JD Group

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JD Sports Fashion Plc

08 April 2009

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JD SPORTS FASHION PLC

PRELIMINARY RESULTS

FOR THE 52 WEEKS ENDED 31 JANUARY 2009

JD Sports Fashion Plc (the "Group"), the leading retailer of sport and athletic inspired fashion apparel and footwear, today announces its Preliminary Results for the 52 weeks ended 31 January 2009.

	2009 £000	2008 £000	% Change
Revenue	670,855	592,240	+13%
Gross profit %	49.3%	49.2%	
Operating profit (before exceptional items)	54,473	44,019	+24%
Share of results of joint venture before exceptional items (net of tax)	(166)	(145)	
Net financial expenses	(681)	(467)	
Profit before tax and exceptional items	53,626	43,407	+24%
Exceptional items (see note 2)	(16,323)	(8,404)	
Share of exceptional items of joint venture (net of tax) (a)	914	-	
Profit before tax	38,217	35,003	+9%
Basic earnings per ordinary share	50.49p	48.79p	+3%
Adjusted basic earnings per ordinary share (see note 4)	72.33p	57.05p	+27%
Total dividend payable per ordinary share	12.00p	8.50p	+41%
Net cash at end of period (b)	23,455	11,731	

* The share of exceptional items of joint venture consists entirely of unrealised gains on foreign exchange contracts.
* Net cash consists of cash and cash equivalents together with interest bearing loans and borrowings, loan notes and finance lease and hire purchase contracts.

Highlights

* Total revenue increased by 13.3% in the year and by 3.9% on a like for like basis (Sports Fascias 3.3%; Fashion Fascias 7.9%).

* Gross margin improved marginally from 49.2% to 49.3%.

* Group profit before tax and exceptional items up 24% to £53.6 million (2008: £43.4 million).

* Profit before tax up 9% to £38.2million (2008: £35.0million).

* Net cash position at the period end increased to £23.5 million (2008: £11.7 million) even after an increase in net capital expenditure to £30.1 million (2008: £21.0 million) and acquisitions, investments and associated asset purchases in the year totaling £9.4million (2008: £31.3 million).

* Exceptional items (excluding share of exceptional items of joint venture) of £16.3million principally from non-property related matters concerning the

impairment of the investment in JJB Sports Plc andthe write off of the remaining goodwill from the acquisition of the Hargreaves airports stores portfolio combined with a provision for stores returning under privity of contract following failed assignments.

* Final dividend payable increased by 48% to 8.9p (2008: 6.0p) bringing the total dividends payable for the year up to 12.0p (2008: 8.5p), an increase of 41%.

Peter Cowgill, Executive Chairman, said:

"The year ended 31 January 2009 has been the fifth successive year of good progress in revenue and profitability for the Group.We have improved our profit before tax and exceptional items by 24% in the year to £53.6 million (2008: £43.4 million). This follows increases of 73% and 51% in the previous two years.

"Against the backdrop of current market and economic conditions, trading in the 9 weeks to 04 April 2009 has been encouraging with Group like for like sales up 0.3% (Sports Fascias -0.2%; Fashion Fascias +3.6%) despite last year's figures including the complete Easter trading period.

"The Sports Fascias' strong performance in recent years with regards to like for like sales and gross margins means that further improvement in these areas is increasingly challenging. Nevertheless the new year has started satisfactorily and we have a well differentiated proposition. The Board remains focused on continuing to deliver operational and financial progress for the Group."

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EXECUTIVE CHAIRMAN'S STATEMENT

INTRODUCTION

The year ended 31 January 2009 has been the fifth successive year of good progress in revenue and profitability for the Group.We have improved our profit before tax and exceptional items by 24% in the year to £53.6 million (2008: £43.4 million). This follows increases of 73% and 51% in the previous two years.

Group profit before tax has increased by 9% in the year to £38.2 million (2008: £35.0 million) and Group profit after tax has increased by 4% to £24.5 million (2008: £23.6 million).

Group operating profit (before exceptional items) for the year was up 24% to £54.5 million (2008: £44.0 million) and comprises a Sports Fascias profit of £54.3 million (2008: £45.6 million) and a Fashion Fascias profit of £0.2 million (2008: loss of £1.6 million).

The year end cash position has risen to £23.5 million (2008: £11.7 million) and the Group retains £70 million of committed rolling credit and working capital facilities. The new year has commenced satisfactorily and the Board wishes to retain the funding capability to develop the Group operationally and by acquisition. Nevertheless, after a sustained period of results improvement and balance sheet strengthening, the Board has decided to propose an increase in the level of the dividend with a final proposed dividend of 8.9p bringing the total dividends payable for the year to 12.0p (2008: 8.5p), an increase of 41%.

ACQUISITIONS

On 11 April 2008 the Group acquired 100% of the issued share capital of Nicholas Deakins Limited (''Deakins'') for a cash consideration of £1.4 million including fees. Deakins is a small business in the design, sourcing and wholesale of Deakins branded and own brand fashion products, principally footwear. The customers include JD Sports, Scotts and Bank as well as third parties. Its results are consolidated with those of the Fashion Fascias and its external revenue is less than £1 million.

SPORTS FASCIAS

The Sports Fascias' total revenue increased by 5.0% during the period to £571.8 million (2008: £544.4 million), including revenue from Topgrade Sportswear of £12.6 million (2008: £2.6 million in 12 weeks), an end of line wholesaler acquired in November 2007. Like for like sales in the retail Sports Fascias for the year were up 3.3%. Gross margin was unchanged at 49.8%, but included in this was dilution of 60 basis points from Topgrade's end of line wholesale business.

The performance of our principal Sports Fascias, JD and Size, has continued to be strong during the last year as a result of the current management team's continuing and consistent strategy over the last five years of eliminating underperforming stores, improving gross margins and reducing terminal stocks. We continue to see the benefits of better stock management coming from investment in merchandise planning systems and staff.

In addition, the Group has continued its programme of store development with 16 new JD and 2 Size store openings and 32 store refurbishments. This substantial refurbishment programme started in 2007 and will continue at a slower pace through 2009. The store refurbishments often result in full store closures for a number of weeks but we expect this to be justified by their subsequent performance. 18 stores were closed in the period including one which was transferred to the Fashion Fascias.

Topgrade made a negligible contribution to the operating profits of the Sports Fascias in both periods. It was bought with the intention of adding to its existing operation a new business selling sports and fashion brands at discounted prices through catalogues and online. This has been launched as Get The Label (www.GetTheLabel.com) after the year end.

FASHION FASCIAS

The Fashion Fascias now incorporate Bank, Scotts and Deakins. With the exception of Deakins, they are all now based at the Group's head office in Bury.

The Bank Fascia stores sell largely branded fashion to both males and females, predominantly from teenage to mid twenties. They were acquired in December 2007 and represent the largest part of the Fashion Fascias. There are now 54 stores based predominantly in the North and Midlands. The business's commercial team remains autonomous but Bank now benefits from the Group's central support functions and systems including its more service oriented distribution service. Revenue in the year was £66.5 million (2008: £13.3 million in 8 weeks), up 9.5% organically. Operating profit (before exceptional items) was £1.2 million (2008: £0.4 million). The Board remains confident that there is a significant opportunity to grow profitability in this Fascia through enhanced margins, better stock management and store rollout.

The Scotts Fascia sells branded fashion to younger males and had 38 stores at year end, again largely in the North and Midlands. Revenue in the year was £32.0 million (2008: £34.5 million) and the operating loss (before exceptional items) was reduced to £1.0 million (2008: £2.0 million), helped by a 1.3% improvement in gross margin and efficiencies achieved through prior year store rationalisation. Like for like sales rose by 5.1%. Further progress to profitability has therefore been made in the year and it is believed that improvements in the offer and stock management will lead to Fascia profitability. There are still a few underperforming stores which ideally would be disposed of.

Deakins contributed less than £1 million of external revenue and a negligible operating loss since its acquisition on 11 April 2008.

The future success of the Fashion Fascias is very dependent on improving gross margin from this year's level of 46.2%.

GROUP PERFORMANCE

Revenue

Total revenue increased by 13.3% in the year to £670.9 million (2008: £592.2 million) as a result of the Group's positive like for like sales performance of 3.9%, combined with a full year's revenue from the Bank and Topgrade acquisitions made in the prior year as well as a small contribution from the newly acquired Deakins.

Gross margin

Group gross margin improved marginally to 49.3% (2008: 49.2%). In the light of dilution from both Topgrade and Deakins, this was a satisfactory performance but the best opportunities for future margin enhancement now exist in the Fashion Fascias.

Overheads

Selling, distribution and administration overheads (excluding exceptional items) reduced to 41.3% of sales (2008: 42.0%) driven by store efficiencies and performance. Certain central overheads including buying and merchandising, own brand design, marketing and IT costs have risen at well above inflationary levels during the past year and to date this investment has helped us to achieve better results. The Board believes that if a continuing return is not being made then overhead can be cut back and also that distribution efficiency can be increased over time.

Operating profits and results

Operating profit (before exceptional items) increased by £10.5 million to £54.5 million (2008: £44.0 million), a 24% increase on last year. Group operating margin (before exceptional items) has therefore increased to 8.1% (2008: 7.4%).

Following an increase in the exceptional items to £16.3 million (2008: £8.4 million), Group operating profit rose slightly from £35.6 million to £38.2 million.

The exceptional items (excluding share of exceptional items in joint venture) comprise:

	£m
Impairment of investment in JJB Sports Plc	6.1
Impairment of goodwill in Hargreaves airport portfolio	2.0
Impairment of fixed assets in underperforming stores	2.2
Loss on disposal of fixed assets	3.0
Onerous lease provision for stores returning under privity	3.0
Total exceptional charge	16.3

The investment in 9.98% of the issued voting share capital of JJB Sports Plc made in November 2008 was made at 32.25p per share. The shares have been written down to their quoted value of 8.00p per share at 31 January 2009.

The share of exceptional items of joint venture (Focus Brands) consists entirely of an unrealised gain on exchange contracts for settlement of supplier invoices in the 2009/10 year.

Working capital and financing

Net financing costs have increased from £0.5 million to £0.7 million, principally as a result of the acquisition of Bank in December 2007.

Year end net cash of £23.5 million represented a £11.8m improvement on the position at January 2008 (£11.7 million). This net cash balance has been achieved after expenditure on acquisitions, investments and associated asset purchases in the year totalling £9.4 million (2008: £31.3 million) and net capital expenditure of £30.1 million (2008: £21.0 million). Gross capital expenditure was £28.8 million (2008: £19.8 million) being £23.8 million in the Sports Fascias and £5.0 million in the Fashion Fascias. The capital expenditure in the year included £11.8 million on new stores and £14.6 million on refurbishments.

Working capital remains well controlled and suppliers continue to be paid to agreed terms and settlement discounts are taken whenever due.

STORE PORTFOLIO

We have continued to rationalise our store portfolio but, with the current economic climate impacting heavily on retail property occupancy levels, it has become much more difficult to dispose of stores. We have nevertheless closed a further 22 underperforming and/or duplicate stores during the year. We have also opened 27 new sites.

During the year, store numbers (excluding trading websites) moved as follows:

Sports Fascias

	Units	'000 sq ft
Start of year	345	1,089
New stores	18	65
Closures	(17)	(47)
Transfer To Fashion	(1)	(2)
Close of year	345	1,105

Fashion Fascias

	Units	'000 sq ft
Start of year	87	191
New Stores	9	19
Closures	(5)	(7)
Transfer From Sport	1	2
Close of year	92	205

DIVIDENDS AND EARNINGS PER ORDINARY SHARE

The Board proposes paying a final dividend of 8.90p (2008: 6.00p) bringing the total dividend payable for the year to 12.00p (2008: 8.50p) per ordinary share. The proposed final dividend will be paid on 03 August 2009 to all shareholders on the register at 08 May 2009. The final dividend has been increased by 48% with total dividends payable for the year increased by 41%. This follows an 18% increase in the full year dividend in the prior year.

The adjusted earnings per ordinary share before exceptional items was 72.33p (2008: 57.05p).

The basic earnings per ordinary share was 50.49p (2008: 48.79p).

CURRENT TRADING AND OUTLOOK

Against the backdrop of current market and economic conditions, trading in the 9 weeks to 04 April 2009 has been encouraging with Group like for like sales up 0.3% (Sports Fascias -0.2%; Fashion Fascias +3.6%) despite last year's figures including the complete Easter trading period. A further update will be made in our Interim Management Statement on 8 June 2009.

The Sports Fascias' strong performance in recent years with regards to like for like sales and gross margins means that further improvement in these areas is increasingly challenging. Nevertheless the new year has started satisfactorily and we have a well differentiated proposition. The Board remains focused on continuing to deliver operational and financial progress for the Group.

EMPLOYEES

The Group's excellent results would not have been possible without the support of a dedicated workforce for which the Board is very grateful. We are committed to continue increasing training and other support to enhance both their career prospects and our own customer service.

Peter Cowgill

Executive Chairman

8 April 2009

CONSOLIDATED INCOME STATEMENT

for the 52 weeks ended 31 JANUARY 2009

	Note	52 weeks to 31 January 2009 Continuing Operations £000	53 weeks to 02 February 2008 Continuing Operations £000 Restated - Note 5
revenue		670,855	592,240
Cost of sales		(340,309)	(300,813)
gross profit		330,546	291,427
Selling and distribution expenses - normal		(256,315)	(225,994)
Selling and distribution expenses - exceptional		(8,201)	(8,404)
Administrative expenses - normal		(20,867)	(22,500)
Administrative expenses - exceptional		(8,122)	-
Other operating income		1,109	1,086
operating profit		38,150	35,615
Before exceptional items		54,473	44,019
Exceptional items	2	(16,323)	(8,404)
operating profit		38,150	35,615
Share of results of joint venture before exceptional items (net of tax)	3	(166)	(145)
Share of exceptional items (net of tax)	3	914	-
Share of results of joint venture	3	748	(145)
Financial income		529	297
Financial expenses		(1,210)	(764)
profit before tax		38,217	35,003
Income tax expense		(13,707)	(11,416)
profit for the period		24,510	23,587
Attributable to equity holders of the parent		24,379	23,549
Attributable to minority interest		131	38
Basic earnings per ordinary share	4	50.49p	48.79p
Diluted earnings per ordinary share	4	50.49p	48.79p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the 52 weeks ended 31 JANUARY 2009

	52 weeks to 31 January 2009 £000	53 weeks to 02 February 2008 £000
profit for the period	24,510	23,587
Exchange differences on translation of foreign operations	4	-
total recognised income and expense for the period	24,514	23,587
Attributable to equity holders of the parent	24,383	23,549
Attributable to minority interest	131	38

CONSOLIDATED BALANCE SHEET

as at 31 January 2009

	As at 31 January 2009 £000	As at 02 February 2008 £000 Restated - Note 5
assets		
Intangible assets	42,890	44,433
Property, plant and equipment	62,668	52,713
Investment property	4,102	4,151
Other receivables	5,459	5,025
Equity accounted investment in joint venture	1,108	360
total non-current assets	116,227	106,682
Available for sale investments	2,053	-
Inventories	58,287	58,040
Trade and other receivables	20,453	16,251
Cash and cash equivalents	23,538	11,969
total current assets	104,331	86,260
total assets	220,558	192,942
liabilities		
Interest bearing loans and borrowings	(83)	(155)
Trade and other payables	(80,073)	(80,875)
Provisions	(2,859)	(1,893)
Income tax liabilities	(8,395)	(9,716)
total current liabilities	(91,410)	(92,639)
Interest bearing loans and borrowings	-	(83)
Other payables	(19,690)	(11,839)
Provisions	(5,310)	(4,726)
Deferred tax liabilities	(379)	(864)
total non-current liabilities	(25,379)	(17,512)
total liabilities	(116,789)	(110,151)
total assets less total liabilities	103,769	82,791
capital and reserves		
Issued ordinary share capital	2,433	2,413
Share premium	11,659	10,823
Retained earnings	89,677	69,555
total equity	103,769	82,791
Attributable to equity holders of the parent	102,474	81,627
Attributable to minority interest	1,295	1,164

RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

as at 31 January 2009

	Issued Ordinary Share Capital £000	Share Premium £000	Retained Earnings £000	Minority Interest £000	Total Equity £000
Balance at 27 January 2007	2,413	10,823	48,366	-	61,602
Minority interest on acquisition	-	-	-	1,126	1,126
Total recognised income and expense	-	-	23,549	38	23,587
Dividends to shareholders	-	-	(3,524)	-	(3,524)
Balance at 02 February 2008	2,413	10,823	68,391	1,164	82,791
Shares issued in the period	20	836	-	-	856
Total recognised income and expense	-	-	24,383	131	24,514
Dividends to shareholders	-	-	(4,392)	-	(4,392)
Balance at 31 January 2009	2,433	11,659	88,382	1,295	103,769

CONSOLIDATED STATEMENT OF CASH FLOWS

for the 52 weeks ended 31 January 2009

	52 weeks to 31 January 2009 £000	53 weeks to 02 February 2008 £000
cash flows from operating activities		
Profit for the period	24,510	23,587
Share of results of joint venture	(748)	145
Income tax expense	13,707	11,416
Financial expenses	1,210	764
Financial income	(529)	(297)
Depreciation and amortisation of non-current assets	14,332	12,421

Exchange differences on translation of non-current assets	(399)	-
Impairment of intangible assets	2,045	-
Impairment of non-current assets	2,225	2,535
Impairment of available for sale investments	6,077	-
Loss on disposal of non-current assets	2,976	3,015
(Increase) / decrease in inventories	(57)	2,955
(Increase) / decrease in trade and other receivables	(3,832)	1,396
Increase in trade and other payables and provisions	9,513	6,877
Interest paid	(1,210)	(764)
Income taxes paid	(15,572)	(7,619)
net cash from operating activities	54,248	56,431
cash flows from investing activities		
Interest received	529	297
Proceeds from sale of non-current assets	23	1,257
Disposal costs of non-current assets	(1,271)	(2,432)
Acquisition of intangible assets	-	(4,279)
Acquisition of property, plant and equipment	(28,019)	(19,407)
Acquisition of investment property	-	(4,160)
Acquisition of non-current other receivables	(810)	(389)
Cash consideration of acquisitions net of cash acquired	(1,310)	(1,135)
Acquisition of available for sale investment	(8,130)	-
Investment in joint venture	-	(505)
Amounts loaned to joint venture	-	(2,479)
net cash used in investing activities	(38,988)	(33,232)
cash flows from financing activities		
Repayment of interest bearing loans and borrowings	(99)	(18,917)
Payment of finance lease and hire purchase contracts	(56)	(19)
Dividends paid	(3,536)	(3,524)
net cash used in financing activities	(3,691)	(22,460)
net increase in cash and cash equivalents	11,569	739
cash and cash equivalents at the beginning of the period	11,969	11,230
cash and cash equivalents at the end of the period	23,538	11,969

ANALYSIS OF NET CASH

as at 31 January 2009

	At 02 February 2008 £000	On Acquisition of Subsidiary £000	Cashflow £000	At 31 January 2009 £000
Cash at bank and in hand	11,969	60	11,509	23,538
Cash and cash equivalents	11,969	60	11,509	23,538
Interest bearing loans and borrowings				
Loan notes	(182)	-	99	(83)
Finance lease and hire purchase contracts	(56)	-	56	-
	11,731	60	11,664	23,455

1. SEGMENTAL ANALYSIS

The Group manages its business activities through two Divisions - Sport and Fashion. Revenue and costs for the 52 weeks ended 31 January 2009 are readily identifiable for each segment.

The Divisional results for the 52 weeks to 31 January 2009 are as follows:

INCOME STATEMENT	Sport £000	Fashion £000	Total £000
Revenue	571,814	99,041	670,855
Operating profit before financing and exceptional items	54,261	212	54,473
Exceptional items	(14,204)	(2,119)	(16,323)
Operating profit / (loss)	40,057	(1,907)	38,150
Share of results of joint venture			748
Financial income			529
Financial expenses			(1,210)
Profit before tax			38,217

Income tax expense	(13,707)
Profit for the period	24,510

The Board consider that the share of results of joint venture and net funding costs are cross divisional in nature and cannot be allocated between the Divisions on a meaningful basis.

BALANCE SHEET	Sport	Fashion	Unallocated	Total
	£000	£000	£000	£000
Total assets	153,867	49,683	17,008	220,558
Total liabilities	(88,298)	(19,716)	(8,775)	(116,789)

Unallocated assets and liabilities relate to items which are cross divisional including interest in joint venture, tax and elements of goodwill.

OTHER SEGMENT INFORMATION	Sport	Fashion	Total
	£000	£000	£000
Capital expenditure:			
Property, plant and equipment	23,003	5,016	28,019
Non-current other receivables	810	-	810
Goodwill on acquisition	-	864	864
Available for sale investments	8,130	-	8,130
Depreciation, amortisation and impairments:			
Depreciation and amortisation of non-current assets	11,667	2,665	14,332
Impairment of intangibles	2,045	-	2,045
Impairment of non-current assets	799	1,426	2,225
Impairment of available for sale investments	6,077	-	6,077

The comparative divisional results for the 53 weeks to 02 February 2008 are as follows:

INCOME STATEMENT	Sport	Fashion	Total
	£000	£000	£000
Revenue	544,372	47,868	592,240
Operating profit / (loss) before financing and exceptional items	45,615	(1,596)	44,019
Exceptional items	(8,574)	170	(8,404)
Operating profit / (loss)	37,041	(1,426)	35,615
Share of results of joint venture			(145)
Financial income			297
Financial expenses			(764)
Profit before tax			35,003
Income tax expense			(11,416)
Profit for the period			23,587

The Board consider that the share of results of joint venture and net funding costs are cross divisional in nature and cannot be allocated between the Divisions on a meaningful basis.

BALANCE SHEET	Sport	Fashion	Unallocated	Total

More to follow, for following part double-click [nRn2H3119Q]