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SPORTS DIRECT INTERNATIONAL PLC

13 December 2018

Interim Results for the 26 weeks to 28 October 2018 ("FY19 H1")

	FY19 H1	FY18 H1 (restated)[9]	
	£m	£m	%
Group revenue	**1,791.8**	**1,714.6**	**+4.5**
UK Sports Retail [1]	1,140.2	1,142.3	-0.2
Premium Lifestyle	87.6	67.7	+29.4
House of Fraser [2]	70.1	-	-
European Sports Retail	313.1	328.8	-4.8
Rest of World Retail	100.7	78.6	+28.1
Wholesale & licensing	80.1	97.2	-17.6
Group gross margin	**41.5%**	**38.6%**	
UK Sports Retail [3]	40.6%	39.4%	
Premium Lifestyle	34.2%	31.8%	
House of Fraser [2]	28.7%	-	
European Sports Retail	43.5%	40.6%	
Rest of World Retail [4]	39.9%	39.8%	
Underlying EBITDA (excluding House of Fraser)	**180.3**	**156.1**	**+15.5**
Underlying EBITDA [5]	148.8	156.1	-4.7
Reported profit before tax	74.4	45.8	+62.4
Underlying profit before tax [5]	**64.4**	**88.0**	**-26.8**
Reported basic earnings per share	8.7p	4.9p	+77.6
Underlying basic earnings per share [5]	**7.3p**	**11.3p**	**-35.4**
Underlying free cash generation [7]	69.0	46.2	+49.4
Net debt [8]	**505.5**	**471.7**	**+7.2**

Key highlights

- Group revenue increased by 4.5%. Excluding acquisitions, and on a currency neutral basis, Group revenue increased by 0.2%
- UK Sports Retail revenue fell 0.2%, largely due to store closures as part of the continued elevation of the portfolio. Premium Lifestyle rose 29.4% largely due to new Flannels stores
- House of Fraser, acquired 10 August 2018, revenue since acquisition was £70.1m [2]
- European Sports Retail revenue fell 5.0% on a currency neutral basis, largely due to store closures [6]
- Rest of World Retail revenue rose 26.2% on a currency neutral basis, largely due to the Bob's/EMS stores in the US [6]
- Group underlying EBITDA was down 4.7% to £148.8m. Excluding acquisitions and on a currency neutral basis, Underlying EBITDA was up 14.6%
- Underlying profit before tax down 26.8% to £64.4m
- Underlying free cash generation of £69.0m [7]
- Net debt has increased to £505.5m, from £397.1m as at 29 April 2018 (FY18 H1: £471.7m) [8]

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

'During the reporting period we acquired the trade and assets of House of Fraser and I would like to welcome my new colleagues to the Sports Direct Group. I have made my views clear that I believe the previous House of Fraser senior management team traded the business whilst it was insolvent for a long time, this means we have significant challenges ahead in turning House of Fraser around. However, I genuinely believe we have acquired a fantastic opportunity and with the efforts of Sports Direct and House of Fraser teams, and the support of the brands, local councils and landlords, we can turn House of Fraser into the Harrods of the High Street.

Outside of the House of Fraser acquisition the Sports Direct Group has had another successful period reporting a 15.5% growth in underlying EBITDA to £180.3m. This is impressive in the context of the current struggles in the High Street and shows our elevation strategy continues to go from strength to strength. Excluding House of Fraser we anticipate we will be within our previously communicated underlying EBITDA growth range of 5-15% by year end, including House of Fraser we expect to be behind last year's result.'

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

(2) House of Fraser revenue is turnover of the business, which is the full transaction value of sales of 'Own-bought' stock (net of sales taxes and returns) and commission income earned from Concession sales for which the Group acts as Agent. Margin is the Retail margin based on the 'Gross Transaction value (GTV)' which includes the sales of Own Bought stock (net of VAT), and the full sales transaction value of the Concession sale, (net of VAT).

(3) UK Retail and online only, excludes wholesale and other.

(4) Rest of World Retail margin in FY18 H1 excludes £17.5m of losses due to acquisition accounting adjustments in relation to inventory.

(5) Underlying EBITDA, underlying profit before taxation and underlying basic EPS exclude foreign exchange gains/losses in selling and administration costs, exceptional costs, and the profit / loss on disposal of subsidiaries, strategic investments and properties. Underlying EBITDA also excludes the Share Scheme charges. Underlying profit before taxation also excludes fair value adjustments on foreign exchange contracts.

(6) Sales and margin movements 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 current period.

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

(8) Net debt is borrowings less cash held.

(9) The prior year has been restated due to changes in the reporting segments in FY18. European Retail (formerly International Retail) includes the results of all stores in Europe (excluding UK). Rest of World Retail (formerly Other Retail) includes the results of retail activity in the US and Malaysia.

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Keith Bishop

CHAIRMAN'S STATEMENT

Overview

FY19 H1 has seen our elevation strategy continue to gather strong momentum, and it has been given further impetus by the acquisition of House of Fraser (HoF). The fact that Sports Direct is responsible for saving thousands of jobs at House of Fraser, at a time when the high street is under immense pressure, is an achievement of which everybody in the Group should be extremely proud. I would like to thank all our people, including those who have joined us during the last few months, for their commitment and hard work. Meanwhile, I am pleased to report that the Group is on course to achieve an improvement in underlying EBITDA during FY19 consistent with the 5% to 15% range that we reiterated in September 2018, excluding the acquisition of House of Fraser. Indeed, in FY19 H1 underlying EBITDA (excluding HoF) is up by 15.5% to £180.3m when compared to the same period last year. This is largely due to the resilience of our core UK sports retail business and the continuing benefits of being able to offer good, better and best product across our portfolio of fascias. However, this should be balanced against challenging trading conditions going forward, combined with the initial downward impact of House of Fraser on overall earnings and underlying profits. Overall reported profit before tax is up 62.4% to £74.4m as a result of fair value impacts in the prior period. European Sports Retail sales have gone down largely due to planned store closures. A slight increase in margin and a decrease in costs has provided an increase of 42.2% in underlying EBITDA in Europe. Rest of World Retail underlying EBITDA has improved by 76.6% mainly due to the acquisition fair value adjustments relating to the US retail entities in the prior period.

The Harrods of the High Street

Our Chief Executive Mike Ashley outlined his ambition in August 2018 to transform House of Fraser into the Harrods of the High Street. Mike also took that opportunity to highlight the importance of our relationships with the brands. We remain fully committed to striving to build a bright future for House of Fraser on the high street, and we would like to thank the countless brands and suppliers who have offered their support. The acquisition of House of Fraser out of administration is a massive opportunity, and I am confident it will enable us to continue to enhance our strategy of elevation across the Group. We further demonstrated our commitment to this goal by purchasing the freehold to the truly iconic Frasers building in Glasgow for £95m in October 2018. Since then, Mike and the team have continued to work tirelessly in order to save as many stores and jobs as possible. However, we have made it clear that this will require the continued support of landlords and local authorities.

Other acquisitions and divestments

At the end of October 2018, just after FY19 H1, we also acquired the Evans Cycles business. This is aligned with our previously stated desire to offer the best possible multi-brand and multi-category presentation to consumers. Whilst we are pleased to have rescued the Evans Cycles brand from administration, we continue to believe that in order to save the business some stores will have to close. Meanwhile, as per our statement in June 2018, the Group has now fully disposed of its interest in Finish Line Inc.

Strategy and strategic priorities

We are improving the customer experience at every step of the journey as part of our key strategic objective to elevate our multi-channel retail proposition. The active management of our property portfolio continues to be a key enabler of this strategy whilst we roll out new generation stores. These include large format flagship-style megastores in strategic retail locations that may include one or more of the Group's fascias on a single site, plus an Everlast gym where appropriate. This includes the site at Thurrock that we highlighted in July 2018. I am pleased to report that the Thurrock site has been shortlisted for Retail Destination of the Year at the Retail Week Awards 2019, alongside competition from the likes of Harvey Nichols in Knightsbridge.

Board changes

On a personal note, I would like to thank the Board for welcoming me to the position of Chairman, following the decision of Dr Keith Hellawell, QPM, to step down as Chairman and a director of the Company ahead of our AGM. Simon Bentley decided to retire as a director of the Company at the same time. I would like to thank Keith and Simon for their valuable service and significant contributions to the Company over the years. We were subsequently pleased to announce that Nicola Frampton and Richard Bottomley OBE have joined the Board as Independent Non-Executive Directors. Nicola Frampton is a senior executive at William Hill, where she is Managing Director of the UK Retail division. Prior to joining William Hill, Ms Frampton gained extensive experience in risk management, assurance and corporate governance across a wide range of industries while working in professional services, most recently with Deloitte. Richard has over 25 years' experience working with listed companies during his time as a senior partner at KPMG, and continues to be a member of the Audit Committee Institute. He is Chair of Trustees of the Greggs plc 1978 Retirement and Death Benefits Scheme and until recently was a Non-Executive Director of Newcastle Building Society where he chaired the Audit Committee. We have every confidence that their respective skills and wealth of business experience will be of great benefit to the Company, as outlined in our communications during September 2018.

Our people and our practices

The Board remains committed to treating all our people with dignity and respect, as previously set out in our Annual Reports. We continue to be proud to be one of the first UK public companies with an elected Workers Representative who attends meetings of the Board. In September 2018, we announced that Cally Price, a store manager who originally started with Sports Direct as a zero hours worker, will assume the role of Workers' Representative on 1 May 2019, following a handover period when the current Workers' Representative, Alex Balacki, who also started with Sports Direct as a zero hours worker, completes his term.

Net debt and banking facility

At the end of FY19 H1 our net debt stood at £505.5m which gives us significant headroom to realise any future opportunities and continue our elevation strategy. We operate well within our banking covenants and maintain a strong balance sheet to support our growth. Our group Revolving Credit Facility (RCF) of £913.5m runs until November 2021. During October 2018 we took up the option to extend the facility by one year and we are pleased to confirm £847.5m for a further year to run to November 2022. I would like to thank our banking Group for their continued strong support.

Going forward

Finally, I would like to reiterate that despite on-going challenges within the retail sector in the UK and beyond, which have resulted in many retailers failing, trading at our new generation stores, particularly within our premium segment, continues to exceed expectations. We are also attracting new talent to the business and opening new stores where we identify appropriate opportunities. Whilst there may be many short-term challenges ahead, not least as a result of the current level of political uncertainty surrounding Brexit, we will aim to deliver shareholder value over the medium to long term.

David Daly

Non-Executive Chairman
13 December 2018

Overview of Financial Performance

Summary of Results

	26 Weeks ended 28 October 2018	26 Weeks ended 29 October 2017	Change
	(£m)	(£m)	%
Revenue	1,791.8	1,714.6	+4.5
Underlying EBITDA	148.8	156.1	-4.7
Reported profit before tax	74.4	45.8	+62.4
Underlying profit before tax	64.4	88.0	-26.8
	Pence per share	Pence per share	
Reported EPS (1)	8.7	4.9	+77.6
Underlying EPS (1)	7.3	11.3	-35.4

(1) Based on 519.5 million and 532.9 million ordinary shares outstanding in FY19 H1 and FY18 H1, respectively.

Basis of reporting

The financial statements for the Group for the 26 weeks ended 28 October 2018 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 FY19 H1 financial performance

Group revenue was up 4.5% to £1,791.8m, due to the acquisition of House of Fraser in the year, growth in Premium Lifestyle and growth in Rest of World retail. Excluding acquisitions and on a currency neutral basis, Group revenue was up 0.2%. This was offset by store closures as part of the continued elevation of the portfolio and a reduction in wholesale sales.

Gross margin for the Group increased 290 basis points to 41.5% (FY18 H1: 38.6%) due to better USD purchasing rates and stock provisions made in the prior year. As at 28 October 2018, the Group had hedged its forecast FY19 USD purchases in the UK at USD/GBP 1.362.

During the period, Group operating costs increased by 19.7% to £594.0m (FY18 H1: £496.4m). Excluding acquisitions and on a currency neutral basis, operating costs were up 6.1%. This is largely due to increased provisions for potentially onerous leases due to pressure on the high street and growth in the underlying business.

As a result, Group underlying EBITDA was down by 4.7% to £148.8m. Excluding acquisitions and currency neutral, underlying EBITDA was up 14.6% to £180.3m.

In FY19 H1, depreciation and amortisation increased by 11.9% to £71.6m and Net Interest increased to £12.8m from £4.2m. As a result, Group underlying PBT decreased by 26.8% to £64.4m (FY18 H1: £88.0m). Underlying EPS decreased by 35.4% to 7.3p (FY18 H1: 11.3p).

Reported profit before tax increased by 62.4% to £74.4m (FY18 H1: £45.8m). The prior period included losses on Investments (£32.7m) and revaluation of currency contracts (£36.3m).

The Group generated underlying free cash flow of £69.0m during the period, from £46.2m in the prior period. The increase in underlying EBITDA (excluding House of Fraser) and a gain on exchange differences in the period was offset by FY19 H1 capital expenditure which amounted to £98.2m (FY18 H1: £99.9m), purchases of listed investments of £47.1m (FY18 H1: £131.6m) and

£90.0m that was spent acquiring the trade and assets of House of Fraser from administration. A further working capital injection has since been made into the House of Fraser supply chain of approximately £70m.

The Group's Revolving Credit Facility of £913.5m (FY18: £913.5m) is available until November 2021, and we recently enacted an extension option for a further year to November 2022 for £847.5m. The Group continues to operate comfortably within its banking facilities and covenants.

Net debt increased to £505.5m at the period end (£397.1m at 29 April 2018), equating to 1.5 times LTM Reported EBITDA(1 (FY18 H1: 1.4 times on net debt of £471.7m).

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

UK Sports Retail financial performance

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (£m)	Change %
Retail [1]			
Revenue	1,123.0	1,120.3	+0.2
Cost of sales	(667.0)	(678.9)	-1.8
Gross profit [1]	**456.0**	**441.4**	**+3.3**
Gross margin %	**40.6%**	**39.4%**	**+120 bps**
Fitness, wholesale and other gross profit	**12.6**	**12.8**	**-1.6**
Operating costs	(320.3)	(300.2)	+6.7
Associates	(0.6)	(8.5)	-92.9
UK Sports Retail Underlying EBITDA	**147.7**	**145.5**	**+1.5**

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

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 62% of Group revenue.

Store Portfolio	**As at 28 October 2018**	**As at 29 October 2017**	**As at 29 April 2018**
Stores at period end	486	507	494
Opened	4	7	13
Closed	12	13	32
Area (sq. ft.)	Approx. 5.6m	Approx. 5.4m	Approx. 5.4m

UK Sports Retail sales increased by 0.2%[1], with store revenue down due to the pressure on the high street and store closures due to the elevation strategy, offset by web sales growth.

During the period, UK Sports Retail gross margin increased by 120 basis points to 40.6% (FY18 H1: 39.4%)[1]. This was primarily due to improved USD hedging and additional stock provisions in the prior year, maintained in the current period.

UK Sports Retail's operating costs increased by 6.7% to £320.3m (FY18 H1: £300.2m), due to property related provisions and increased bad debt provisions as a result of pressure on the high street.

Associates was a loss of £0.6m (FY18 H1: loss £8.5m). The prior period loss 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 1.5% to £147.7m (FY18 H1: £145.5m).

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

Premium Lifestyle financial performance

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (£m)	Change %
Revenue	87.6	67.7	+29.4
Cost of sales	(57.6)	(46.2)	+24.7
Gross profit	**30.0**	**21.5**	**+39.5**
Gross margin %	**34.2%**	**31.8%**	+240 bps
Operating costs	(27.5)	(20.8)	+32.2
Premium Lifestyle Underlying EBITDA	**2.5**	**0.7**	**+257.1**

The Group's Premium Lifestyle division includes the Group's premium lifestyle fascias in the UK: Flannels, Cruise and van mildert, along with their ecommerce sites.

Store Portfolio	**As at 28 October 2018**	**As at 29 October 2017**	**As at 29 April 2018**
Flannels	26	16	21
Cruise	8	10	10
van mildert	4	4	3
	38	**30**	**34**

Sales in the period were up by 29.4% to £87.6m (FY18 H1: £67.7m), largely due to the increased sales through the Flannels.com website and new stores.

Gross margin increased to 34.2% (FY18 H1: 31.8%), due to increased good, better and best product, as well as stock provisions in the prior year.

Operating costs increased by 32.2% to £27.5m (FY18 H1: £20.8m) due to new Flannels stores. As a result, Premium Lifestyle underlying EBITDA increased from £0.7m to £2.5m.

House of Fraser

On 10 August 2018, the Group acquired the trade and assets of House of Fraser, including the brand, inventory, certain property, plant and equipment, the right to trade from 59 stores and all the staff. See note 13.

As at 28 October 2018, all 59 stores were still trading, with one store closed subsequent to the reporting date, in November 2018. As has been well publicised, during the initial post-acquisition period the House of Fraser website was not accepting orders for a short period as systems and processes were reset and brought back online. The Group has spent the post-acquisition period working with staff, suppliers, concessionaires and landlords to create a viable business which will be a core part of the elevation strategy of the Group.

House of Fraser operates a significant number of concessions within its stores, where House of Fraser acts as Agent for the sale of the concession owned stock. Revenue from concession sales is required to be shown on a net basis, being the actual commission received rather than the gross value achieved on the sale. In order to understand the value of overall activity of the Group we have disclosed below the Gross Transaction value (GTV) being gross sales net of VAT, discounts and returns and gross sales where the Group acts as Agent.

11 weeks trading	**10 August 2018 to 28 October 2018 (£m)**
Gross transaction value (GTV)	122.5
Revenue	70.1
Cost of sales	(35.0)
Gross profit	**35.1**
GTV margin %	28.7%
Operating costs	(66.6)
House of Fraser Underlying EBITDA	**(31.5)**

European Sports Retail financial performance

The division, previously International Sports Retail, no longer includes Malaysia, and accordingly the prior period comparative has been restated.

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (restated) (£m)	Change %
Revenue	313.1	328.8	-4.8
Cost of sales	(177.0)	(195.4)	-9.4
Gross profit	**136.1**	**133.4**	**+2.0**
Gross margin %	**43.5%**	**40.6%**	+290 bps
Operating costs	(116.9)	(119.9)	-2.5
European Sports Retail Underlying EBITDA	**19.2**	**13.5**	**+42.2**

The European Sports Retail division includes the Group's sports retail store management and operations in Europe, including the Group's European distribution centres in Belgium and Austria, and stores in the Baltic regions. European Sports Retail accounts for 17.5% 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%.

Store Portfolio – Europe	As at 28 October 2018	As at 29 October 2017	As at 29 April 2018
Republic of Ireland (2)	33	33	32
Belgium	35	38	36
Austria	27	30	28
Estonia (3)	26	27	27
Lithuania (3)	17	16	17
Latvia (3)	18	17	18
Portugal	17	17	17
Poland	16	16	16
Slovenia	14	15	14
Hungary	8	9	8
Czech Republic	11	10	10
France	5	5	5
Cyprus	6	6	6
Holland	6	6	6
Slovakia	6	6	6
Germany	2	2	2
Luxembourg	2	2	2
Spain	2	2	2
Iceland(1)	1	-	1
Total	**252**	**257**	**253**

(1) Iceland was fully acquired in March 2018, it was included as an associate as at October 2017.
(2) Excludes Heatons fascia stores
(3) Includes only stores with SPORTSDIRECT.com and Sportland fascias

In addition to the above we operate 10 (FY18 H1: 14) standalone Heatons stores in the Republic of Ireland.

European Sports Retail sales fell by 4.8%, largely due to the closure of stores as part of the continuing elevation of the portfolio. On a currency neutral basis, European Sports Retail revenue decreased by 5.0%. During the period, gross margin increased by 290 basis points to 43.5% (FY18 H1: 40.6%), largely due to better USD rates on hedging. Forecast USD purchases for the remainder of FY19 are hedged at USD/EUR 1.16, which reduces the impact of currency volatility on margins.

European Sports Retail's operating costs decreased by 2.5% in FY19 H1 due to the store closures and cost control in existing stores. On a currency neutral basis, European Sports Retail's operating costs decreased by 2.8%.

European Sports Retail underlying EBITDA increased by 42.2% to £19.2m (FY18 H1: £13.5m).

Rest of World Retail financial performance

Rest of World Retail includes the Group's retail activities in the US under the combined Bob's, Sports Direct and Eastern Mountain Sports fascia. It also includes the stores under the Sports Direct fascia in Malaysia. The prior year comparatives have been restated to include Malaysia, which was in the International (now European) segment in the prior year.

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (restated) (£m)	Change %
Revenue	100.7	78.6	+28.1
Cost of sales	(60.5)	(64.8)	-6.6
Gross profit	**40.2**	**13.8**	**+191.3**
Gross margin %	**39.9%**	**17.6%**	**+2,230 bps**
Operating costs	(45.1)	(34.7)	+30.0
Rest of World Retail Underlying EBITDA	**(4.9)**	**(20.9)**	**-76.6**

Rest of World Retail underlying EBITDA in the prior year includes fair value accounting adjustments in relation to inventory and accounting policy alignments. Excluding these, gross margin was 39.8%.

Store Portfolio – Rest of World	**As at 28 October 2018**	**As at 29 October 2017**	**As at 29 April 2018**
SD Malaysia	30	30	30
Bob's Stores	30	30	30
Eastern Mountain Sports	20	19	19
	80	**79**	**79**

Wholesale & Licensing financial performance

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (£m)	Change %
Wholesale revenue	65.4	80.6	-18.9
Licensing revenue	14.7	16.6	-11.4
Total Revenue	**80.1**	**97.2**	**-17.6**
Cost of sales	(46.7)	(59.1)	-21.0
Gross profit	**33.4**	**38.1**	**-12.3**
Wholesale gross margin %	**28.6%**	**26.7%**	**+190 bps**
Total gross margin %	**41.7%**	**39.2%**	**+250 bps**
Operating costs	(17.6)	(20.8)	-15.4
Wholesale & Licensing Underlying EBITDA	**15.8**	**17.3**	**-8.7**

The Wholesale & Licensing 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.

Wholesale & Licensing division total revenue decreased by 17.6% to £80.1m (FY18 H1: £97.2m). Wholesale revenues were down 18.9% to £65.4m (FY18 H1: £80.6m), mainly due to a reduction in third party licensed activity in the UK.

Licensing revenues in FY19 H1 decreased 11.4% to £14.7m (FY18 H1: £16.6m).

Wholesale gross margin increased by 190 bps to 28.6% (FY18 H1: 26.7%) due to changes in the product mix resulting from the reduction in lower margin direct delivery sales. Total gross margin was increased to 41.7% (FY18 H1: 39.2%).

Operating costs decreased by 15.4% to £17.6m (FY18 H1: £20.8m) in the period. 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 decreased to £15.8m (FY18 H1 £17.3m).

Mike Ashley
Chief Executive
13 December 2018

Reconciliation of reported to underlying results

	Note	EBITDA FY19 H1 £m	EBITDA FY18 H1 £m	PBT FY19 H1 £m	PBT FY18 H1 £m
Operating profit		95.4	127.4		
Depreciation		67.8	62.1		
Amortisation		3.8	1.9		
Share of loss of associated undertakings		(0.6)	(8.5)		
Reported EBITDA/PBT		**166.4**	**182.9**	**74.4**	**45.8**
Exchange gains and losses		(17.6)	(15.1)	(17.6)	(15.1)
IFRS 9 foreign exchange fair value adjustment on unhedged forward and options currency contracts	7	-	-	5.8	36.3
Investment Income	4	-	-	(3.0)	-
Investment Costs	5	-	-	4.8	32.7
Exceptional items	3	-	5.0	-	5.0
Profit on disposal of properties		-	(16.7)	-	(16.7)
Underlying EBITDA/PBT		**148.8**	**156.1**	**64.4**	**88.0**

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

Reconciliation of selling, distribution and administration costs to operating costs

	FY19 H1 £m	FY18 H1 £m
Selling, distribution and administrative expenses	658.3	556.0
Depreciation and amortisation	(71.6)	(64.0)
Exchange gains and losses	17.6	15.1
Operating income	(10.3)	(10.7)
Operating expenses	**594.0**	**496.4**

Operating costs have increased mainly due to the acquisition of House of Fraser and increased provisions for onerous leases due to pressure on the high street.

Underlying EBITDA by Business Segment

	FY19 H1 £m	FY18 H1 Restated £m	Change %
UK Sports Retail	147.7	145.5	+1.5
Premium Lifestyle	2.5	0.7	+257.1
European Sports Retail	19.2	13.5	+42.2
Rest of World Retail	(4.9)	(20.9)	-76.6
Wholesale & licensing	15.8	17.3	-8.7
Group Underlying EBITDA (excluding HoF)	**180.3**	**156.1**	**+15.5**
House of Fraser	(31.5)	-	-
Group Underlying EBITDA	**148.8**	**156.1**	**-4.7**

Foreign exchange and treasury

The Group reports its results in GBP, but trades internationally and is therefore exposed to currency fluctuations on currency cash flows in various ways. These include purchasing inventory from overseas suppliers, making sales in currencies other than GBP and holding overseas assets in other currencies. The Board mitigates the cash flow risks associated with these fluctuations with the careful use of currency forwards for hedging purposes, and various other currencies products including spots, swaps and options for non-hedged currency management.

The Group uses forward contracts that qualify for hedge accounting in two main ways – to hedge highly probable Euro sales income and US dollar stock purchases. This introduces a level of certainty into the Group's planning and forecasting process. Management have reviewed detailed forecasts and the growth assumptions within them and are satisfied that the forecasts meet the criteria as being highly probable forecast transactions.

As at 28 October 2018, the Group had the following forward contracts that qualified for Hedge Accounting under IFRS 9 Financial Instruments, meaning that fluctuations in the value of the contracts before maturity are recognised in the Hedging Reserve through Other Comprehensive Income. After maturity, the sales and purchases are then valued at the Hedge rate.

Currency	Hedging against	Currency value	Timing	Rates
EUR / GBP	Euro sales	EUR 1,110m	FY19 – FY21	1.069 – 1.190
AUD / GBP	Australian dollar sales	AUD 12m	FY19 – FY20	1.690 – 1.740
USD / GBP	USD stock purchases	USD 1,080m	FY19 – FY20	1.360 – 1.430
USD / EUR	USD stock purchases	USD 240m	FY19 – FY21	1.160 – 1.320

The Group also uses currency options for more flexibility against cash flows that are less than highly probable and therefore do not qualify for hedge accounting under IFRS 9 Financial Instruments. The fair valuations before maturity are recognised in the Income Statement.

The Group has the following currency options and unhedged forwards:

Currency	Expected use	Currency value	Timing	Rates
EUR / GBP	Euro sales	EUR 1,110m	FY19 – FY21	1.069 – 1.190
AUD / GBP	Australian dollar sales	AUD 12m	FY19 – FY20	1.690 – 1.740
USD / EUR	USD stock purchases	USD 120m	FY19 – FY21	1.160 – 1.210

The Group is proactive in managing its currency requirements, the Group Treasury team work closely with senior management to understand the Group's plans and forecasts and appropriately discuss and understand financial products with reputable financial institutions including those within the Group Revolving Credit Facility. This information is then used to implement suitable currency products to align with the Groups strategies and forecasts.

Regular reviews are performed by the Group Treasury team alongside senior management to ensure the continued appropriateness of the currency hedging in place, and where suitable either implementing additional strategies and/or restructuring existing approaches in conjunction with our financial institution partners.

Taxation

The effective tax rate on profit before tax for FY19 H1 was 35.9% (FY18 H1: 37.3%). The underlying effective tax rate for FY19 H1 was 25.9% (FY18 H1: 27.7%). The difference between the prevailing corporate tax rate of 19% and the effective rate reflects depreciation on non-qualifying assets, exchange adjustments and differences in overseas tax rates.

Strategic investments

Strategic investments are an integral part of the Group's overall strategy. Against a backdrop of a challenged retail market, we believe innovative strategic partnerships will help to differentiate our offer and enhance the consumer experience. We look for ways to extend our reach into new retail channels and geographies, as well as selectively grow our market share. We maintain an active dialogue with the management teams of each of our investments, continually looking to explore new ways of working together. Given the breadth of our business, the strategic benefits can be varied and extensive.

As at 28 October 2018, the Group holds the following Strategic Investments:

Issuer	% of issued share capital
Debenhams plc	29.70%
Findel plc	29.90%
French Connection plc	26.16%
Game Digital plc	25.44%
Goals Soccer Centres plc	18.92%
Iconix Brand Group	8.29%

The Group continues to hold various other interests, none of which represent more than 5.0% of the voting power of the investee.

During the period, the Group has recognised £76.7m of value reductions relating to Debenhams and various other investments. In accordance with IFRS 9, this movement appears in Other Comprehensive Income (see notes 1, 12 and the Consolidated Statement of Comprehensive Income).

Cash flow and net debt

The Group has a Revolving Credit Facility (RCF) of £913.5m as at 28 October 2018, valid until November 2021. We recently enacted an extension option for a further year to November 2022 for £847.5m.

Net debt increased during the period to £505.5m (29 April 2018: £397.1m), which is 1.5 times the last 12 months historic reported EBITDA (FY18 H1: 1.4 times) and is in line with management expectations.

Capital expenditure amounted to £98.2m (FY18 H1: £99.9m).

The analysis of net debt at 28 October 2018 and at 29 April 2018 is as follows:

	At 28 October 2018	At 29 April 2018
	£m	**£m**
Cash and cash equivalents	181.5	360.0
Borrowings	(687.0)	(757.1)
Net debt	**(505.5)**	**(397.1)**

Cash Flow

	26 weeks ended 28 October 2018 £m	26 weeks ended 29 October 2017 £m
Underlying EBITDA (pre-share scheme costs)	148.8	156.1
Exchange gains and losses	17.6	15.1
Taxes paid	(17.7)	(20.3)
Working capital:		
Inventory	(93.0)	(144.0)
Receivables, Payables and Other	13.3	39.3
Underlying free cash flow	**69.0**	**46.2**
Invested In:		
Acquisitions (including debt)	(90.0)	(11.9)
Purchase of listed investments	(47.1)	(131.6)
Net proceeds from investments	52.7	-
Investment income received	3.1	0.8
Purchase of freehold properties	(39.8)	(80.0)
Other capital expenditure	(58.4)	(19.9)
Disposal of freehold property	-	42.2
Finance costs and other financing activities	(8.4)	(4.3)
Purchase of own shares (incl. vesting)	-	(133.7)
Exchange movement on cash balances	10.5	2.5
Net increase in net debt	**(108.4)**	**(289.7)**

Areas of estimation and judgement

The critical accounting estimates and judgements made by the Group regarding the future or other key sources of estimation, uncertainty and judgement that may have a significant risk of giving rise to a material adjustment to the carrying values of assets and liabilities within the next financial period are shown below. There have been no changes in estimates of amounts reported in the prior interim period.

a) Provision for obsolete, slow moving or defective inventories

The Directors have applied their knowledge and experience of the retail industry in determining the level and rates of provisioning required in calculating the appropriate inventory carrying values. Specific estimates and judgements applied in relation to assessing the level of inventory provisions required are considered in relation to the following areas:

1. Core inventory
2. Seasonal inventory lines – specifically seasons that have now finished
3. Third party versus own brand inventory
4. Ageing of inventory
5. Sports Retail or Premium Lifestyle
6. Local economic conditions
7. Divisional specific factors
8. Increased cost of inventory and lower margins with the devaluation of the pound

Estimates are then applied to the various categories of inventory to calculate an appropriate level of provision. These estimates are formed using a combination of factors including historical experience, management's knowledge of the industry, group discounting and sales pricing protocols, and the overall assessment made by management of the risks in relation to inventory. Management use a number of internally generated reports to monitor and continually re-assess the adequacy and accuracy of the provisions made. The additional cost of repricing inventory and handling charges are considered in arriving at the appropriate percentage provision. The Group revised its estimation methodology in the prior period in relation to inventory provisioning, and now also includes Loaded-on-Board inventory in the overall assessment of the provision, as it considers this inventory to also have some risk of obsolescence due to the factors outlined above. The testing performed to check that the assumptions applied remain valid by management produces a range of outcomes and the provision is set within this range. A 1% change in the total provision would impact underlying EBITDA by approx. £11.8m.

b) Property related provisions

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

Specific assumptions which involve the use of estimates to determine the appropriate level of provision include:

1. Forecast sales in stores, reflecting historic and expected future performance
2. Forecast wages and direct store cost inflation
3. The impact to gross margins due to currency fluctuations
4. Impact of Elevation of Sports Retail strategy in the UK has been considered in determining future forecast individual store performance
5. Planned store closures, relocations and re-brandings
6. Lease obligations calculated to the end of the lease or where applicable break clause, or earlier estimate of expected exit date where this can be reliably estimated

c) Other provisions

Provisions are made for items where the Group has identified a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Other provisions relate to managements best estimates of provisions required for restructuring, employment, commercial, legal and regulatory claims and ongoing non-UK tax enquiries. Where applicable these are inclusive of any estimated penalties, interest and legal costs, and are net of any associated recoverable amounts.

d) Other receivables and amounts owed by related parties

Other receivables and amounts owed by related parties are stated net of provision for any impairment. Management have applied estimates in assessing the recoverability of working capital and loan advances made to investee companies. Matters considered include the relevant financial strength of the underlying investee company to repay the loans, the repayment period and underlying terms of the monies advanced, forecast performance of the underlying borrower, and where relevant, the Group's intentions for the companies to which monies have been advanced.

e) Determining related party relationships

Management determines whether a related party relationship exists by assessing the nature of the relationship by reference to the requirements of IAS 24, Related Parties. This is in order to determine whether significant influence exists as a result of control, shared directors or parent companies, or close family relationships. The level at which one party may be expected to influence the other is also considered for transactions involving close family relationships.

f) Control and significant influence over certain entities

Under IAS 28 Investments in Associates, if an entity holds 20% or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can clearly demonstrate that this is not the case. Although the Group holds greater than 20% of the voting rights of Findel plc, Debenhams plc, French Connection Group plc and GAME Digital plc management considers that the Group does not have significant influence over these entities for combinations of the following reasons:

- The Group does not have any representation on the board of directors of the investee other than a Group representative having an observer role on the board of Findel plc. Management have reviewed the terms of the observer arrangement and have concluded that this does not give them the right to participate in or influence the financial or operating decisions of Findel plc. Findel can terminate this arrangement at any time, and can determine which parts of the Board meetings the representative can be present at and what information they are given access to;
- There is no participation in decision making and strategic processes, including participation in decisions about dividends or other distributions;
- There have been no material transactions between the entity and its investee companies (with regards to the collaboration and working capital agreements entered into with GAME Digital plc in FY18 which have been evaluated and are not considered to represent material transactions for the Group);
- There has been no interchange of managerial personnel;
- No non-public essential technical management information is provided to the investee

In assessing the level of control that management have over certain entities, management will consider the various aspects that allow management to influence decision making. This includes the level of share ownership, board membership, the level of investment and funding and the ability of the Group to influence operational and strategic decisions and affect its returns through the exercise of such influence.

g) Cash flow hedging

Under IFRS 9 in order to achieve cash flow hedge accounting, forecast transactions (primarily Euro denominated sales and US dollar denominated purchases) must be considered to be highly probable. The hedge must be expected to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk. The forecast transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit or loss. Management have reviewed the detailed forecasts and growth assumptions within them and are satisfied that forecasts in which the cash flow hedge accounting has been based meet the criteria per IFRS 9 as being highly probable forecast transactions. Should the forecast levels not pass the highly probable test, any cumulative fair value gains and losses in relation to either the entire or the ineffective portion of the hedged instrument would be taken to the Income Statement.

h) Defining operating segments
Management determines its operating segments with reference to the Chief Operational Decision Maker's process for making key decisions over allocation of resources to the segment and in assessing a segments performance. This is based on:

- The nature of the operation type and products sold
- The type of class of customer targeted
- Product distribution methods

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

Share Schemes

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 and November 2022.

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.

Brexit
The current Brexit negotiations and the related uncertainty generated is being closely monitored by the Board. Even in the event of a no-deal Brexit we do not believe that the direct risks pose a material threat to the ongoing operations and profitability of the Group. We have undertaken a detailed analysis of the risks and operational challenges to the Group.

Taxes – Potential increases in tariffs and duty on goods imported / exported into / from the UK from the EU and other countries

Import processing – Potential additional administrative workload and regulatory risks. In addition to potential queues and delays at UK and EU ports as a result of increased duty and customs declarations

Cost of labour – Potential increase in cost associated with resourcing issues due to additional restrictions imposed on EU nationals working within the Group

Currency volatility – Devaluation of Sterling along with associated increase in cost of goods from overseas

While we are unable to fully protect the Group from what is potentially a completely new economic landscape, we have some elements which help to protect us with a network of warehouses across Mainland Europe which can assist in providing the most efficient stock management once the customs and duty landscape is fully understood. We have been investing in some partial automation for the Shirebrook warehouse operations to make efficiencies and improve productivity on internet fulfilment orders and help mitigate any potential staffing shortfall after Brexit. We have a currency hedging strategy to help manage the volatility associated with currency movements. Brexit is regularly discussed at Board meetings.

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 condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and gives a true and fair view of the assets, liabilities, financial position and income statement as required by DTR 4.2.4R;
- 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
13 December 2018

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SPORTS DIRECT INTERNATIONAL PLC FOR THE 26 WEEKS ENDED 28 OCTOBER 2018

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report of Sports Direct International plc (the 'company') for the six months ended 28 October 2018 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 and 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, 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 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 International Financial Reporting Standards 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 to the company 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 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 six months ended 28 October 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', 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
13 December 2018

UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE 26 WEEKS ENDED 28 OCTOBER 2018

	Notes	26 weeks ended 28 October 2018 £m	26 weeks ended 29 October 2017 £m	52 weeks ended 29 April 2018 £m
Continuing operations:				
Revenue	2	1,791.8	1,714.6	3,359.5
Cost of sales		(1,048.4)	(1,053.6)	(2,024.4)
Gross profit		743.4	661.0	1,335.1
Selling, distribution and administrative expenses		(658.3)	(556.0)	(1,156.1)
Other operating income		10.3	10.7	26.5
Exceptional items	3	-	(5.0)	(4.8)
Profit on sale of properties		-	16.7	16.3
Operating profit	2	95.4	127.4	217.0
Investment income	4	3.0	0.2	25.7
Investment costs	5	(4.8)	(32.7)	(119.0)
Finance income	6	0.7	0.3	3.4
Finance costs	7	(19.3)	(40.9)	(40.9)
Share of loss of associated undertakings	9	(0.6)	(8.5)	(8.7)
Profit before taxation		74.4	45.8	77.5
Taxation		(26.7)	(17.1)	(49.9)
Profit for the period	2	47.7	28.7	27.6
Attributable to:				
Equity holders of the Group		45.1	26.0	24.5
Non-controlling interests		2.6	2.7	3.1
Profit for the period	2	47.7	28.7	27.6

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	8.7	4.9	4.6
Diluted earnings per share	8	8.6	4.9	4.6

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 26 WEEKS ENDED 28 OCTOBER 2018

	Notes	26 weeks ended 28 October 2018 £m	26 weeks ended 29 October 2017 £m	52 weeks ended 29 April 2018 £m
Profit for the period	2	47.7	28.7	27.6
Other comprehensive income				
Items that will not be reclassified subsequently to the Income Statement				
Fair value adjustment in respect of long-term financial assets – recognised in the period		(76.7)	-	-
Items that will be reclassified subsequently to the Income Statement				
Exchange differences on translation of foreign operations		21.6	24.1	(0.9)
Exchange differences on hedged contracts – recognised in the period		81.6	(49.8)	(49.9)
Exchange differences on hedged contracts – reclassified and reported in sales		9.7	(0.5)	15.5
Exchange differences on hedged contracts – reclassified and reported in cost of sales		6.1	(1.4)	0.6
Exchange differences on hedged contracts – taxation taken to reserves		(19.1)	8.8	6.9
Fair value adjustment in respect of available-for-sale financial assets – recognised in the period		-	7.0	(26.1)
Fair value adjustment in respect of available-for-sale financial assets – reclassified to Income Statement		-	-	47.9
Fair value adjustment in respect of available-for-sale financial assets – taxation		-	(1.2)	-
Other comprehensive income for the period, net of tax		23.2	(13.0)	(6.0)
Total comprehensive income for the period		70.9	15.7	21.6
Attributable to:				
Equity holders of the Parent		68.2	13.0	18.5
Non-controlling interests		2.7	2.7	3.1
		70.9	15.7	21.6

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 OCTOBER 2018

	Notes	28 October 2018 £m	29 October 2017 (restated) £m	29 April 2018 £m
ASSETS				
Non-current assets				
Property, plant and equipment		908.8	871.2	878.4
Investment properties		30.0	22.2	23.7
Intangible assets		188.8	180.3	181.3
Investments in associated undertakings and joint ventures	9	5.6	18.2	6.2
Long-term / available-for-sale financial assets	12	164.3	191.4	249.8
Deferred tax assets		18.2	53.1	24.9
		1,315.7	1,336.4	1,364.3
Current assets				
Inventories	10	1,049.2	848.9	873.4
Trade and other receivables		381.1	454.1	234.8
Derivative financial assets	12	74.7	6.8	17.1
Cash and cash equivalents		181.5	121.4	360.0
		1,686.5	1,431.2	1,485.3
TOTAL ASSETS		3,002.2	2,767.6	2,849.6
EQUITY AND LIABILITIES				
Share capital		64.1	64.1	64.1
Share premium		874.3	874.3	874.3
Treasury shares		(250.0)	(230.4)	(290.0)
Permanent contribution to capital		0.1	0.1	0.1
Capital redemption reserve		8.0	8.0	8.0
Foreign currency translation reserve		97.7	101.2	76.2
Reverse combination reserve		(987.3)	(987.3)	(987.3)
Own share reserve		(69.4)	(69.0)	(69.0)
Hedging reserve		26.4	(68.0)	(51.9)
Retained earnings		1,556.4	1,580.1	1,588.0
		1,320.3	1,273.1	1,212.5
Non-controlling interests		4.4	0.8	1.7
Total equity		1,324.7	1,273.9	1,214.2
Non-current liabilities				
Borrowings	12	687.0	7.4	757.1
Retirement benefit obligations		1.9	1.9	1.9
Deferred tax liabilities		19.6	13.5	10.4
Provisions	11	200.7	127.0	156.9
		909.2	149.8	926.3
Current liabilities				
Derivative financial liabilities	12	60.6	158.3	93.1
Trade and other payables		686.0	574.0	606.5
Borrowings [1]	12	-	585.7	-
Current tax liabilities		21.7	25.9	9.5
		768.3	1,343.9	709.1
Total liabilities		1,677.5	1,493.7	1,635.4
TOTAL EQUITY AND LIABILITIES		3,002.2	2,767.6	2,849.6

[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 £913.5m for a period of four years to November 2020, we recently enacted an extension option for a further year to November 2022 for £847.5m.*

The FY18 H1 Balance sheet has been restated, see Note 1.

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

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE 26 WEEKS ENDED 28 OCTOBER 2018

	Notes	26 weeks ended 28 October 2018 £m	26 weeks ended 29 October 2017 (restated) £m	52 weeks ended 29 April 2018 £m
Cash inflow from operating activities	14	86.7	63.3	371.3
Income taxes paid		(17.7)	(20.3)	(45.1)
Net cash inflow from operating activities		69.0	43.0	326.2
Cash flow from investing activities				
Proceeds on disposal of property, plant and equipment		-	42.2	69.0
Proceeds on disposal of listed investments		52.7	-	20.9
Purchase of trading assets		(90.0)	-	-
Purchase of associate, net of cash acquired		-	(0.6)	-
Cash acquired through purchase of subsidiaries		-	-	8.2
Purchase of property, plant and equipment		(98.2)	(99.9)	(204.2)
Purchase of investment properties		-	-	(5.0)
Purchase of intangible assets		-	-	(4.1)
Purchase of listed investments		(47.1)	(131.6)	(287.1)
Investment income received		3.1	0.8	34.2
Finance income received		0.7	0.3	3.4
Net cash outflow from investing activities		(178.8)	(188.8)	(364.7)
Cash flow from financing activities				
Purchase of non-controlling interests		-	(11.3)	(11.3)
Finance costs paid		(9.1)	(4.5)	(14.0)
Borrowings drawn down		194.8	577.7	782.9
Borrowings repaid		(264.9)	(310.0)	(343.0)
Purchase of own shares		-	(133.7)	(155.4)
Net cash (outflow) / inflow from financing activities		(79.2)	118.2	259.2
Net (decrease) / increase in cash and cash equivalents including overdrafts		(189.0)	(27.6)	220.7
Exchange movement on cash balances		10.5	5.6	4.1
Cash and cash equivalents including overdrafts at beginning of period		360.0	135.2	135.2
Cash and cash equivalents including overdrafts at the period end		181.5	113.2	360.0

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 26 WEEKS ENDED 28 OCTOBER 2018

	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)
Fair value 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 market value 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**

	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 29 April 2018	**(290.0)**	**76.2**	**(69.0)**	**1,588.0**	**(92.7)**	**1,212.5**	**1.7**	**1,214.2**
Share-based payments	-	-	(0.4)	-	-	(0.4)	-	(0.4)
Fair value of share buyback reversal	40.0	-	-	-	-	40.0	-	40.0
Transactions with owners	**40.0**	**-**	**(0.4)**	**-**	**-**	**39.6**	**-**	**39.6**
Other comprehensive income:								
Profit for the financial period	-	-	-	45.1	-	45.1	2.6	47.7
Cash flow hedges								
– recognised in the period	-	-	-	-	97.4	97.4	-	97.4
– taxation	-	-	-	-	(19.1)	(19.1)	-	(19.1)
Fair value adjustment in respect of long-term / available-for-sale financial assets	-	-	-	(76.7)	-	(76.7)	-	(76.7)
Translation differences – group	-	21.5	-	-	-	21.5	0.1	21.6
Total comprehensive income	**-**	**21.5**	**-**	**(31.6)**	**78.3**	**68.2**	**2.7**	**70.9**
At 28 October 2018	**(250.0)**	**97.7**	**(69.4)**	**1,556.4**	**(14.4)**	**1,320.3**	**4.4**	**1,324.7**

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

As at 28 October 2018, the Company held 103,633,049 ordinary shares in Treasury, unchanged from the FY18 period end (FY18 H1: 98,350,831), and the Sports Direct Employee Benefit Trust held 17,388,755 (FY18 H1: 17,500,984) shares. The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

On 27 April 2018, the Company announced an irrevocable non-discretionary share buyback programme. In line with IAS32, the Company recognised the full redemption amount of £40m in the FY18 accounts. In FY19 this fair value was reversed and replaced with the actual value purchased under the programme of nil.

1. General information and basis of preparation

The results for the first half of the financial year have not been audited. 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 52 weeks ended 29 April 2018 except for the adoption of new standards as set out below. This consolidated financial information for the period does not constitute statutory financial statements within the meaning of s434 of the Companies Act 2006.

The period ended 29 October 2017 has been restated following a review by management into the recognition of an element of Loaded-on-Board inventory. In 2017 an element of Loaded-on-Board inventory was incorrectly classified within other creditors instead of inventory. A prior period adjustment has been made to correct the prior period balance sheet resulting in an increase to inventory of £53.0m and an increase to creditors of £53.0m. There has been no impact to basic or diluted earnings per share, profit for the period, total comprehensive income or net assets.

The summary of results for the 52 weeks ended 29 April 2018 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.

<u>New accounting standards, interpretations and amendments adopted by the Group</u>
The accounting policies adopted in the preparation of the interim financial statements are the same as those set out in the Group's 2018 Annual Report and Financial Statements, except for the adoption of new standards. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not effective.

The Group applies for the first time the following new standards:

- IFRS 15 "Revenue from contracts with customers"
- IFRS 9 "Financial instruments"

<u>IFRS 15</u>
IFRS 15 "Revenue from Contracts with Customers" replaces IAS 18 "Revenue" and several revenue related interpretations. The new standard establishes a five-step model to account for revenue, which is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The majority of sales are made direct either in store or online at standard prices and provisions are already held for expected levels of returns, therefore the adoption of the new standard has minimal impact on revenue.

The new Standard has been applied retrospectively without restatement. Any cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 30 April 2018. The key considerations along with the impact of adopting IFRS 15 are described below.

Sale of goods

The Group's contracts with customers for the sale of product generally include one performance obligation. The Group has concluded that revenue from the sale of product should be recognised at the point in time when control of the asset is transferred to the customer i.e. on the delivery of the product. This does not represent a change to the Group's accounting policy and therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition.

Licensing income

Where the licence is a promise to provide 'access' to the entity's intellectual property, control is transferred over time. If these conditions are not present, the promise is a right to 'use' the intellectual property (IP) as it exists when the licence is granted and the performance obligation is satisfied at a point in time, similar to the sale of a good. The majority of the Groups income from licensing would be through the right to 'use' the IP as the licensees will not be able to significantly change the underlying IP. Although this represents a timing difference in when the income is being recognised, the impact of adopting IFRS 15 does not have a material impact.

Principal versus agent

In the vast majority of cases, the Group was considered the principal in sales transactions under IFRS 15 and therefore recognised the full value of the sale within revenue, rather than netting off the costs in revenue, in line with the previous treatment under IAS 18.

Within House of Fraser there is commission revenue from concession suppliers. We have reviewed the principal versus agent considerations in IFRS 15 and we are satisfied that we act as the agent, therefore only recognising the commission income rather than recognising the full value of the sale within revenue, which is in line with the treatment under IAS 18.

There was no impact on total comprehensive income or retained earnings on adoption of IFRS 15.

The Group has adopted the following accounting policy for loyalty schemes:

As points are earned by customers the estimated fair value of the points to the customer is deferred. The deferral is based on the estimated level of vouchers being triggered at the contractual threshold levels and based on the estimated level of redemption. The deferral is treated as a deduction from revenue.

<u>IFRS 9</u>
IFRS 9 Financial Instruments (IASB effective date 1 January 2018) replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI); and fair value through the Income Statement. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. At application, any difference between the previous carrying amount and the fair value is recognised in the opening retained earnings for the financial year ended 29 April 2018.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness. The Group applies the new hedge accounting requirements prospectively and all hedges qualify for being regarded as continuing hedging relationships.

Derivative financial instruments are used to manage risks arising from currency fluctuations relating to purchasing inventory from overseas suppliers and making sales in foreign currencies. The Group does not hold or issue derivative financial instruments for trading purposes. The Group uses the derivatives to hedge highly probable forecast transactions and therefore the instruments are designated as cash flow hedges.

All hedging relationships designated under IAS 39 at 29 April 2018 met the criteria for hedge accounting under IFRS 9 at 28 October 2018 and are therefore regarded as continuing hedging relationships.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except for changes to hedge accounting policies which have been applied prospectively.

There was no impact on total comprehensive income or retained earnings on adoption of IFRS 9.

The Group has made the irrevocable election available under IFRS 9 to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument. The Group's decision was based on the fact that the equity instruments are held for strategic purposes rather than short term gains, therefore it is more appropriate for movements to go through other comprehensive income.

<u>New accounting standards not adopted by the Group as at the reporting date</u>

<u>IFRS 16</u>
IFRS 16 Leases will be effective for the year ending April 2020 and has not been early adopted by the Group. IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

There will be no impact on cash flows, although the presentation of the Cash Flow Statement will change significantly, with an increase in cash inflows from operating activities being offset by an increase in cash outflows from financing activities.

The Group has put together a working group to ensure we take all necessary steps to comply with the requirements of IFRS 16. Significant work has been completed to date, including collection of relevant data, determination of relevant accounting policies and review of IT systems and processes. Given the complexities of IFRS 16 and the material sensitivity to key assumptions, such as discount rates and the changing property portfolio, it is not yet practicable to fully quantify the effect of IFRS 16 on the financial statements of the Group.

The Group is planning to adopt IFRS 16 on 29 April 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to Retained Earnings at the date of initial application. Comparative information is not restated.

2. Segmental analysis

Operating segments

Management have determined to present its segmental disclosures consistently with the presentation in the 2018 Annual Report. Management consider operationally that the UK Retail divisions (UK Sports Retail and Premium Lifestyle) are run as one business unit in terms of allocating resources, inventory management and assessing performance. House of Fraser was acquired during the reporting period and management is continually working to integrate Sports Direct policies, processes and methodology into this business. Under IFRS 8 we have not at this reporting date met the required criteria with enough certainty to aggregate these reporting segments. 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 Retail:
    a. UK Sports Retail – includes the results of the UK retail network of sports stores and USC stores and concessions, along with related websites;
    b. Premium Lifestyle – includes the results of the premium retail businesses such as Flannels, Cruise and van mildert;
    c. House of Fraser – includes the results of the House of Fraser stores and related websites;

2. European Retail - includes the results of the European retail network of sports stores;

3. Rest of World Retail – includes the results of US based retail activities and Asia based retail activities; and

4. Wholesale & licensing – 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 29 October 2017 has been restated to move the results of stores in Malaysia from International Retail (now called European Retail) into Rest of World Retail (previously US Retail). Accordingly, £14.7m of sales, £6.7m of margin and £5.9m of costs has been moved to Rest of World Retail.

Information regarding the Group's reportable segments for the period ended 28 October 2018, as well as a reconciliation of reported profit for the period to underlying EBITDA, is presented below:

Segmental information for the 26 weeks ended 28 October 2018:

	Retail						Wholesale & licensing		Total
				Total UK Retail	European Sports Retail	Rest of World Retail		Eliminations	
	UK Sports Retail	Premium Lifestyle	House of Fraser						
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sales to external customers	1,140.2	87.6	70.1	1,297.9	313.1	100.7	80.1	-	1,791.8
Sales to other segments	-	-	-	-	-		8.5	(8.5)	-
Revenue	1,140.2	87.6	70.1	1,297.9	313.1	100.7	88.6	(8.5)	1,791.8
Gross profit	468.6	30.0	35.1	533.7	136.1	40.2	33.4	-	743.4
Operating profit/(loss) before foreign exchange and exceptional items	100.4	(3.2)	(31.6)	65.6	7.2	(6.5)	11.5	-	77.8
Operating Profit	112.7	(3.2)	(31.6)	77.9	10.5	(7.0)	14.0	-	95.4
Investment income									3.0
Investment costs									(4.8)
Finance income									0.7
Finance costs									(19.3)
Share of loss of associated undertakings and joint ventures									(0.6)
Profit before taxation									74.4
Taxation									(26.7)
Profit for the period									47.7

Reconciliation of operating profit to underlying EBITDA for the 26 weeks ending 28 October 2018:

	UK Sports Retail	Premium Lifestyle	House of Fraser	UK Total	European Retail	Rest of World Retail	Wholesale & licensing	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Operating profit	112.7	(3.2)	(31.6)	77.9	10.5	(7.0)	14.0	95.4
Depreciation	48.1	5.7	0.1	53.9	11.6	1.6	0.7	67.8
Amortisation	-	-	-	-	0.4	-	3.4	3.8
Associates	(0.6)	-	-	(0.6)	-	-	-	(0.6)
Reported EBITDA	160.2	2.5	(31.5)	131.2	22.5	(5.4)	18.1	166.4
Realised FX (gain)/loss	(12.5)	-	-	(12.5)	(3.3)	0.5	(2.3)	(17.6)
Underlying EBITDA (pre-scheme costs)	147.7	2.5	(31.5)	118.7	19.2	(4.9)	15.8	148.8

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

Segmental information for the 26 weeks ended 29 October 2017 (restated European and Rest of World segments):

			Retail			Wholesale & licensing		Total
	UK Sports Retail	Premium Lifestyle	UK Retail	European Sports Retail	Rest of World Retail		Eliminations	
	£m	£m		£m	£m	£m	£m	£m
Sales to external customers	1,142.2	67.8	1,210.0	328.8	78.6	97.2	-	1,714.6
Sales to other segments	-	-	-	-		8.6	(8.6)	-
Revenue	1,142.2	67.8	1,210.0	328.8	78.6	105.8	(8.6)	1,714.6
Gross profit	453.9	21.8	475.7	133.4	13.7	38.2	-	661.0
Operating profit/(loss) before foreign exchange and exceptional items	116.2	(0.3)	115.9	(8.0)	(22.3)	15.0	-	100.6
Operating Profit	147.1	(0.3)	146.8	(7.6)	(23.0)	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 weeks ending 29 October 2017:

	UK Sports Retail	Premium Lifestyle	European Retail	Rest of World Retail	Wholesale & licensing	Total
	£m	£m	£m	£m	£m	£m
Operating profit	147.1	(0.3)	(7.6)	(23.0)	11.2	127.4
Depreciation	37.8	1.0	21.3	1.4	0.6	62.1
Amortisation	-	-	0.2	-	1.7	1.9
Associates	(8.5)	-	-	-	-	(8.5)
Reported EBITDA	176.4	0.7	13.9	(21.6)	13.5	182.9
Exceptional items	1.8	-	-	-	3.2	5.0
Profit on disposal of properties	(16.7)	-	-	-	-	(16.7)
Realised FX (gain)/loss	(16.0)	-	(0.4)	0.7	0.6	(15.1)
Underlying EBITDA (pre-scheme costs)	145.5	0.7	13.5	(20.9)	17.3	156.1

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

Segmental information for the 52 weeks ended 29 April 2018:

This information is available in the 2018 Annual Report.

3. Exceptional items

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (£m)	52 weeks ended 29 April 2018 (£m)
Impairment	-	(5.0)	(4.8)

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 28 October 2018 (£m)	26 weeks ended 29 October 2017 (£m)	52 weeks ended 29 April 2018 (£m)
Profit on disposal of available-for-sale financial assets and equity derivative financial instruments	-	-	6.9
Dividend income from investments	3.0	0.2	8.4
Fair value gain on derivative instruments	-	-	10.4
	3.0	0.2	25.7

5. Investment costs

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (£m)	52 weeks ended 29 April 2018 (£m)
Loss on disposal of available-for-sale financial assets and equity derivative financial instruments	3.2	1.2	26.5
Fair value loss on derivative financial instruments	1.6	31.5	44.6
Fair value loss on available-for-sale financial assets reclassified from OCI	-	-	47.9
	4.8	32.7	119.0

6. Finance income

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (£m)	52 weeks ended 29 April 2018 (£m)
Bank interest receivable	0.5	0.3	3.3
Other interest receivable	0.2	-	0.1
	0.7	0.3	3.4

7. Finance costs

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (£m)	52 weeks ended 29 April 2018 (£m)
Interest on bank loans and overdrafts	6.4	3.8	9.5
Interest on finance leases and other interest	7.0	0.8	13.5
Interest on retirement benefit obligations	-	-	0.2
Fair value adjustment to forward foreign exchange contracts (1)	5.9	36.3	17.7
	19.3	40.9	40.9

[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, 519,468,336 (FY18 H1: 532,857,850), is adjusted to assume conversion of all dilutive potential ordinary shares under the Group's share schemes, being 2,463,370 (FY18 H1: 3,132,795) to give the diluted weighted average number of shares of 521,931,706 (FY18 H1: 535,990,465).

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 28 October 2018	26 weeks ended 28 October 2018	26 weeks ended 29 October 2017	26 weeks ended 29 October 2017	52 weeks ended 29 April 2018	52 weeks ended 29 April 2018
	Basic £m	Diluted £m	Basic £m	Diluted £m	Basic £m	Diluted £m
Profit for the period attributable to the equity holders of the Group	45.1	45.1	26.0	26.0	24.5	24.5
	Number in thousands		Number in thousands		Number in thousands	
Weighted average number of shares	519,468	521,932	532,858	535,991	527,794	530,926
	Pence per share		Pence per share		Pence per share	
Earnings per share	8.7	8.6	4.9	4.9	4.6	4.6

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 IFRS 9 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 28 October 2018 Basic £m	**26 weeks ended 28 October 2018 Diluted £m**	**26 weeks ended 29 October 2017 Basic £m**	**26 weeks ended 29 October 2017 Diluted £m**	**52 weeks ended 29 April 2018 Basic £m**	**52 weeks ended 29 April 2018 Diluted £m**
Profit for the period	45.1	45.1	26.0	26.0	24.5	24.5
Post tax adjustments to profit for the period for the following exceptional items:						
Realised gain on forward foreign exchange contracts	(13.7)	(13.7)	(11.7)	(11.7)	(18.7)	(18.7)
Fair value adjustment to forward foreign exchange contracts	4.6	4.6	28.3	28.3	13.8	13.8
Fair value adjustment to derivative financial instruments	1.7	1.7	24.6	24.6	89.7	89.7
Loss on disposal of listed investments	-	-	1.2	1.2	3.5	3.5
Profit on disposal of property	-	-	(13.1)	(13.1)	(12.9)	(12.9)
Impairment of intangible assets	-	-	5.0	5.0	5.0	5.0
Underlying profit for the period	37.7	37.7	60.3	60.3	104.9	104.9
	Number in thousands		Number in thousands		Number in thousands	
Weighted average number of shares	519,468	521,932	532,858	535,991	527,794	530,926
	Pence per share		Pence per share		Pence per share	
Underlying earnings per share	7.3	7.2	11.3	11.2	19.9	19.8

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 30 April 2017	26.4
Disposals	(10.4)
Dividends	(1.1)
Share of profit	(8.7)
At 29 April 2018	6.2
Share of profit	(0.6)
At 28 October 2018	**5.6**

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

10. Inventories

	28 October 2018 (£m)	**29 October 2017 (£m) Restated**	**29 April 2018 (£m)**
Goods for resale	1,049.2	848.9	873.4

The FY18 H1 value of Inventory has been restated to recognise an element of Loaded on Board stock that was previously mis classified.

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

	26 weeks ended 28 October 2018 (£m)	26 weeks ended 29 October 2017 (£m)	29 April 2018 (£m)
Cost of inventories recognised as an expense	1,048.4	1,053.6	2,024.4

The directors have reviewed the opening and closing provisions against inventory and have concluded that these are fairly stated. Overall inventory provisions have increased to £194.3m from £162.2m at 29 April 2018 and £133.9m as at 29 October 2017.

11. Provisions

	Property related (£m)	Other (£m)	Total (£m)
At 29 April 2018	130.9	26.0	156.9
Amounts provided	25.2	20.1	45.3
Amounts utilised / reclassified	(1.5)	-	(1.5)
At 28 October 2018	154.6	46.1	200.7

The property related provision contains the best estimate of the present value of expenditure expected to be incurred by the Group in order to satisfy its obligations to restore its leasehold premises to the condition required under the lease agreements at the end of the lease discounted at 5% per annum. The provision also contains provision in respect of onerous lease contracts representing the net cost of fulfilling the Group's obligations over the terms of these contracts, discounted at 5% per annum. The provision is expected to be utilised over the period to the end of each specific lease. The unwinding of the discount on provision over time passes through the income statement.

Other provisions relate to provisions for restructuring and employment (non-retirement related) and management's best estimate of the potential impact of claims including legal, commercial and regulatory claims and ongoing non-UK tax enquiries.

12. 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:

	Level 1 (£m)	Level 2 (£m)	Level 3 (£m)	Other (£m)	Total (£m)
Financial Assets – at 28 October 2018					
Amortised cost:					
Trade & other receivables*	-	-	-	328.1	328.1
Cash & cash equivalents	-	-	-	181.5	181.5
FVOCI:					
Long-term financial assets (Equity instruments)	164.3	-	-	-	164.3
Derivatives used for hedging (FV):					
Foreign forward purchase and sales contracts	-	74.7	-	-	74.7
Financial Liabilities – at 28 October 2018					
Amortised cost:					
Non-current borrowings	-	-	-	(687.0)	(687.0)
Trade & other payables**	-	-	-	(602.8)	(602.8)
Derivative financial liabilities (FV):					
Foreign forward purchase & sales contracts – Hedged	-	(13.8)	-	-	(13.8)
Foreign forward and written options: purchase & sales contracts - unhedged	-	(42.4)	-	-	(42.4)
Derivative financial liabilities – contracts for difference	(4.4)	-	-	-	(4.4)
	(4.4)	(56.2)	-	-	(60.6)

*Prepayments of £53.0m are not included as a Financial Asset
** Other taxes including social security costs of £83.2m are not included as a Financial Liability

The financial instrument classifications in the prior periods are in accordance with IAS 39 as follows:

	Level 1 (£m)	Level 2 (£m)	Level 3 (£m)	Other (£m)	Total (£m)
Financial Assets – at 29 April 2018					
Loans & receivables:					
Trade & other receivables*	57.1	-	-	126.6	183.7
Cash & cash equivalents	-	-	-	360.0	360.0
Available-for-sale financial assets	249.8	-	-	-	249.8
Derivative financial assets (assets at fair value through the Income Statement):					
Foreign forward purchase and sales contracts	-	14.4	-	-	14.4
Derivative financial assets – contracts for difference	2.7	-	-	-	2.7
Financial Liabilities – at 29 April 2018					
Loans & payables:					
Non-current borrowings	-	-	-	(757.1)	(757.1)
Trade & other payables**	(40.0)	-	-	(508.1)	(548.1)
Derivative financial liabilities (liabilities at fair value through the Income Statement):					
Foreign forward purchase & sales contracts – Hedged	-	(34.3)	-	-	(34.3)
Foreign forward and written options: purchase & sales contracts - unhedged	-	(53.2)	-	-	(53.2)
Derivative financial liabilities – contracts for difference	(4.3)	-	-	-	(4.3)
Derivative financial liabilities – equity derivatives	-	-	(1.3)	-	(1.3)
	(4.3)	(87.5)	(1.3)	-	(93.1)

*Prepayments of £51.1m are not included as a Financial Asset
** Other taxes including social security costs of £58.4m are not included as a Financial Liability

	Level 1 (£m)	Level 2 (£m)	Level 3 (£m)	Other (£m)	Total (£m)
Financial Assets – at 29 October 2017					
Loans & receivables:					
Trade & other receivables*	231.8	-	-	166.8	398.6
Cash & cash equivalents	-	-	-	121.4	121.4
Available-for-sale financial assets	191.4	-	-	-	191.4
Derivative financial assets (assets at fair value through the Income Statement):					
Foreign forward purchase and sales contracts	-	5.7	-	-	5.7
Derivative financial assets – contracts for difference	1.1	-	-	-	1.1
Financial Liabilities – at 29 October 2017 (restated)					
Loans & payables:					
Non-current borrowings	-	-	-	(7.4)	(7.4)
Trade & other payables**	-	-	-	(501.3)	(501.3)
Current borrowings	-	-	-	(585.7)	(585.7)
Derivative financial liabilities (liabilities at fair value through the Income Statement):					
Foreign forward purchase & sales contracts – Hedged	-	(33.9)	-	-	(33.9)
Foreign forward and written options: purchase & sales contracts - unhedged	-	(81.4)	-	-	(81.4)
Derivative financial liabilities – contracts for difference	(15.6)	-	-	-	(15.6)
Derivative financial liabilities – equity derivatives	-	-	(27.4)	-	(27.4)
	(15.6)	(115.3)	(27.4)	-	(158.3)

*Prepayments of £55.5m are not included as a Financial Asset
** Other taxes including social security costs of £72.7m are not included as a Financial Liability

The FY18 H1 value of Trade & other payables has been restated to recognise an element of Loaded on Board stock that was previously miss classified.

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 28 October 2018, 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).

Long-term financial assets such as equity instruments are classified as Level 1 as the fair value is calculated using quoted prices.

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.

13. Acquisitions

On 10 August 2018 the Group acquired the business and assets of House of Fraser from the administrators of House of Fraser Limited, House of Fraser (Stores) Limited and James Beattie Limited, the House of Fraser group's main operating companies. Pursuant to the Transaction, the Group has acquired all of the stores of House of Fraser, the House of Fraser brand and all of the stock in the business. The business was purchased out of administration for a cash consideration of £90m. The following table summarises the provisional fair values of consideration paid for the trade and assets:

	Book value £m	Fair value adjustments £m	Fair value of net assets acquired £m
Intellectual Property	1.5	-	1.5
Intangible Assets (software & IT)	0.5	-	0.5
Property, plant and equipment	3.0	-	3.0
Inventories	70.5	12.3	82.8
Goodwill	-	2.2	2.2
Consideration	75.5	14.5	90.0
Cash consideration	90.0	-	90.0
Net cash outflow	90.0	-	90.0

Inventory has been shown excluding any stock which is subject to a retention of title claim and valued under IFRS 13.

Since acquisition House of Fraser has contributed £70.1m of revenue and a loss before tax of £31.6m.

14. Cash inflow from operating activities

	26 weeks ended 28 October 2018	26 weeks ended 29 October 2017 (restated)	52 weeks ended 29 April 2018
	£m	£m	£m
Profit before taxation	74.4	45.8	77.5
Net finance costs	18.6	40.6	37.5
Net other investment costs	1.8	32.5	93.3
Share of profit of associated undertakings and joint ventures	0.6	8.5	8.7
Operating profit	95.4	127.4	217.0
Depreciation	67.7	62.1	134.6
Amortisation charge	3.8	1.9	4.8
Impairment	-	5.0	5.0
Profit on disposal of property, plant and equipment	-	(16.7)	(16.3)
Defined benefit pension plan employer contributions	-	(0.1)	-
Share based payments	-	-	(6.0)
Operating cash inflow before changes in working capital	166.9	179.6	339.1
(Increase)/decrease in receivables	(146.2)	8.0	49.8
Increase in inventories	(93.0)	(144.0)	(119.6)
Increase in payables	159.0	19.7	102.0
Cash inflows from operating activities	86.7	63.3	371.3

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

15. 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 28 October 2018:

Related party	Relationship	Sales £m	Purchases £m	Trade and other receivables £m	Trade and other payables £m
Four (Holdings) Ltd & subsidiaries [(1)]	Associate	0.1	11.9	68.2	0.5
Mash Holdings Ltd	Parent company	-	0.4	0.2	-
Mike Ashley [(2)]	Director	1.1	-	-	-
Rangers Retail Ltd	Associate	0.1	-	0.1	0.3
Newcastle United Football Club & St James Holdings Ltd	Connected persons	0.4	1.1	0.5	-

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 & subsidiaries [(1)]	Associate	0.2	8.5	75.0	0.7
Mash Holdings Ltd	Parent company	-	-	0.2	-
Mike Ashley [(2)]	Director	1.1	-	1.2	-
Rangers Retail Ltd	Associate	0.6	0.3	0.1	-
Newcastle United Football Club & St James Holdings Ltd	Connected persons	0.7	0.2	1.1	-

[(1)] The balance with Four (Holdings) Ltd reflects the funding related to Agent Provocateur Ltd. Management consider that the underlying results of Four (Holdings) Ltd supports the recoverability of the receivables balance. The results of Four (Holdings) Limited do not meet the thresholds requiring more detailed disclosure under IFRS 12
[(2)] Use of company jet and helicopter charged at commercial rates

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.

During the period the Group was charged £1.0m by St James Holdings Ltd, the parent company of Newcastle United FC, this was in relation to the Group's advertising at Newcastle United FC for the 2017/18 season. The Group considers this transaction to be in the normal course of business.

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 in the UK, Europe and rest of the world 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 in the UK, Europe and rest of the world.

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 percentage payable.

During the prior period, independent valuations were collated as an initial stage in confirming the value created (through disposals and properties still held) by MM Prop Consultancy Limited. The Group's non-executive directors agreed 25% of the final agreed value created would be paid to MM Prop Consultancy Ltd based on these independent valuations of selected sites subject to the agreement. The value created had not been determined and approved by the non-executive directors as at period end or at the date of signing this Interim Report.

The freehold acquisition program is a cornerstone of the elevation strategy and has proven to be extraordinarily successful. With a strong ongoing pipeline, and with original expectations exceeded, Michael Murray has waived a portion of his fee and settled on 20% of the final agreed value created.

Based on IAS 37 Provisions, Contingent Liabilities and Contingent Assets we have provided for the most reliable estimate of the amount expected to be paid to MM Prop Consultancy Ltd being £5.0m.

16. Capital commitments

The Group has agreed to acquire the heritable interest in 21/31 Buchanan Street, 8 & 24/28 Mitchell Street, 140/142 Argyle Street, 148/152 Argyle Street, 35/53 Buchanan Street and 34/50 Mitchell Street, Glasgow (the "Property") from Glasgow City Council.

The consideration payable for the Property is £95m, which will be funded from the Group's cash resources. As at the reporting date £5m had been paid with completion due to take place in January 2020.

17. Post balance sheet events

On 31 October 2018, the Group confirmed that they had purchased the trade and assets of Evans Cycles from administration. Consideration for the business was £8,000,000, of which c.£2,000,000 was paid to fund Evans Cycles' October payroll. No fair value exercise has been carried out by the date of this report. The Group welcomes the Evans Cycles staff to the Sports Direct family and looks forward to building mutually beneficial long-lasting relationships with the key suppliers of Evans Cycles.