreign exchange contracts (hedged and unhedged) are included within the derivative financial assets balance of £6.8m (FY17: £43.0m) and derivative financial liability balance of £158.3m (FY17: 75.2m).

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

Taxation

The effective tax rate on profit before tax for FY18 H1 was 37.3% (FY17 H1: 33.3%). The underlying effective tax rate for FY18 H1 was 27.7% (FY17 H1: 28.8%). The difference between the prevailing corporate tax rate of 19% and the effective rate reflects depreciation on non-qualifying assets and differences in overseas tax rates. We expect the full year underlying effective tax rate to be broadly similar.

Strategic investments

The Group holds various strategic investments which allow us to develop a relationship and potentially develop commercial partnerships with the relevant party and assist in building relationships with key suppliers and brands. Direct holdings are accounted for as Available for Sale Financial Assets and indirect holdings as Derivative Financial Assets or Liabilities. See Areas of judgement and estimation.

Key investments as at the period ended 29 October 2017 are a 40.59% interest in The Finish Line Inc via direct (8.08%) and indirect stakes (32.51%), a direct holding of 29.9% in Findel plc, a 27.26% holding in French Connection via direct (27.03%) and indirect stakes (0.23%), a 25.75% direct holding in Game Digital plc and a 11.11% interest in House of Fraser Ltd. We have reviewed the nature of the investments held and do not consider at this stage that the Group is able to exercise significant influence over the activities of the investee companies in the context of IAS 28.

The Group holds indirect stakes of 17.59% and 13.09% in Goals Soccer Centres plc and Iconix Brands Group Inc respectively, and other small stakes in Dicks Sporting Goods Inc and Mysale Group plc.

As at 29 October 2017, the Put Option put in place on 23 January 2015 referencing 128,927,113 ordinary shares of Debenhams (10.5% of the share capital of Debenhams plc) started to expire. At the end of the period, the Group held a direct holding of 12.64%, with remaining indirect interests of 8.56% by way of options and CFDs. At the date of this announcement, the indirect holding had converted to physical shares.

The fair value of equity derivative agreements is included within the derivative financial assets balance of £6.8m and derivative financial liability balance of £158.3m.

Cash flow and net debt

The Group had a working capital facility of £788m as at 29 October 2017. On 21 November 2017, the Group announced that it had entered immediately into a new Revolving Credit Facility of £907.5m, which is valid for four years.

Net debt increased during the period to £471.7m (30 April 2017: £182.1m), which is 1.6 times the last 12 months historic underlying EBITDA (FY17 H1: 0.2 times) and is in line with management expectations.

Capital expenditure amounted to £99.9m (FY17 H1: £287.0m), the prior period included the acquisition of the Oxford Street site.

The analysis of net debt at 29 October 2017 and at 30 April 2017 is as follows:

	At 29 October 2017	**At 30 April 2017**
	£m	**£m**
Cash and cash equivalents	113.2	204.7
Borrowings	(584.9)	(386.8)
Net debt	**(471.7)**	**(182.1)**

Cash Flow

	26 weeks ended 29 October 2017 £m	**26 weeks ended 23 October 2016 £m**
Underlying EBITDA (pre share scheme costs)	156.1	145.3
Realised gain on forward foreign exchange contracts	15.1	18.6
Taxes paid	(20.3)	(34.4)
Underlying free cash flow	**150.9**	**129.5**
Invested In:		
Working capital		
Inventory	(90.8)	(14.1)
Receivables, deposits in respect of derivative financial instruments, Payables and Other	(11.4)	55.2
Acquisitions (including debt)	(11.9)	-
Purchase of listed investments	(131.6)	(18.6)
Net proceeds from investments	-	179.1
Investment income received	0.8	0.5
Purchase of freehold properties	(80.0)	(261.0)
Other capital expenditure	(19.9)	(26.0)
Disposal of freehold property	42.2	-
Finance costs and other financing activities	(4.3)	(3.9)
Purchase of own shares (incl. vesting)	(133.7)	(13.1)
Net decrease in net debt	**(289.7)**	**27.6**

The cash consideration for the acquisition of Eastern Mountain Sports and Bob's Stores was £81.2m and was transferred during the previous period and was included in Receivables at FY17 year end.

Areas of estimation and judgement

Key areas of estimation and management judgement that impact on the presentation of the Group's reported results are as follows:

1. Provision for obsolete, slow moving or defective inventories - The Directors have applied their knowledge and experience of the retail industry in determining the level and rates of provisioning required in calculating the appropriate inventory carrying values. Specific estimates and judgements applied in relation to assessing the level of inventory provisions required are considered in relation to key indicators.

2. Property related provisions - Property related estimates and judgements are continually evaluated and are based on historical experience, external advice and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Where an onerous lease has been identified, the assets dedicated to that store are also reviewed for impairment.

3. Other accruals and provisions - Provisions are made for items where the Group has identified a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Other provisions relate to management's best estimates of provisions required for restructuring, employment, commercial, legal and regulatory claims and ongoing non-UK tax enquiries. Where applicable these are inclusive of any estimated penalties, interest and legal costs, and are net of any associated recoverable amounts.

4. Management determines whether a related party relationship exists by assessing the nature of the relationship by reference to the requirements of IAS 24, Related Parties. This is in order to determine whether significant influence exists as a result of control, shared directors or parent companies, or close family relationships. The level at which one party may be expected to influence the other is also considered for transactions involving close family relationships. Where the Group are aware that relationships exist that they do not consider meet the definition of related parties, but believe that the arrangements will be of interest to the users of the accounts, these are disclosed under "Commercial Arrangements".

5. Management determines its operating segments with reference to the Chief Operational Decision Maker's process for making key decisions over allocation of resources to the segment and in assessing a segments performance. This is based on:
    a. The nature of the operation type and products sold
    b. The type of class of customer targeted
    c. Product distribution methods

    Similar operations are amalgamated into operating segments for the purposes of segmental reporting.

6. Control and significant influence over certain entities - when assessing the level of control that management have over certain entities, management will consider the various aspects that allow management to influence decision making. These include the level of direct share ownership, board membership, the level of investment and funding and the ability of the Group to influence operational and strategic decisions and effect its returns through the exercise of such influence.

7. Acquisition accounting for Bob's Stores and Eastern Mountain Sports - Management assesses the book values of identifiable assets and liabilities acquired and compares them with estimated fair values to determine if adjustments need to be made. The calculations of fair value includes an assessment of estimated cashflows associated with the acquired assets and liabilities.

8. Deferred tax assets and liabilities – Management assess the likelihood of future tax liabilities and assets arising and calculates the related deferred tax assets or liabilities according to the expectation of tax losses being recoverable, capital allowances claimable and the local tax jurisdictions applicable.

Share Schemes

In September 2017, approximately 2000 employees became eligible to vest awards of approximately 12m shares under the 2011 Employee Bonus Share scheme. The Group believes that the Share Schemes have been a key element to attract and motivate employees and the Board is now working on suitable new incentive schemes and rewards.

Going concern

The Group is profitable, highly cash generative and has considerable financial resources. The Group currently operates comfortably within its banking facilities and covenants, which run until November 2021.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the continued uncertain economic outlook. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group should be able to operate within the level of the current facility.

Additionally, the Directors have also considered the Group's reliance upon its key stakeholders, including customers and suppliers and found no over reliance on any particular stakeholder. The Directors are therefore confident that the Group will continue in operational existence for the foreseeable future. On this basis, the Directors continue to adopt the going concern basis for the preparation of the interim financial statements.

Risks, systems and controls

The Board believes that the principal risks and uncertainties for the remaining six months of the current financial year are:

- Disruption or other adverse events affecting the Group's relationship with any of its key brands or brand suppliers which could have an adverse effect on the Group's business.

- The possibility of a deterioration of the economy both in the UK and worldwide and a reduction in consumer confidence and retail spending, which could impact on the performance of the business.

- The Group operates internationally. The majority of foreign contracts relating to the sourcing and sales of Group branded goods are denominated in US Dollars and the Euro, thus leaving exposure to foreign exchange risk. Our approach to managing these risks is set out under foreign exchange earlier in this statement.

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

  The current Brexit negotiations and the related uncertainty generated is being closely monitored by the Board. This could affect areas such as taxes, import processing, resourcing and currency volatility.

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

The Group maintains a system of controls to manage the business and to protect its assets. We continue to invest in people, systems and IT to manage the Group's operations and to ensure that the Group is financed effectively and efficiently.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;

- The interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events during the first 26 weeks of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining 26 weeks of the year; and

b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first 26 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

No material related party transactions have taken place in the first six months of the current financial year that have materially affected the financial position or performance of the Group during that period and there have been no changes in related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the current period.

On behalf of the Board

Mike Ashley
Chief Executive
14 December 2017

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SPORTS DIRECT INTERNATIONAL PLC

FOR THE 26 WEEKS ENDED 29 OCTOBER 2017

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report of Sports Direct International plc for the 26 weeks ended 29 October 2017 which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated cash flow statement, the Consolidated statement of changes in equity and the related notes. We have read the other information contained in the half-yearly financial report which comprise the Key highlights, Chairman's statement, the Overview of Financial Performance and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company’s members, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ‘‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’’. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, and the company’s members as a body, for our review work, for this report, or for the conclusion we have formed.

Directors’ Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ‘‘Interim Financial Reporting,’’ as adopted by the European Union.

Our Responsibility

Our responsibility is to express a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ‘‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’’. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 October 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom’s Financial Conduct Authority.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
14 December 2017

UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE 26 WEEKS ENDED 29 OCTOBER 2017

	Notes	26 weeks ended 29 October 2017 £m	26 weeks ended 23 October 2016 £m	53 weeks ended 30 April 2017 £m
Continuing operations:				
Revenue	2	1,714.6	1,637.7	3,245.3
Cost of sales		(1,053.6)	(975.7)	(1,914.7)
Gross profit		661.0	662.0	1,330.6
Selling, distribution and administrative expenses		(556.0)	(576.1)	(1,255.6)
Other operating income		10.7	8.0	22.5
Exceptional items	3	(5.0)	(13.9)	(17.3)
Profit on disposal of properties		16.7	-	-
Profit on disposal of subsidiary		-	-	79.9
Operating profit	2	127.4	80.0	160.1
Investment income	4	0.2	146.3	162.5
Investment costs	5	(32.7)	(26.1)	(51.2)
Finance income	6	0.3	-	18.8
Finance costs	7	(40.9)	(60.0)	(9.4)
Share of (loss)/profit of associated undertakings and joint ventures	9	(8.5)	-	0.8
Profit before taxation		45.8	140.2	281.6
Taxation		(17.1)	(46.8)	(49.9)
Profit for the period	2	28.7	93.4	231.7
Attributable to:				
Equity holders of the Group		26.0	92.4	229.9
Non-controlling interests		2.7	1.0	1.8
Profit for the period	2	28.7	93.4	231.7

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

		Pence per share	Pence per share	Pence per share
Basic earnings per share	8	4.9	15.6	39.4
Diluted earnings per share	8	4.9	15.2	38.3
Underlying basic earnings per share	8	11.3	8.5	11.4
Diluted underlying basic earnings per share	8	11.2	8.2	11.1

The accompanying notes form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 26 WEEKS ENDED 29 OCTOBER 2017

	Notes	26 weeks ended 29 October 2017 £m	26 weeks ended 23 October 2016 £m	53 weeks ended 30 April 2017 £m
Profit for the period	2	28.7	93.4	231.7
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial losses on defined benefit pension schemes		-	(8.8)	(8.8)
Taxation on items not reclassified		-	1.7	1.7
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations		24.1	70.8	50.3
Exchange differences on hedged contracts – recognised in the period		(49.8)	(91.5)	(31.3)
Exchange differences on hedged contracts – reclassified and reported in sales		(0.5)	(5.9)	8.7
Exchange differences on hedged contracts – reclassified and reported in cost of sales		(1.4)	-	(18.2)
Exchange differences on hedged contracts – taxation taken to reserves		8.8	14.2	7.7
Fair value adjustment in respect of available for sale financial assets – recognised in the period		7.0	26.7	23.7
Fair value adjustment in respect of available for sale financial assets – reclassified in the period		-	(129.2)	(129.3)
Fair value adjustment in respect of available for sale financial assets – taxation		(1.2)	-	(1.8)
Other comprehensive income for the period, net of tax		(13.0)	(122.0)	(97.3)
Total comprehensive income for the period		15.7	(28.6)	134.4
Attributable to:				
Equity holders of the Parent		13.0	(29.6)	132.6
Non-controlling interests		2.7	1.0	1.8
		15.7	(28.6)	134.4

The accompanying notes form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 29 OCTOBER 2017

	Notes	29 October 2017	23 October 2016	30 April 2017
		£m	£m	£m
ASSETS				
Non-current assets				
Property, plant and equipment		871.2	833.6	842.0
Investment properties		22.2	-	23.1
Intangible assets		180.3	216.4	185.7
Investments in associated undertakings and joint ventures		18.2	18.4	26.4
Available for sale financial assets	11	191.4	73.0	63.9
Deferred tax assets		53.1	72.0	33.7
		1,336.4	1,213.4	1,174.8
Current assets				
Inventories	10	795.7	716.3	629.2
Trade and other receivables		454.1	290.8	397.1
Derivative financial assets		6.8	51.5	43.0
Cash and cash equivalents		121.4	188.0	204.7
		1,378.0	1,246.6	1,274.0
TOTAL ASSETS		2,714.4	2,460.0	2,448.8
EQUITY AND LIABILITIES				
Share capital		64.1	64.1	64.1
Share premium		874.3	874.3	874.3
Treasury shares		(230.4)	(69.4)	(329.5)
Permanent contribution to capital		0.1	0.1	0.1
Capital redemption reserve		8.0	8.0	8.0
Foreign currency translation reserve		101.2	97.6	77.1
Reverse combination reserve		(987.3)	(987.3)	(987.3)
Own share reserve		(69.0)	(33.7)	(33.7)
Hedging reserve		(68.0)	(75.2)	(25.1)
Retained earnings		1,580.1	1,458.3	1,591.0
		1,273.1	1,336.8	1,239.0
Non-controlling interests		0.8	(1.8)	(0.7)
Total equity		1,273.9	1,335.0	1,238.3
Non-current liabilities				
Borrowings	11	7.4	259.8	317.3
Retirement benefit obligations		1.9	21.6	3.4
Deferred tax liabilities		13.5	20.4	18.7
Provisions		127.0	85.2	130.2
		149.8	387.0	469.6
Current liabilities				
Derivative financial liabilities		158.3	206.7	75.2
Trade and other payables		520.8	454.0	584.9
Borrowings [1]	11	585.7	0.1	69.5
Current tax liabilities		25.9	77.2	11.3
		1,290.7	738.0	740.9
Total liabilities		1,440.5	1,125.0	1,210.5
TOTAL EQUITY AND LIABILITIES		2,714.4	2,460.0	2,448.8

[1] Borrowings in Current Liabilities reflects the Revolving Credit Facility (RCF) in place as at 29 October 2017 expiring in September 2018. On 21 November 2017, the Group announced that it had refinanced into a replacement RCF for £907.5m for a period of four years.

The accompanying notes form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE 26 WEEKS ENDED 29 OCTOBER 2017

	Notes	26 weeks ended 29 October 2017 £m	26 weeks ended 23 October 2016 £m	53 weeks ended 30 April 2017 £m
Cash inflow from operating activities	13	68.9	205.1	269.2
Income taxes paid		(20.3)	(34.4)	(75.3)
Net cash inflow from operating activities		48.6	170.7	193.9
Cash flow from investing activities				
Proceeds on disposal of property, plant and equipment		42.2	-	2.4
Proceeds on disposal of listed investments		-	179.1	190.2
Proceeds on disposal of subsidiary		-	-	109.5
Purchase of associate, net of cash acquired		(0.6)	-	(9.0)
Purchase of subsidiaries, net of cash acquired		-	-	(8.1)
Purchase of non-controlling interests		(11.3)	-	(5.5)
Purchase of property, plant and equipment		(99.9)	(287.0)	(413.5)
Purchase of investment properties		-	-	(6.0)
Purchase of listed investments		(131.6)	(18.6)	(24.7)
Investment income received		0.8	0.6	0.5
Finance income received		0.3	-	0.5
Net cash outflow from investing activities		(200.1)	(125.9)	(163.7)
Cash flow from financing activities				
Finance costs paid		(4.5)	(3.9)	(2.8)
Borrowings drawn down		577.7	90.0	328.0
Borrowings repaid		(310.0)	(163.6)	(344.1)
Purchase of own shares		(133.7)	(13.1)	(109.8)
Net cash inflow / (outflow) from financing activities		129.5	(90.6)	(128.7)
Net decrease in cash and cash equivalents including overdrafts		(22.0)	(45.8)	(98.5)
Cash and cash equivalents including overdrafts at beginning of period		135.2	233.7	233.7
Cash and cash equivalents including overdrafts at the period end		113.2	187.9	135.2

The accompanying notes form an integral part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 26 WEEKS ENDED 29 OCTOBER 2017

	Treasury shares £m	Foreign currency translation £m	Own share reserve £m	Retained earnings £m	Other reserves £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total £m
At 24 April 2016	**(56.2)**	**26.8**	**(33.7)**	**1,482.3**	**(32.8)**	**1,386.4**	**(1.7)**	**1,384.7**
Share-based payments	-	-	-	0.7	-	0.7	-	0.7
Deferred Tax on share schemes	-	-	-	(2.2)	-	(2.2)	-	(2.2)
Purchase of own shares	(13.2)	-	-	-	-	(13.2)	-	(13.2)
Changes to non-controlling Interest	-	-	-	(5.3)	-	(5.3)	(1.1)	(6.4)
Transactions with owners	**(13.2)**	**-**	**-**	**(6.8)**	**-**	**(20.0)**	**(1.1)**	**(21.1)**
Other comprehensive income:								
Profit for the financial period	-	-	-	92.4	-	92.4	1.0	93.4
Cash flow hedges								
– recognised in the period	-	-	-	-	(91.5)	(91.5)	-	(91.5)
– reclassification	-	-	-	-	(5.9)	(5.9)	-	(5.9)
– taxation	-	-	-	-	14.2	14.2	-	14.2
Actuarial losses on defined benefit pension schemes	-	-	-	(8.8)	-	(8.8)	-	(8.8)
Taxation on items taken to comprehensive income	-	-	-	1.7	-	1.7	-	1.7
Fair value adjustment in respect of available for sale financial assets	-	-	-	(102.5)	-	(102.5)	-	(102.5)
Translation differences – group	-	70.8	-	-	-	70.8	-	70.8
Total comprehensive income	**-**	**70.8**	**-**	**(17.2)**	**(83.2)**	**(29.6)**	**1.0**	**(28.6)**
At 23 October 2016	**(69.4)**	**97.6**	**(33.7)**	**1,458.3**	**(116.0)**	**1,336.8**	**(1.8)**	**1,335.0**

	Treasury shares £m	Foreign currency translation £m	Own share reserve £m	Retained earnings £m	Other reserves £m	Total attributable to owners of the parent £m	Non-controlling interests £m	Total £m
At 30 April 2017	**(329.5)**	**77.1**	**(33.7)**	**1,591.0**	**(65.9)**	**1,239.0**	**(0.7)**	**1,238.3**
Share-based payments	-	-	56.3	(56.3)	-	-	-	-
Current Tax on share schemes	-	-	-	4.8	-	4.8	-	4.8
Deferred tax on share schemes	-	-	-	(2.2)	-	(2.2)	-	(2.2)
Purchase of own shares	(94.3)	-	(39.4)	-	-	(133.7)	-	(133.7)
FV of share buyback reversal	163.5	-	-	-	-	163.5	-	163.5
Changes to non-controlling Interest	-	-	-	(10.1)	-	(10.1)	(1.2)	(11.3)
Transactions with owners	**69.2**	**-**	**16.9**	**(63.8)**	**-**	**22.3**	**(1.2)**	**21.1**
Other comprehensive income:								
Profit for the financial period	-	-	-	26.0	-	26.0	2.7	28.7
Cash flow hedges								
– recognised in the period	-	-	-	-	(49.8)	(49.8)	-	(49.8)
– reclassification	-	-	-	-	(1.9)	(1.9)	-	(1.9)
– taxation	-	-	-	-	8.8	8.8	-	8.8
Fair value adjustment in respect of available for sale financial assets	-	-	-	7.0	-	7.0	-	7.0
Taxation on items taken to comprehensive income	-	-	-	(1.2)	-	(1.2)	-	(1.2)
Market value of shares transferred to the EBT	-	-	(52.2)	-	-	(52.2)	-	(52.2)
Difference between cost and MV of shares transferred	29.9	-	-	21.1	-	51.0	-	51.0
Translation differences – group	-	24.1	-	-	-	24.1	-	24.1
Total comprehensive income	**29.9**	**24.1**	**(52.2)**	**52.9**	**(42.9)**	**11.8**	**2.7**	**14.5**
At 29 October 2017	**(230.4)**	**101.2**	**(69.0)**	**1,580.1**	**(108.8)**	**1,273.1**	**0.8**	**1,273.9**

The own shares, held by Sports Direct International plc Employee Benefit Trust, and treasury reserves represent the cost of shares in Sports Direct International plc purchased in the market and to satisfy options under the Group's share scheme.

The Company holds 98,350,831 ordinary shares in Treasury (FY17 H1: 46,719,593, FY17: 79,310,534). At 29 October 2017, the Sports Direct Employee Benefit Trust held 17,500,984 shares. During the period, 12,782,512 shares were transferred from Treasury to the EBT in the Own Share Reserve with the transfer reflected at market value.

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

1. **General information and basis of preparation**

The results for the first half of the financial year have not been audited and are prepared on the basis of the accounting policies set out in the Group's 2017 Annual Report and Financial Statements. The financial information in the Group's Annual Report and Financial Statements is prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Interim Results have been prepared in accordance with International Accounting Standard (IAS) 34 - "Interim Financial Reporting" as endorsed by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority (DTR). The principal accounting policies have remained unchanged from the prior financial information for the 53 weeks ended 30 April 2017. This consolidated financial information for the period does not constitute statutory financial statements within the meaning of s434 of the Companies Act 2006.

The summary of results for the 53 weeks ended 30 April 2017 is an extract from the published Annual Report and Financial Statements which have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under s498 (2) or s498 (3) of the Companies Act 2006.

2. Segmental analysis

Operating segments

Management have determined to present its segmental disclosures consistently with the presentation in the 2017 Annual Report with the exception that the USC fascia has been included within UK Retail. This is due to management's assessment of the operating characteristics of USC. Management consider operationally that the UK and EU Sports Retail divisions are run as one business unit in terms of allocating resources and assessing performance. However, under IFRS 8 we have not at this reporting date met the required criteria with enough certainty to move back to an aggregated reporting segment. We will continually keep this under review at subsequent reporting dates. We continue to monitor the impacts of Brexit, and the continued uncertainties this has brought relating to the political and economic environments, and market and currency volatility in the countries we operate in. European countries have been identified as operating segments and have been aggregated into a single operating segment as permitted under IFRS 8. The decision to aggregate these segments was based on the fact that they each have similar economic characteristics, similar long term financial performance expectations, and are similar in each of the following respects:

- The nature of the products
- The type or class of customer for the products; and
- The methods used to distribute the products

In accordance with paragraph 12 of IFRS 8 the Group's operating segments have been aggregated into the following reportable segments:

1. UK Sports Retail – includes the results of the UK retail network of sports stores and USC stores and concessions, along with related websites;
2. International Retail - includes the results of the International retail network of sports stores but excludes retail activities in the US;
3. US Retail – includes the results of US based retail activities;
4. Premium Lifestyle – includes the results of the premium retail businesses such as Flannels, Cruise and van mildert; and
5. Brands – includes the results of the Group's portfolio of internationally recognised brands such as Everlast, Lonsdale and Slazenger.

The comparative information for the period ended 23 October 2016 has been restated to include the results of USC in UK Retail. Accordingly, the prior period has been restated to adjust £42.5m of sales, £17.1m of margin and £18.4m of overheads.

Information regarding the Group's reportable segments for the period ended 29 October 2017, as well as a reconciliation of reported profit for the period to underlying EBITDA, is presented below:

Segmental information for the 26 weeks ended 29 October 2017:

	Retail					Brands		
	UK Sports Retail	**International Sports Retail**	**Premium Lifestyle**	**US Retail**	**Total Retail**	**Total**	**Eliminations**	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m
Sales to external customers	1,142.2	343.5	67.8	63.9	1,617.4	97.2	-	1,714.6
Sales to other segments	-	-	-		-	8.6	(8.6)	-
Revenue	1,142.2	343.5	67.8	63.9	1,617.4	105.8	(8.6)	1,714.6
Gross profit	453.9	140.1	21.8	7.0	622.8	38.2	-	661.0
Operating profit/(loss) before foreign exchange and exceptional items	116.2	(6.5)	(0.3)	(23.8)	85.6	15.0	-	100.6
Operating Profit	147.1	(6.8)	(0.3)	(23.8)	116.2	11.2	-	127.4
Investment income								0.2
Investment costs								(32.7)
Finance income								0.3
Finance costs								(40.9)
Share of profits of associated undertakings and joint ventures								(8.5)
Profit before taxation								45.8
Taxation								(17.1)
Profit for the period								28.7

Reconciliation of operating profit to underlying EBITDA for the 26 week period ending 29 October 2017:

	UK Sports Retail	**International**	**Lifestyle**	**US Retail**	**Brands**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Operating profit	147.1	(6.8)	(0.3)	(23.8)	11.2	127.4
Depreciation	37.8	21.9	1.0	0.8	0.6	62.1
Amortisation	-	0.2	-	-	1.7	1.9
Associates	(8.5)	-	-	-	-	(8.5)
Reported EBITDA	176.4	15.3	0.7	(23.0)	13.5	182.9
Exceptional items	1.8	-	-	-	3.2	5.0
Profit on disposal of properties	(16.7)	-	-	-	-	(16.7)
Realised FX Loss	(16.0)	0.3	-	-	0.6	(15.1)
Underlying EBITDA (pre-scheme costs)	145.5	15.6	0.7	(23.0)	17.3	156.1

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

Segmental information for the 26 weeks ended 23 October 2016 (restated):

	Retail						
	UK Sports Retail	International Sports Stores	Premium Lifestyle	Total Retail	Brands Total	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m
Sales to external customers	1,153.7	330.2	40.9	1,524.8	112.9	-	1,637.7
Sales to other segments	-	-	-	-	22.3	(22.3)	-
Revenue	1,153.7	330.2	40.9	1,524.8	135.2	(22.3)	1,637.7
Gross profit	470.4	131.1	16.3	617.8	44.2	-	662.0
Operating profit/(loss) before foreign exchange and exceptional items	94.6	(31.4)	(2.1)	61.1	14.2	-	75.3
Operating Profit	113.8	(43.4)	(1.8)	68.6	11.4	-	80.0
Investment income							146.3
Finance income							(26.1)
Finance costs							(60.0)
Share of profits of associated undertakings and joint							-
Profit before taxation							140.2
Taxation							(46.8)
Profit for the period							93.4

Reconciliation of operating profit to underlying EBITDA for the 26 week period ending 23 October 2016:

	UK Sports Retail	**International**	**Lifestyle**	**Brands**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Operating profit	113.8	(43.4)	(1.8)	11.4	80.0
Depreciation	41.7	19.4	1.5	1.0	63.6
Amortisation	0.4	1.4	1.5	1.9	5.2
Reported EBITDA	155.9	(22.6)	1.2	14.3	148.8
Charges for the Share Scheme	1.2	-	-	-	1.2
Exceptional items	2.8	1.4	-	9.7	13.9
Realised FX Loss	(21.9)	10.5	(0.3)	(6.9)	(18.6)
Underlying EBITDA (pre-scheme costs)	138.0	(10.7)	0.9	17.1	145.3

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

Segmental information for the 53 weeks ended 30 April 2017:

This information is available in the 2017 annual report.

3. Exceptional items

	26 weeks ended 29 October 2017 (£m)	26 weeks ended 23 October 2016 (£m)	53 weeks ended 30 April 2017 (£m)
Impairment	(5.0)	(13.9)	(17.3)

The impairment relates to the write down of certain non-core brands which are no longer considered to have value to the Group.

4. Investment income

	26 weeks ended 29 October 2017 (£m)	26 weeks ended 23 October 2016 (£m)	53 weeks ended 30 April 2017 (£m)
Profit on disposal of available for sale financial assets and equity derivative financial instruments	-	145.8	156.5
Dividend income from investments	0.2	0.5	0.5
Fair value gain on derivative instruments	-	-	5.5
	0.2	146.3	162.5

The gain on disposal of listed investments mainly related to the profit on disposal of JD Sports plc shares in the prior period.

5. Investment costs

	26 weeks ended 29 October 2017 (£m)	26 weeks ended 23 October 2016 (£m)	53 weeks ended 30 April 2017 (£m)
Loss on disposal of available for sale financial assets and equity derivative financial instruments	1.2	-	2.7
Fair value loss on derivative financial instruments	31.5	26.1	36.3
Impairment of available for sale financial assets	-	-	12.2
	32.7	26.1	51.2

6. Finance income

	26 weeks ended 29 October 2017 (£m)	26 weeks ended 23 October 2016 (£m)	53 weeks ended 30 April 2017 (£m)
Bank interest receivable	0.3	-	0.2
Other interest receivable	-	-	0.4
Fair value adjustment to unhedged foreign currency contracts (1)	-	-	18.2
	0.3	-	18.8

[1] The fair value adjustment to forward and option foreign exchange contracts relates to differences between the fair value of forward foreign currency contracts and written options not designated for hedge accounting from one period to the next.

7. Finance costs

	26 weeks ended 29 October 2017 (£m)	26 weeks ended 23 October 2016 (£m)	53 weeks ended 30 April 2017 (£m)
Interest on bank loans and overdrafts	3.8	3.7	2.5
Interest on other loans and finance leases	0.8	0.4	6.6
Interest on retirement benefit obligations	-	0.1	0.3
Fair value adjustment to forward foreign exchange contracts (1)	36.3	55.8	-
	40.9	60.0	9.4

[1] The fair value adjustment to forward and option foreign exchange contracts relates to differences between the fair value of forward foreign currency contracts and written options not designated for hedge accounting from one period to the next.

8. Earnings per share

For diluted earnings per share, the weighted average number of shares, 532,857,850 (FY17 H1: 591,605,484), is adjusted to assume conversion of all dilutive potential ordinary shares under the Group's share schemes, being 3,132,795 (FY17 H1: 16,667,000) to give the diluted weighted average number of shares of 535,990,645 (FY17 H1: 608,272,484).

The number of dilutive ordinary shares under the Group's share schemes has been calculated on a weighted average basis to take account of any shares that vested during the period.

Basic and diluted earnings per share

	26 weeks ended 29 October 2017	26 weeks ended 29 October 2017	26 weeks ended 23 October 2016	26 weeks ended 23 October 2016	53 weeks ended 30 April 2017	53 weeks ended 30 April 2017
	Basic £m	**Diluted £m**	**Basic £m**	**Diluted £m**	**Basic £m**	**Diluted £m**
Profit for the period attributable to the equity holders of the Group	26.0	26.0	92.4	92.4	229.9	229.9
	Number in thousands		Number in thousands		Number in thousands	
Weighted average number of shares	532,858	535,991	591,605	608,272	583,501	600,168
	Pence per share		Pence per share		Pence per share	
Earnings per share	4.9	4.9	15.6	15.2	39.4	38.3

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. 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 realised foreign exchange in selling and administration costs, the IAS 39 fair value adjustment on derivative financial instruments in finance income/costs, exceptional costs, profit/loss on sale of properties and the profit/loss on sale of strategic investments and subsidiaries.

	26 weeks ended 29 October 2017	26 weeks ended 29 October 2017	26 weeks ended 23 October 2016	26 weeks ended 23 October 2016	53 weeks ended 30 April 2017	53 weeks ended 30 April 2017
	Basic £m	**Diluted £m**	**Basic £m**	**Diluted £m**	**Basic £m**	**Diluted £m**
Profit for the period	26.0	26.0	92.4	92.4	229.9	229.9
Post tax adjustments to profit for the period for the following exceptional items:						
Realised (gain)/loss on forward foreign exchange contracts	(11.7)	(11.7)	(14.8)	(14.8)	18.5	18.5
Fair value adjustment to forward foreign exchange contracts	28.3	28.3	44.7	44.7	(14.3)	(14.3)
Fair value adjustment to derivative financial instruments	24.6	24.6	18.5	18.5	24.0	24.0
Loss/(gain) on disposal of listed investments	1.2	1.2	(114.3)	(114.3)	(141.5)	(141.5)
Profit on disposal of property	(13.1)	(13.1)	-	-	-	-
Profit on disposal of subsidiary	-	-	-	-	(79.9)	(79.9)
Impairment of intangible assets	5.0	5.0	11.1	11.1	17.3	17.3
Write off of deferred tax assets	-	-	10.8	10.8	12.5	12.5
Effect of reduced tax rate on deferred tax	-	-	1.7	1.7	-	-
Underlying profit for the period	60.3	60.3	50.1	50.1	66.5	66.5
	Number in thousands		Number in thousands		Number in thousands	
Weighted average number of shares	532,858	535,991	591,605	608,272	583,501	600,168
	Pence per share		Pence per share		Pence per share	
Underlying earnings per share	11.3	11.2	8.5	8.2	11.4	11.1

9. Investments in associated undertakings

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

	Associates (£m)
At 24 April 2016	16.6
Additions	9.0
Share of profit	0.8
At 30 April 2017	26.4
Additions	0.8
Dividends paid	(0.5)
Share of loss	(8.5)
At 29 October 2017	**18.2**

The loss on Associates in the period largely relates to the trade losses and impairment of the Group's investment in Brasher Leisure, and other associate losses.

10. Inventories

	29 October 2017 (£m)	30 April 2017 (£m)
Goods for resale	795.7	629.2

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

	26 weeks ended 29 October 2017 (£m)	26 weeks ended 23 October 2016 (£m)
Cost of inventories recognised as an expense	1,053.6	975.7

The directors have reviewed the opening and closing provisions against inventory and have concluded that these are fairly stated. Overall provisions have increased from £98.4m at 30 April 2017 to £133.9m as at 29 October 2017.

11. Financial Instruments

(a) Financial assets and liabilities by category

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

	Loans and receivables (£m)	Assets at fair value through profit and loss (£m)	Available for sale financial assets (£m)	Non-financial assets (£m)	Total (£m)
Assets at 29 October 2017					
Property, plant and equipment	-	-	-	871.2	871.2
Investment properties	-	-	-	22.2	22.2
Intangible assets	-	-	-	180.3	180.3
Investments in associated undertakings and joint ventures	-	-	-	18.2	18.2
Available-for-sale financial assets	-	-	191.4	-	191.4
Deferred tax assets	-	-	-	53.1	53.1
Inventories	-	-	-	795.7	795.7
Derivative financial assets	-	6.8	-	-	6.8
Trade and other receivables	145.7	-	-	308.4	454.1
Cash and cash equivalents	121.4	-	-	-	121.4
	267.1	6.8	191.4	2,249.1	2,714.4
Assets at 30 April 2017					
Property, plant and equipment	-	-	-	842.0	842.0
Investment properties	-	-	-	23.1	23.1
Intangible assets	-	-	-	185.7	185.7
Investments in associated undertakings	-	-	-	26.4	26.4
Available-for-sale financial assets	-	-	63.9	-	63.9
Deferred tax assets	-	-	-	33.7	33.7
Inventories	-	-	-	629.2	629.2
Derivative financial assets	-	43.0	-	-	43.0
Trade and other receivables	397.1	-	-	-	397.1
Cash and cash equivalents	204.7	-	-	-	204.7
	601.8	43.0	63.9	1,740.1	2,448.8
Assets at 23 October 2016					
Property, plant and equipment	-	-	-	833.6	833.6
Intangible assets	-	-	-	216.4	216.4
Investments in associated undertakings and joint ventures	-	-	-	18.4	18.4
Available-for-sale financial assets	-	-	73.0	-	73.0
Deferred tax assets	-	-	-	72.0	72.0
Inventories	-	-	-	716.3	716.3
Derivative financial assets	-	51.5	-	-	51.5
Trade and other receivables	290.8	-	-	-	290.8
Cash and cash equivalents	188.0	-	-	-	188.0
	478.8	51.5	73.0	1,856.7	2,460.0

	Loans and payables (£m)	Liabilities at fair value through profit and loss (£m)	Non-financial liabilities (£m)	Total (£m)
Liabilities at 29 October 2017				
Non-current borrowings	7.4	-	-	7.4
Retirement benefit obligations	-	-	1.9	1.9
Deferred tax liabilities	-	-	13.5	13.5
Provisions	-	-	127.0	127.0
Derivative financial liabilities	-	158.3	-	158.3
Trade and other payables	169.5	-	351.3	520.8
Current borrowings	585.7	-	-	585.7
Current tax liabilities	-	-	25.9	25.9
	762.6	158.3	519.6	1,440.5

Liabilities at 30 April 2017				
Non-current borrowings	317.3	-	-	317.3
Retirement benefit obligations	-	-	3.4	3.4
Deferred tax liabilities	-	-	18.7	18.7
Provisions	-	-	130.2	130.2
Derivative financial liabilities	-	75.2	-	75.2
Fair value of share buyback	-	-	163.5	163.5
Trade and other payables	133.3	-	288.1	421.4
Current borrowings	69.5	-	-	69.5
Current tax liabilities	-	-	11.3	11.3
	520.1	75.2	615.2	1,210.5
Liabilities at 23 October 2016				
Non-current borrowings	259.8	-	-	259.8
Retirement benefit obligations	-	-	21.6	21.6
Deferred tax liabilities	-	-	20.4	20.4
Provisions	-	-	85.2	85.2
Derivative financial liabilities	-	206.7	-	206.7
Trade and other payables	181.2	-	272.8	454.0
Current borrowings	0.1	-	-	0.1
Current tax liabilities	-	-	77.2	77.2
	441.1	206.7	477.2	1,125.0

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 29 October 2017, the only financial instruments held at fair value were derivative financial assets and liabilities.

Contracts for difference are classified as Level 1 as the fair value is calculated referencing quoted prices for listed shares and commodities at contract inception and the period end.

Foreign forward purchase and sales contracts and options are classified as Level 2 as the fair value is calculated using models based on inputs which are observable directly or indirectly at the period-end (these inputs include but are not restricted to the following – maturity date, quoted forward/option prices).

Available-for-sale financial assets are classified as Level 1 as the fair value is calculated using quoted prices, except for House of Fraser (UK & Ireland) Ltd (previously Highland Group Holdings) which is classified as Level 3. House of Fraser Ltd is held at management's estimate of the fair value of the enterprise based on publicly and non-publicly available data.

Other equity derivatives are calculated using a model with inputs which are directly observable and inputs which are not based on observable market data and are therefore classified as Level 3. The valuations are calculated using an equity valuation model of which the output is the result of a number of inputs including, the terms of the option, the share price, interest rates, the volatility of the underlying stock, and dividends paid by the underlying company. The volatility of the underlying stock is a significant input into the valuation model. Volatility is considered an unobservable input. To the extent that the market price of these shares is less than an agreed price on expiry of the put options, the counterparty has the right to settle the put option by selling the ordinary shares to the Group. If the market price of the shares is greater than an agreed price on expiry of the put option the counterparty will not exercise the option and the group will receive the premium. Sports Direct is required to transfer cash collateral to cover its obligations under put options. The amount of collateral required during the life of the put options can increase or decrease by reference to the underlying market price of the shares.

	26 weeks ended 29 October 2017 £m	**26 weeks ended 23 October 2016 £m**	**53 weeks ended 30 April 2017 £m**
Opening fair value of equity put options	(15.4)	7.6	7.6
Movement recognised in profit and loss	(12.1)	(22.8)	(23.0)
Closing fair value of equity put options	(27.5)	(15.2)	(15.4)

12. Acquisitions

On 18 May 2017 the group took ownership of certain trade and assets of the businesses that traded as Bob's Stores and Eastern Mountain Sports from Eastern Outfitters LLC which had filed for Chapter 11 in the US. Cash consideration was paid in tranches over the initial Chapter 11 phase during the period to 30 April 2017 but control was not obtained until US court approval was given for the trade and assets purchase, and group management and processes were implemented on 18 May 2017. The following table summarises the provisional fair values of consideration paid for the trade and assets of Bob's Stores and Eastern Mountain Sports, assets acquired, and the liabilities assumed.

	Book value £m	Fair value adjustments £m	Fair value of net assets acquired £m
Property, plant and equipment	9.7	(3.9)	5.8
Inventories	64.9	9.7	74.6
Trade and other receivables	10.2	1.0	11.2
Cash and cash equivalents	9.9	-	9.9
Trade and other payables	(18.8)	(1.5)	(20.3)
	75.9	5.3	81.2

Cash consideration	81.2
Cash acquired	(9.9)
Net cash outflow	71.3

Included in Group underlying EBITDA for the 26 week period to 29 October 2017 for the Bob's Stores and Eastern Mountain Sports businesses is £5.5m of trading losses and £17.5m of losses relating to fair value accounting adjustments and accounting policy alignments.

On 17 August 2017, the Group acquired the remaining minority interest in The Flannels Group Ltd for £11.3m. This has been accounted for as a minority acquisition, with the difference between brought forward minority interests and the acquisition price flowing through Equity.

13. Cash inflows from operating activities

	26 weeks ended 29 October 2017 £m	26 weeks ended 23 October 2016 £m	53 weeks ended 30 April 2017 £m
Profit before taxation	45.8	140.2	281.6
Net finance (income)/costs	40.6	60.0	(9.4)
Net other investment (income)/costs	32.5	(120.2)	(111.3)
Share of (loss)/profit of associated undertakings and joint ventures	8.5	-	(0.8)
Operating profit	127.4	80.0	160.1
Depreciation	62.1	63.6	140.6
Amortisation charge	1.9	5.2	7.3
Impairment	5.0	13.9	17.3
Profit on disposal of property, plant and equipment	16.7	-	6.8
Disposal of subsidiary	-	-	(79.9)
Defined benefit pension plan employer contributions	(0.1)	(1.4)	(2.4)
Share based payments	-	1.2	2.8
Operating cash inflow before changes in working capital	213.0	162.5	252.6
(Increase)/decrease in receivables	(45.2)	1.7	(118.0)
(Increase)/decrease in inventories	(90.8)	(14.1)	60.0
(Decrease)/increase in payables	(8.1)	55.0	74.6
Cash inflows from operating activities	68.9	205.1	269.2

Included within the movement in receivables are amounts held as collateral against equity derivatives.

14. Related party transactions

The Group has taken advantage of the exemptions contained within IAS 24 - "Related Party Disclosures" from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation.

All related party transactions were undertaken on an arm's length basis and were made in the ordinary course of business.

26 weeks ended 29 October 2017:

Related party	Relationship	Sales £m	Purchases £m	Trade and other receivables £m	Trade and other payables £m
Brasher Leisure Ltd	Associate	5.3	0.2	4.8	0.2
Four Holdings Ltd [(1)]	Associate	0.2	-	75.0	0.7
Mash Holdings Ltd	Parent company	-	-	0.2	-
Mike Ashley [(2)(3)]	Director	1.1	-	1.2	-
Rangers Retail Ltd	Associate	0.6	0.3	0.1	-
Newcastle United Football Club	Connected persons	0.7	0.2	1.1	-

[(1)] The balance with Four Holdings reflects the funding related to Agent Provocateur. Management consider that the underlying results of Four Holdings supports the recoverability of the receivables balance
[(2)] Charges for use of company jet and helicopter charged at commercial rates
[(3)] The Group had a £6.0m liability as at 30 April 2017 in respect of a disputed historic claim. This was settled by the Group during the period and the Group was subsequently reimbursed by Mike Ashley.

26 weeks ended 23 October 2016:

Related party	Relationship	Sales £m	Purchases £m	Trade and other receivables £m	Trade and other payables £m
Brasher Leisure Ltd	Associate	5.7	0.6	8.1	-
NDS EHF	Associate	1.4	-	-	-
Rangers Retail Ltd	Associate	0.9	-	0.1	-
Newcastle United Football Club	Connected persons	0.7	-	0.2	-
Queensdown Associates Ltd	Associate	-	-	1.4	-

An agreement has been entered into with Double Take Limited, a company owned by Mash Holdings Limited in which Matilda Ashley, Mike Ashley's daughter, is a director. Under the agreement Double Take licences the Group the exclusive rights to the cosmetic brand SPORT FX. No royalties or other fees are payable to Double Take for these rights until September 2019 at the earliest, when this fee arrangement will be reviewed on a going forwards basis.

15. Commercial arrangements

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

MM Prop Consultancy Ltd fees are linked directly to value creation which is determined by the Company's non-executive directors who independently review performance bi-annually with a view to determining, at their absolute and sole discretion, the quantum of the fee payable. Under the terms of the agreement with MM Prop Consultancy Ltd no fees are payable until the earliest of 30th September 2018 so that the Company's independent non-executive directors have a sufficient amount of time to assess performance.

The Sports Direct Group has commercial arrangements in place with IBSL Consultancy Limited. Management has considered whether a related party relationship exists and concluded that Justin Barnes, a director of IBSL, and/or IBSL Consultancy Limited are acting in an advisory capacity only and are not performing key management functions that would indicate a related party relationship. Management decisions are made solely by the management of the Group.

During FY17, the Company had arrangements in place with Barlin Delivery Limited, a company owned by John Ashley (the brother of Mike Ashley). This arrangement ceased as at 30 April 2017.

As noted in the Chairman's statement, there was a vote by independent shareholders against a retrospective payment of £11m to John Ashley for executive bonuses forgone.

16. Post balance sheet events

On 21 November 2017 the Group announced that it had entered into a new Revolving Credit Facility ("RCF"). The RCF is valid for four years (with a one year extension option) and it will provide the Group with access to borrowings up to £907.5m. As announced on 21 November 2017, the Group anticipates that due to our ongoing High Street Elevation Strategy, it is likely that we will seek via an accordion arrangement to increase this facility to £1 billion.