

# Sports Direct International Plc

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## Sports Direct left in the lurch as long-serving auditor quits

Sports Direct International PLC (LON:SPD) faces an uphill task to appoint a new auditor following the resignation of Grant Thornton.

Grant Thornton has been the cheap sportswear retailer's number checker since its initial public offering in 2007, but it was confirmed on Wednesday that it will step down next month.

The decision leaves Sports Direct in a tricky position, as all the other potential replacements have ruled themselves out.

**READ:** Sports Direct reports "horror show" results  
Deloitte carries out the FTSE 250 company's tax work so are unable to audit the results, while KPMG, EY and PwC have said there are "barriers" preventing them from working with Mike Ashley and his team.

Even BDO, a rung below the 'Big Four', has previously said it would not put itself forward, citing reputational risk.

**Government to get involved?**  
As a result, the retailer has been in talks with the government to figure out what might happen should it become the first major listed business to fail to appoint an auditor.

Under the UK Companies Act, business secretary Andrea Leadsom has the power to appoint an auditor to a quoted company if it fails to appoint one itself.

Sports Direct's difficulties in finding a replacement come at a time when the UK's largest accounting firms are preparing to split from their risky audit clients following a string of recent high-profile corporate scandals.

The company itself was involved in a minor saga recently, when it was forced to delay its annual results due to a €674mIn tax claim from Belgian authorities.

Despite Grant Thornton's resignation coming so soon after those numbers were released, Sports Direct stressed that it was "comfortable" with the results and that Grant Thornton carried out a "fully robust audit".

**GT trying to 'wash its hands of Sports Direct'**  
In a separate, joint announcement on Wednesday afternoon, Sports Direct and Grant Thornton said they had parted ways for a number of reasons, including the retailer wanting to appoint a 'Big Four' accountant, and Grant Thornton reviewing some of its least profitable audit gigs.

"In line with the audit profession as a whole reviewing their client portfolios for, amongst other reasons, audit profitability, during a period of increased regulatory scrutiny, GT's review of its client portfolio alongside SD's future intentions on engagement of a Big Four auditor has led to a decision by GT to not seek reappointment as SD's auditor,"

**Price:** £2.78

**Market Cap:** £1.46 billion

### 1 Year Share Price Graph



September 2018 March 2019 September 2019

### Share Information

**Code:** SPD

**Listing:** LSE

**52 week High Low**  
353.2 166.6

**Sector:** Retail

**Website:**  
[www.sports-direct-international.com](http://www.sports-direct-international.com)

### Company Synopsis:

*Sports Direct is a leading sports retailer, and the owner of a significant number of internationally recognised sports and leisure brands. As at April 2008 the Group operated out of 375 stores in the United Kingdom. The majority of stores trade under the Sports Direct or Sports World fascias, but some stores still trade under the Lillywhites, McGurk, Exsports, Gilesports, Hargreaves and Field & Trek brands.*

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the pair said.

But Markets.com analyst Neil Wilson reckons the departure is more to do with the auditor wanting to "wash its hand of SD".

"In yesterday's annual report management noted that 'early discussions with the Big Four have thrown up some barriers'," added Wilson.

"One can imagine what this really means. Auditors are feeling the heat and the last thing they need is to get the poison chalice of SD."

Sports Direct shares were down 9% to 216p on Wednesday afternoon.

--Updates for share price, additional info and analyst comment--

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