

BEST  
OF THE  
BEST

Annual Report  
and Accounts 2009

***jd*sportsfashionplc**

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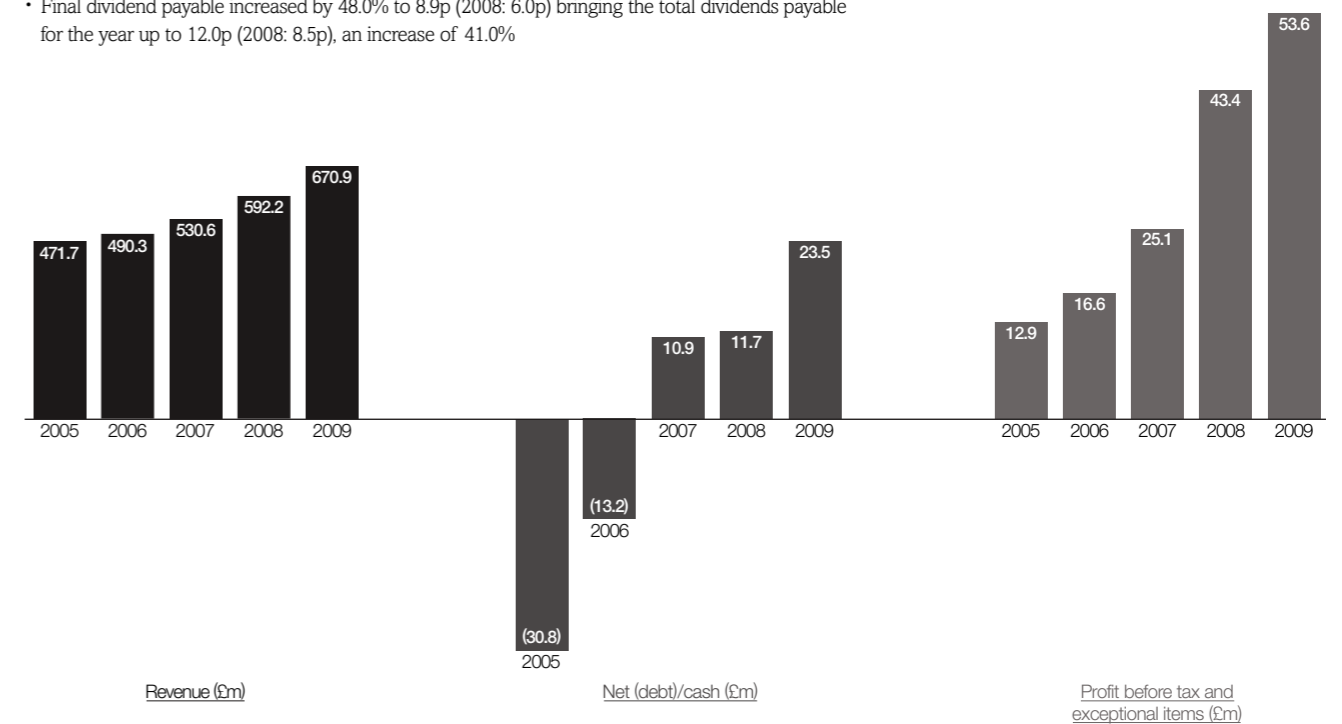


## Summary of Key Performance Indicators

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 Restated £000
Revenue	670,855	592,240
Gross profit %	49.3%	49.2%
Operating profit (before exceptional items)	54,473	44,019
Profit before tax and exceptional items	53,626	43,407
Exceptional items	(16,323)	(8,404)
Operating profit	38,150	35,615
Profit before tax	38,217	35,003
Basic earnings per ordinary share	50.49p	48.79p
Adjusted basic earnings per ordinary share	72.33p	57.05p
Total dividend payable per ordinary share	12.00p	8.50p
Net cash at end of year	23,455	11,731

### Business 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 £38.2 million (2008: £35.0 million)
- Net cash position at the period end increased to £23.5 million (2008: £11.7 million) even after an increase in capital expenditure (including disposal costs) to £30.1 million (2008: £21.0 million) and acquisitions, investments and associated asset purchases in the year totaling £9.4 million (2008: £31.3 million)
- Exceptional items (excluding share of exceptional items of joint venture) of £16.3 million principally from non-property related matters concerning the impairment of the investment in JJB Sports Plc and the 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 48.0% to 8.9p (2008: 6.0p) bringing the total dividends payable for the year up to 12.0p (2008: 8.5p), an increase of 41.0%



# 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 (including disposal costs) of £30.1 million (2008: £21.0 million). Capital expenditure before disposal costs 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.



# Chairman's Statement

continued

## 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:

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

<b>Fashion Fascias</b>	<b>Units</b>	<b>'000 sq ft</b>
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 3 August 2009 to all shareholders on the register at 8 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 4 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







‘This has been the fifth successive year of good progress in revenue and profitability for the Group’



# Financial and Risk Review

## Introduction

Profit before tax increased by £3.2 million to £38.2 million in the year.

This improvement was achieved through:

- Continued organic sales growth
- A further small increase in gross margin
- Improved cost ratios from store efficiencies

## Taxation

The effective rate of tax on profit has increased from 32.6% to 35.9%.

This increase is principally due to the impairment of the investment in JJB

Sports Plc, which did not qualify for tax relief as it is not a realised loss.

Excluding exceptional items, the effective tax rate has fallen from 30.3%

to 29.6%. The effective tax rate excluding exceptional items continues to

be above the standard rate due to the depreciation of non-current assets

which do not qualify for any form of capital allowances.

## Earnings Per Share

The basic earnings per share has increased from 48.79p to 50.49p.

The Directors consider the adjusted earnings per share to be a more

appropriate measure of the Group's earnings performance however, as it

excludes the post tax effect of exceptional items other than the loss on

disposal of non-current assets. The adjusted earnings per share increased

by 27% from 57.05p to 72.33p.

## Dividends

A final cash dividend of 8.90p per share is proposed which, if approved,

would represent an increase of 48% on the final dividend from the prior

year. Added to the interim dividend of 3.10p per share, this takes the full

year dividend to 12.00p, which is an increase of 41% on the prior year.

## Net Cash

The year end net cash position has increased by £11.8 million to £23.5

million after acquisitions and investments totalling £9.4 million and an

increase in capital expenditure before disposal costs from £19.8 million

to £28.8 million. The continued improvement in the net cash position

should enable the Group to take advantage of strategic and store portfolio

opportunities where appropriate.

The net cash position has continued to benefit from tight controls over

stocks. Trade creditors are paid to terms to maximise settlement discounts

with the period end creditor days being 32 (2008: 33).

## Treasury Facilities

A five year £70.0 million bank syndicated facility was agreed in October 2006.

This facility is committed until 18 October 2011 and details of its terms are

included in note 21 to the accounts. The facility is entirely revolver based

and contains no fixed repayment element. Although the Group is seeking to

remove the quarterly peaks in the drawdown facilities through the payment

of store rents on a monthly basis wherever possible, without additional cost,

the cash flows are still cyclical in nature, particularly around the trading

peak at Christmas. Accordingly, the Directors believe that a revolving

facility with monthly drawdowns continues to be best suited to the specific

fluctuating lending requirements of the business. This facility has been used

to fund the investments and capital expenditure in the year, with no other

facilities put in place.

Interest rate hedging has not been put in place on the current facility.

The Directors continue to be mindful of the potential volatility in base

rates, but at present do not consider a long term interest rate hedge to be

necessary given that the facility is not used during certain periods of the

year. This position is reviewed regularly however, along with the level of

facility requirements.

The Group's principal foreign exchange exposure continues to be on

the sourcing of own brand merchandise from the Far East which usually

has to be paid for in US Dollars. A buying rate is set at the start of the

buying season (typically six to nine months before product is delivered to

stores). At this point, the Group aims to protect the anticipated US Dollar

requirement at rates at, or above, the buying rate through appropriate

foreign exchange instruments. The Group is currently exposed to

movements in currency rates on \$10.0 million of its US Dollar requirement

for the year.

## Risk Factors

Any business undertaking will involve some risk with many risk factors

common to any business no matter what segment it operates in. The

Directors acknowledge however that certain risks and uncertainties are

more specific to the Group and the markets in which its businesses operate.

The principal risk factors are assessed below:

### Damage to reputation of brands

The Group is heavily dependent on the brands it sells being desirable

to the customer. As such, the Group is exposed to potential events or

circumstances, which could give rise to liability claims and/or reputational

damage. These events may or may not be under the Group's control.

The Group also needs its brands to maintain their design and marketing

prominence.

The Group works with suppliers to ensure that the products being sourced satisfy increasingly stringent laws and regulations governing issues of health and safety, packaging and labelling and other social and environmental factors.

The Group also seeks to ensure it is not overly reliant on a small number of brands by offering a stable of brands which is constantly evolving.

### Property factors

The retail landscape has seen significant changes in recent years with a

number of new developments either already opened or in the pipeline and

a high volume of retail units becoming vacant. The Group can be exposed

where it has committed itself to a long lease in a location which, as a

result of a more recent retail development, is no longer as attractive to the

customer so suffers from reduced footfall. Wherever possible, the Group

will seek either to take out new leases for a period not exceeding 10 years

or to negotiate lease breaks, thereby limiting this potential exposure and

affording the Group increased flexibility to respond to such changes.

When the Group becomes aware of a new development, a review is

undertaken to establish the possible impact on existing stores in the area.

If appropriate, the Group would then work with landlords to agree a

surrender of the lease. Where this is not possible, the Group would seek

to assign the lease or sublet it to another retailer. In many cases, this

necessitates the payment of an incentive to the other retailer. Assigning

the lease or finding a sub-tenant is not without risk however, because if

the other retailer fails then the liability to pay the rent usually reverts to the

head lessee.

The Group is mindful of current economic factors and the higher volume

of vacant units available as a consequence of a number of retailers going

out of business. This has an impact on the Group's ability to dispose of

its own surplus premises and increases the risk that previously assigned or

sublet leases will revert to the Group.

## Seasonality

The Group's business is highly seasonal. Historically, the Group's most

important trading period in terms of sales, profitability and cash flow has

been the Christmas season. Lower than expected performance in this

period may have an adverse impact on results for the full year which may

result in excess inventories which are difficult to liquidate.

## Economic factors

As with other retailers, the demand for the Group's products is influenced

by a number of economic factors, notably interest rates, the availability of

consumer credit, employment levels and ultimately, disposable incomes.

This is particularly relevant at the current time, where many consumers are

cutting back on non-essential spending. The Group seeks to manage this

risk by offering a highly desirable product range which is differentiated to

that of the Group's competitors at competitive prices.

## Personnel

The success of the Group is partly dependent upon the continued service


of its key management personnel and upon its ability to attract, motivate

and retain suitably qualified employees. To help achieve this continued

service, the Group has competitive reward packages for all head office

and retail staff.

The Group also has a long established and substantial training function which seeks to develop training for all levels of retail staff and thereby increase morale and improve staff retention. The retention of staff ensures that knowledge of the Group's differentiated product offering is not lost thereby enhancing customer service.



**Brian Small**  
**Group Finance Director**  
**8 April 2009**





## Property and Stores Review

We have increased our investment in the store portfolio substantially in the current year with additional expenditure on both new stores and refurbishments of existing space.

We opened a total of 27 new stores in the year (18 Sports Fascias stores and 9 Fashion Fascias stores) and refurbished a total of 43 stores. This means that over the last two years we have opened a total of 40 stores and refurbished a further 72 stores. As a consequence, in excess of 30% of the retail space as at 31 January 2009 has a store fit which is less than two years old. We believe that the modern and fashionable environment in our stores drives footfall and is a significant factor in our achievement of a positive financial performance.

### New Stores

The 18 new Sports Fascias stores included 11 stores in new locations (including two Size stores) with the remaining seven being replacement of existing space. We anticipate that we will open fewer new Sports Fascias stores in the current year although we will continue to take opportunities wherever they occur. We have opened three new Sports Fascias stores in the year to date.

The nine new Fashion Fascias stores included six new Bank stores. Investment in this fascia will increase in the current year and we anticipate that we will open up to 20 new Bank stores of which one is already open. We believe that Bank gives the Group the opportunity to develop our presence in the young aspirational fashion sector and consequently provides a platform for meaningful growth. Ultimately, we believe that the store model and brand offer from Bank can support a portfolio across the UK and Ireland in excess of 100 stores.

In addition, we opened three new Scotts stores in the period. We still plan to maintain Bank and Scotts as separate fascias although we do not currently expect to open a significant number of new Scotts stores in the near future.

### Refurbishments

The 43 refurbishments in the year included:

- Extensive refurbishments of the JD stores in Metro Centre and Bluewater
- Extensive refurbishment of the flagship JD store in Dublin
- Conversion of two existing stores (one ex JD and one ex Scotts) to the Bank Fascia
- Refurbishments of two existing JD stores (Bury and Cardiff) where space has been carved out for a separate Fashion fascia store thereby increasing utilisation and densities from existing space

The refurbishment programme will continue in the current year although it is likely that we will refurbish less than 30 stores in the period as we focus resource on the store opening programme for Bank.

We have also 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 (17 Sports Fascias stores and 5 Fashion Fascia stores). A further three Sports Fascia stores have closed in the year to date.

The store portfolio at 31 January 2009 and 2 February 2008 can be analysed as follows:

Sports Fascias	No. Stores		Retail (000 sq ft)	
	2009	2008	2009	2008
JD	314	303	1,048	1,013
Size	15	13	21	19
First Sport	10	12	28	36
Nike	2	7	3	10
Other Fascias	4	10	5	11
<b>Total</b>	<b>345</b>	<b>345</b>	<b>1,105</b>	<b>1,089</b>

Fashion Fascias	No. Stores		Retail (000 sq ft)	
	2009	2008	2009	2008
Bank	54	47	119	104
Scotts	38	36	86	80
Lacoste (i)	-	3	-	4
Ath	-	1	-	3
<b>Total</b>	<b>92</b>	<b>87</b>	<b>205</b>	<b>191</b>
<b>Group Total</b>	<b>437</b>	<b>432</b>	<b>1,310</b>	<b>1,280</b>

(i) Includes two stores from the acquisition of Bank.



## Corporate and Social Responsibility

The Group recognises that it has a social responsibility to ensure its business is carried out in a way that ensures high standards of environmental and human behaviour. With the help and co-operation of all employees, the Group endeavours to comply with all relevant laws in order to meet that duty and responsibility wherever it operates. The major contributions of the Group in this respect are detailed below.

### Employment

The Group is a large equal opportunities employer and a large training organisation providing direct employment and career development to thousands of people across the UK and Republic of Ireland. The Group employs large numbers of school leavers and university graduates and participates regularly in work experience schemes with schools and colleges across the country.

### Training

The Group recognises that training for all levels of retail staff is vital as it provides a mechanism for increasing morale and improving staff retention. The retention of staff ensures that knowledge of the Group's differentiated product offering is not lost thereby enhancing customer service.

Retail staff at all levels in all of the Group's Retail fascias are encouraged to seek development and progression ultimately up to management level with training provided by the Group's long established and substantial training function. Training is given in three main areas:

	No. of courses in year	Length of course	No. of people on each course
New management induction	20	5 days	12
Training academy for new managers	3	12 weeks	20
Regional workshops for junior management	100	1 day	12

### Equal opportunities

The Group is committed to promoting policies which are designed to ensure that employees and those who seek to work for the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

The Group gives full and fair consideration to applications for employment by people who are disabled, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the career development of disabled employees. It is also the Group's policy to provide opportunities for the large number of people seeking flexible or part-time hours.

### Communication

The number and geographical dispersion of the Group's operating locations make it difficult, but essential, to communicate effectively with employees. A written communication "People 1st" goes to all staff on a quarterly basis. This communication is primarily designed to communicate, share and celebrate success within the retail environment.

Outside of this formal quarterly process, communication with retail staff is primarily achieved through the management in the regional and area operational structures. In addition, formal communications informing all employees of the financial performance of the Group are issued on a regular basis by the Group's Human Resources Department in the form of "Team Briefs".





# Corporate and Social Responsibility

continued

## Health and Safety

The Group acknowledges that it has a responsibility to provide a safe and healthy environment for all its employees, customers, contractors and other visitors. The Group therefore has a dedicated Health and Safety team headed by an experienced manager who has worked in health and safety roles for a period in excess of 10 years. The Health and Safety team co-ordinates all training in this area, carries out risk assessments and ensures that safe working practices and equipment are used throughout the Group.

Each retail unit has its own individually prepared health and safety file which is made available to those who need information to assist in maintenance, alterations, construction or demolition work. These individual files document the satisfactory testing of electrical circuits, emergency lighting, fire alarms and gas compliance. Where appropriate, these files also contain the details of any surveys for Asbestos Containing Materials (ACMs) and whether any baselines have been established for the management of potential ACMs.

The Group has also retained the services of a third party facilities management company (Gleeds Facilities Management). They provide a helpdesk for stores to ring if they have any property issues which need attention. This ensures that issues are resolved promptly and efficiently thereby maintaining the safe environment within the stores.

## Environmental

The Group recognises the importance of protecting our environment for future generations and is committed to carrying out its activities with due consideration for the environmental impacts of its operations particularly with regards to:

- Ensuring efficient use of energy and other materials
- Minimising waste with recycling wherever possible
- Ensuring compliance with relevant legislation and codes of best practice

## Energy

It is the Group's aim to give customers an enjoyable retail experience with goods presented in an environment that is both well lit and has an ambient temperature. However, the Group accepts that all the businesses within the Group must be responsible in their energy usage and associated carbon emissions.

To that end, the Group has introduced a Carbon Management Program ('CMP') with the initial aims being:

- Ensure there is an accurate baseline for consumption by working with the electricity suppliers to ensure that billings reflect actual usage
- Improve understanding of what drives usage and when it occurs in the day by investing in 'smart' electricity meters in 148 of the Group's largest stores. Combined with the stores where accurate and timely usage data is already received, this means that in excess of 60% of the Group's electricity consumption is automatically measured every 30 minutes. In addition to 100% accurate billing on these stores, analysis of the data has also shown that usage in non-trading periods is higher than would have been expected. The usage in these periods will be driven down through additional training and investment on small scale building management systems where appropriate
- Enhance staff awareness through training at store level thereby ensuring that retail staff understand that they have a key role in the CMP

Under the current rules of the Statutory Carbon Reduction Commitment ('CRC'), the Group's submission to DEFRA will be aggregated with that of Pentland Group Plc who are the ultimate holding company (see note 33). Therefore, the Group are working with Pentland Group plc to ensure that there will be an efficient and effective transfer into the new emissions trading scheme which will be introduced in April 2010 as part of the CRC. However, from an internal Group perspective, the Finance Director will carry the responsibility for the entry and subsequent reporting on targets in the first phase of the CRC to 2013.

The Group is committed to using and subsequently reporting on appropriate KPIs with regards to energy usage. Accordingly, the Group can report the following:

	2009
Energy Usage – Electricity (MWh)	49,592
Energy Usage – Natural Gas (MWh)	5,270
Total Energy Usage (MWh)	54,862
Carbon Footprint (Tonnes CO2)	33,557

The Group has pledged to reduce its carbon emissions by 3% year on year on a 'like for like' basis until the end of the scheme. This target and the associated operating standards that drive this target apply to all the Group's businesses.

The Group has invested heavily in the period to 31 January 2009 in replacing inefficient air conditioning systems in over 40 stores with market leading technologies which use less energy whilst providing an ambient temperature for staff and visitors. This replacement programme is ongoing and it is anticipated that a similar number of works will be carried out in the period to 30 January 2010.

The Group is committed to invest in the necessary resources to help achieve its targets on reducing carbon emissions with the following works planned for 2009:

- Expand the CMP to widen the awareness campaign through better training, improved communication and reporting
- Continue the roll out of smart electricity meters across the store portfolio
- Continue the air conditioning replacement programme
- Increase analysis and reporting of data provided by Smart Meters

The Group is also aware of the need to seek energy from sustainable sources wherever possible. As a result, the Group has recently awarded the contract to supply its electricity to 20 locations across Northern Ireland and Republic of Ireland to Airtricity who source 79% of their electricity from renewable sources.

## Recycling

Wherever possible, cardboard (the major packaging constituent) is taken back to the distribution centres. The cardboard is then baled and passed to recycling businesses for reprocessing. During the year, the Group increased its recycling of cardboard to 193.1 tonnes (2008: 176.6 tonnes).

The Group also continues to recycle paper and other office consumables wherever possible. This recycling is split into three main elements:

- General paper waste is collected by a recycling business
- Confidential paper waste is shredded on collection by a recycling business. This business provides a 'Certificate of Environmental Accomplishment' which states that the shredded paper, which was collected in the year, was the equivalent of 1,123 trees. This represents a significant increase from the prior year figure of 497 trees
- Photocopier and printer toners (laser and ink) are collected and recycled for charity by Environmental Business Products Limited

## Plastic bags

Approximately 40% of the bags issued by the Group are high quality drawstring bags, which are generally reused by customers many times. However, the Group is aware of the environmental impact from plastic bags and have sought to minimise any impact through the following measures:

- The bags are made from 33% recycled material
- The bags contain an Oxo-biodegradable additive, which means that they degrade totally over a very short life span

In addition, the Group uses paper based bags rather than plastic bags in its stores in the Republic of Ireland.

## Ethical Labour Considerations

The Group seeks to provide its customers with high quality and value merchandise from manufacturers who can demonstrate compliance with internationally accepted good practice in terms of employment and environmental policies.

The Group cares about the labour standards in its global supply chain and expects its suppliers to have similar ethical concerns. Prior to any orders being placed, all new suppliers must complete the Group's risk assessment form to ensure that the supplier's activities are in line with the Ethical Trade Initiative Base Code. This code covers areas such as health & safety, fire procedures and maternity pay provisions. The Group's buyers audit the accuracy of the responses when visiting the factories concerned.

On occasions, it is not possible to visit the factories directly and the Group has to rely on the good faith of the suppliers who, through the supplier contract, are required to agree to the JD code of conduct which includes a specific policy on 'Employment Standards for Suppliers'.

## General Social Responsibility

The Group seeks to be involved in the community where it can make an appropriate contribution from its resources and skill base. Examples of this include:

- JD Versus Cancer
- Donations to 'Riders For Health' in Africa
- Sponsorship of the 2008 Multiple Sclerosis Society MS Life Conference
- Sponsorship and donations of kit to local junior sports clubs



# The Board

## Peter Cowgill

**Executive Chairman and Chairman of the Nominations Committee aged 56**

Peter was appointed Executive Chairman in March 2004. He was previously Finance Director of the Group until his resignation in June 2001. Since then he has been a partner in Cowgill Holloway Chartered Accountants. He is a Non-Executive Director of a number of private companies and Non-Executive Chairman of United Carpets Plc and MBL Group Plc.

## Barry Bown

**Chief Executive aged 48**

Barry joined the Board in 2000 and has been with JD Sports Fashion Plc since 1984. He held the positions of Head of Retail, Head of Buying and Merchandising and Chief Operating Officer prior to his appointment as Chief Executive in 2000.

## Brian Small

**Finance Director aged 52**

Brian was appointed Finance Director and Company Secretary in January 2004. Immediately prior to his appointment, he was Operations Finance Director at Intercare Group Plc and has also been Finance Director of a number of other companies. He qualified as a Chartered Accountant with Price Waterhouse in 1981.

## Colin Archer

**Non-Executive Director, Chairman of Audit and Remuneration Committees and member of the Nominations Committee aged 67**

Colin was appointed a Non-Executive Director in November 2001. He has over 40 years experience in the banking and financial arenas, having previously been Assistant Corporate Director with Barclays Bank Plc. He is also a member of the Chartered Institute of Bankers.

## Chris Bird

**Non-Executive Director, member of Audit, Remuneration and Nominations Committees aged 46**

Chris was appointed to the Board in May 2003. He is a marketing specialist with his own public relations and marketing agency. Chris has over 20 years media experience in newspapers, commercial radio and sport.



# Directors' Report

The Directors present their annual report and the audited financial statements for the 52 week period ended 31 January 2009.

## Principal Activities and Business Review

The principal activity of the Group continues to be the retail of sports and leisure wear.

A review of the business, providing a comprehensive analysis of the main trends and factors likely to affect the development, performance and position of the business, including environmental, employee, social and community issues together with the Group's Key Performance Indicators and a description of the principal risks and uncertainties facing the business is detailed on pages 3 to 17 as follows:

- Summary of Key Performance Indicators (page 3)
- Chairman's Statement (pages 4 to 6)
- Financial and Risk Review (page 10 to 11)
- Property and Stores Review (page 12 to 13)
- Corporate and Social Responsibility (pages 14 to 17)

## Results

Revenue for the 52 week period ended 31 January 2009 was £670.9 million and profit before tax £38.2 million compared with £592.2 million and £35.0 million respectively in the previous financial year. The Consolidated Income Statement is set out on page 41.

## Proposed Dividend

The Directors recommend a final dividend of 8.90p per ordinary share (2008: 6.00p), which together with the interim dividend of 3.10p per ordinary share (2008: 2.50p) makes the total dividend payable for the year 12.00p (2008: 8.50p).

If approved at the next Annual General Meeting, the dividend will be paid on 3 August 2009 to shareholders on the register at the close of business on 8 May 2009.

## Directors

The names of the current directors of the Company and their biographical details are given on page 18. Mr C Archer retires by rotation at the next Annual General Meeting and is eligible for re-election.

## Structure of Share Capital

As at 31 January 2009, the Company's authorised share capital of £3,107,500 comprised 62,150,000 ordinary shares of 5p each.

As at 31 January 2009, the Company's issued share capital of £2,433,083 comprised 48,661,658 ordinary shares of 5p each.

## Rights and Obligations of Ordinary Shares

On a show of hands at a general meeting, every holder of ordinary shares present in person or by proxy and entitled to vote, shall have one vote and on a poll, every member present in person or by proxy and entitled to vote, shall have one vote for every ordinary share held. Subject to the relevant statutory provisions, and the Company's Articles of Association, holders of ordinary shares are entitled to a dividend where declared or paid out of profits available for such purposes. Subject to the relevant statutory provisions and the Company's Articles of Association, on a return of capital on a winding-up, holders of ordinary shares are entitled to participate in such a return equally in proportion to their shareholding.

## Restrictions on Transfer of Securities

The restrictions on the transfer of shares in the Company are as follows:

- The Board may, in its absolute discretion, refuse to register any transfer of shares, which are not fully paid up (but not so as to prevent dealings in listed shares from taking place)
- The Board may also refuse to register any transfer of shares unless it is in respect of only one class of share and it is lodged at the place where the register of members is kept, accompanied by a relevant certificate or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer
- The Board may refuse to register an allotment or transfer of shares in favour of more than four persons jointly
- Certain restrictions may from time to time, be imposed by laws and regulations (for example, insider trading laws)
- Restrictions may be imposed pursuant to the Listing Rules of the Financial Services Authority whereby certain of the Group's employees require the Company's approval to deal in shares

The Company is not aware of any arrangement between its shareholders that may result in restrictions on the transfer of shares and/or voting rights.

## Directors' Interests

The interests of the Directors who held office at 31 January 2009 and their immediate families in the Company's shares are shown below:

	Ordinary shares of 5p each	
	31 January 2009	2 February 2008
P Cowgill	410,263	410,263
B Bown	5,676	5,676
B Small	17,750	13,750
C Archer	19,121	18,850
	452,810	448,539

With the exception of the interests in the Company's shares held by B Bown and his immediate family, all of the holdings shown above represent beneficial interests.

There has been no change in Directors' interests since the period-end.

## Substantial Interests in Share Capital

As at 30 March 2009, the Company has been advised by the following companies of notifiable interests in its ordinary share capital:

	Number of ordinary shares	%
Pentland Group Plc	27,963,722	57.47
Sports World International Ltd	6,385,255	13.12
Aberforth Partners	5,718,440	11.75

## Restrictions on Voting Deadlines

The notice of any general meeting shall specify the deadline for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be proposed at the general meeting.

## Appointment and Replacement of Directors

The Company may by ordinary resolution appoint a person who is willing to act as a director, either to fill a vacancy or as an addition to the existing Board. Any director so appointed shall hold office only until the dissolution of the first AGM of the Company following appointment unless they are re-elected during such meeting.

At each AGM of the Company, any director who was elected or last re-elected at or before the AGM held in the third calendar year before the then current calendar year must retire by rotation and such further Directors must retire by rotation so that in total not less than one-third of the Directors retire by rotation each year. A retiring director is eligible for re-election.

The number of directors at any point in time shall not be less than two.

## Amendment of the Company's Articles of Association

The Companies Articles of Association may only be amended by a special resolution at a general meeting of shareholders.

At the 2008 AGM, a special resolution was passed to make amendments to the existing Articles of Association primarily to accommodate the provisions of the Companies Act 2006.

## Powers of the Directors

The Directors are responsible for the management of the business of the Company and may exercise all powers of the Company subject to applicable legislation and regulation and the Memorandum and Articles of Association.

A resolution was passed at the 2008 AGM giving the Directors authority to buy back ordinary shares up to a maximum of 10% of the total issued ordinary share capital of the Company. Any shares purchased under such authority would be cancelled. No shares have been purchased to date under this authority.

## Change of Control – Significant Agreements

In the event of a change of control of the Company, the Company and the lenders of the £70.0 million bank syndicated facility shall enter into negotiations to determine how to continue the facility. If no agreement is reached within 20 business days of the date of change in control, the lenders may, by giving not less than 10 business days notice to the Company, cancel the facility and declare all outstanding loans, together with accrued interest and all other amounts accrued, immediately due and payable.

## Employees

The Group is committed to promote equal opportunities in employment regardless of employees' or potential employees' sex, marital status, creed, colour, race, ethnic origin or disability. This commitment applies in respect of all terms and conditions of employment. Recruitment, promotion and the availability of training are based on the suitability of any applicant and full and fair consideration is always given to disabled persons in such circumstances.

Should an employee become disabled during his or her employment by the Group, every effort is made to continue employment and training

within their existing capacity wherever practicable, or failing that, in some alternative suitable capacity.

The Group has continued throughout the year to provide employees with relevant information and to seek their views on matters of common concern. Priority is given to ensuring that employees are aware of all significant matters affecting the Group's performance and of any significant organisational changes.

## Donations

During the period the Group made charitable donations of £29,500 (2008: £21,700). No political donations were made in the period (2008: £nil).

## Creditors Payment Policy

For all trade creditors, it is the Group's policy to:

- Agree the terms of payment at the start of business with the supplier
- Ensure that suppliers are aware of the terms of payment
- Pay in accordance with its contractual and other legal obligations

The average number of days taken to pay trade creditors by the Group at the period end was 32 (2008: 33).

The Group does not follow any code or statement on payment practice.

## Auditor

In accordance with Section 384 of the Companies Act 1985, a resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG Audit Plc as auditor of the Company.

## Disclosure of Information to the Auditor

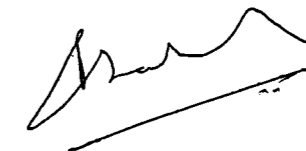
Each person who is a director at the date of approval of this report confirms that:

- So far as he is aware, there is no relevant audit information of which the Company's auditor is unaware
- Each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

## Annual General Meeting

Notice of the Annual General Meeting to be held at 1.00pm on 25 June 2009 at Hollinsbrook Way, Pilsworth, Bury, Lancashire BL9 8RR incorporating explanatory notes of the resolutions to be proposed at the meeting is enclosed. A Form of Proxy is also enclosed.

By order of the Board of Directors



**B Small**  
Secretary  
8 April 2009

**Hollinsbrook Way**  
Pilsworth, Bury  
Lancashire BL9 8RR



# Corporate Governance

The Group recognises the importance of corporate governance and supports the principles of corporate governance set out in Section 1 of the June 2006 FRC Combined Code on Corporate Governance ('the Code').

The Board has adopted core values and group standards which set out the behaviours expected of staff in their dealings with shareholders, customers, colleagues, suppliers and other stakeholders of the Group. One of the core values communicated within the Group is a belief that the highest standard of integrity is essential in business.

The Group has complied throughout the year with the provisions of the Code.

## Board Composition, Meetings and Committees

The Board of Directors carries the ultimate responsibility for the conduct of the business.

The Board consists of two non-executive directors, both of whom are independent under the Code, and three executive directors. Brief profiles of each director and their positions are set out on page 18. It is the Board's view that all directors are able to bring independent judgement to bear on Board matters and individual directors possess a wide variety of skills and experience. The composition of the Board is kept under review and changes are made when appropriate and in the best interests of the Group. There have been no changes to the membership of the Board since the last Annual Report was published.

Mr C Archer is the recognised senior independent non-executive director. The Board believes that the two non-executives have provided ample guidance to and control over the three executive directors in a demanding period for a small capitalisation listed Group.

None of the Directors have served for more than three years without having been re-elected by the shareholders. The Board held nine Board Meetings in the year including those convened to discuss and sanction the acquisition in the period and to approve the Annual Report and Accounts. Board papers including reports from the Chief Executive and Group Finance Director as well as reports from the Operations, Property and Loss Control Directors (who are not on the main Board but who attend the meetings as required) are circulated in advance of each meeting.

All of the Directors have access to the Company Secretary and a procedure exists for directors, in the furtherance of their duties, to take independent professional advice if necessary, at the Group's expense.

The three principal Board Committees to which responsibilities are delegated are as follows:

### Remuneration Committee

The Remuneration Committee currently comprises the two independent non-executive directors, Mr C Archer (Chairman) and Mr C Bird. The Board sets the terms of reference for the Remuneration Committee.

The Committee's principal duties are to assist the Board in determining the Group's policy on executive directors' remuneration and to determine specific individual remuneration packages for senior executives, including the executive directors, on behalf of the Board. During the process, individual performance is assessed.

The Committee met three times during the year.

The Committee took independent advice on executive compensation and incentives from PricewaterhouseCoopers LLP ('PwC') (formerly Halliwell Consulting) during the period.





# Corporate Governance

continued

## Audit Committee

The Audit Committee currently comprises the two independent non-executive directors, Mr C Archer (Chairman) and Mr C Bird. The Board sets the terms of reference for the Audit Committee. The Committee's principal duties are to review published financial statements, monitor financial accounting procedures and policies and to review the appointment and fees of the Auditor.

The Audit Committee met three times in the year with the Auditor attending each meeting.

In the year the Audit Committee discharged its responsibilities by:

- Reviewing the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's detailed reports thereon
- Reviewing the Group's pre-close Christmas trading update announcement prior to release
- Reviewing the appropriateness of the Group's accounting policies
- Reviewing regularly the potential impact on the Group's financial statements of certain matters such as impairments of fixed asset values and proposed International Accounting Standards
- Reviewing and approving the audit fee and reviewing non-audit fees payable to the Group's external auditor. In reviewing the non-audit fees, the Committee also considers the independence of the external auditor and whether its engagement to supply non-audit services is appropriate
- Reviewing the external auditor's plan for the audit of the Group's financial statements, key risks of misstatement in the financial statements, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit

The Audit Committee also monitors the Group's whistle blowing procedures ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence, with suitable subsequent follow-up action. An alternative reporting channel exists whereby perceived wrongdoing may be reported via telephone, anonymously if necessary.

## Nomination Committee

The Nomination Committee currently comprises the Chairman and the two independent non-executive directors. The Nomination Committee has not been required to meet in the period.

## Board and Committee attendance

The attendance record of individual directors at Board and committee meetings is detailed below:

	Board Meetings	Remuneration Committee	Audit Committee
<b>Number of meetings in year</b>	<b>9</b>	<b>3</b>	<b>3</b>
P Cowgill	9	3	3
B Bown	8	-	-
B Small	9	3	3
C Archer	9	3	3
C Bird	9	3	3

P Cowgill and B Small attended all the committee meetings at the invitation of the non-executive directors.

## Directors' Remuneration

The Directors' Report on Remuneration and Related Matters is set out on pages 29 to 34.

## Directors' Responsibilities

### General

The Board's main roles are to create value to shareholders, to provide entrepreneurial leadership of the Group, to approve the Group's strategic objectives and to ensure that the necessary financial and other resources are made available to enable them to meet those objectives.

### Specific

The specific responsibilities reserved to the Board include:

- Setting Group strategy and approving an annual budget and medium-term projections
- Reviewing operational and financial performance
- Approving major acquisitions, divestments and capital expenditure
- Reviewing the Group's systems of internal control and risk management
- Ensuring that appropriate management development and succession plans are in place
- Reviewing the environmental and health and safety performance of the Group
- Approving appointments to the Board of Directors and of the Company Secretary
- Approving policies relating to directors' remuneration and the severance of directors' contracts
- Ensuring that a satisfactory dialogue takes place with shareholders

### Insurance

The Company has appropriate insurance in place in respect of legal action against the Directors.





# Corporate Governance

continued

## Internal Control and Audit

Following publication of 'Internal Control: Guidance for Directors on the Combined Code' (the Turnbull guidance), the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place for the year under review and up to the date of approval of the annual report and accounts, and is regularly reviewed by the Board and accords with the Turnbull guidance.

The Directors are responsible for the Group's system of internal controls and monitoring their effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement. The Directors have established an organisation structure with clear operating procedures, lines of responsibility, delegated authority to executive management and a comprehensive financial reporting process. In particular there are clear procedures for the following:

- Identification and monitoring of the business risks facing the Group, with major risks identified and reported to the Audit Committee and the Board
- Capital investment, with detailed appraisal and authorisation procedures
- Prompt preparation of comprehensive monthly management accounts providing relevant, reliable and up-to-date information. These allow for comparison with budget and previous year's results. Significant variances from approved budgets are investigated as appropriate
- Preparation of comprehensive annual profit and cash flow budgets allowing management to monitor business activities and major risks and the progress towards financial objectives in the short and medium term
- Monitoring of store procedures and the reporting and resolution of suspected fraudulent activities
- Reconciliation and checking of all cash and stock balances and investigation of any material differences

The Board has reviewed the effectiveness of internal controls by reviewing reports covering the testing of internal controls. In establishing the system of internal control the Directors have regard to the materiality of relevant risks, the likelihood of a loss being incurred and costs of control. It follows, therefore, that the system of internal control can only provide a reasonable, and not absolute, assurance against the risk of material misstatement or loss.

The scope of internal audit work performed is determined by the Board in conjunction with the Loss Control Director who reports directly to the Board every month. The primary focus has continued to be on security and minimisation of unauthorised losses in the business using a team of appropriately experienced employees.

The Board has decided not to employ a full time internal audit function as there is a robust control environment and culture in the business. On this basis, the costs of such a function are not considered to be either necessary or justified.

The responsibility for internal control procedures with joint ventures rests with the senior management of those operations. The Company monitors its investments and exerts influence through Board representation.

## Shareholder Relations

In fulfilment of the Chairman's obligations under the new Combined Code, the Chairman gives feedback to the Board on issues raised by major shareholders. This is supplemented by twice yearly formal feedback to the Board on meetings between management, analysts and investors which seeks to convey the financial market's perception of the Group.

External brokers' reports on the Group are also circulated to all directors. In addition, the non-executive directors attend results presentations and analyst and institutional investor meetings whenever possible.

The Annual General Meeting (AGM) is normally attended by all directors, and shareholders are invited to ask questions during the meeting and to meet with directors after the formal proceedings have ended. At the AGM the level of proxies lodged on each resolution is announced to the meeting after the show of hands for that resolution.

The Group has frequent discussions with larger shareholders on a range of issues affecting its performance. These include meetings following the announcement of the annual results with the Group's largest shareholders on an individual basis. In addition, the Group responds to individual ad hoc requests for discussions from significant shareholders. The senior independent non-executive director is available to shareholders if they have concerns which the normal channels of Chairman, Chief Executive or Group Finance Director have failed to resolve or for which such contact is inappropriate.

All major shareholders are given the opportunity to meet any new non-executive directors on appointment.

## Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.





## Directors' Remuneration Report

This report sets out the remuneration policy operated by the Group in respect of the executive directors, together with disclosures on Directors' remuneration required by The Directors' Remuneration Report Regulations 2002 ('the Regulations'). The Auditor is required to report on the 'auditable' part of this Report and to state whether, in their opinion, that part of the Report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The Report is therefore divided into separate sections for audited and unaudited information.

The Board have reviewed the Group's compliance with the Combined Code ('the Code') on remuneration related matters. It is the opinion of the Board that the Group complied with all remuneration related aspects of the Code during the year.

The Report will be put to shareholders for approval at the Annual General Meeting on 25 June 2009.

### Unaudited Information

#### Remuneration Committee

The Remuneration Committee (the 'Committee') comprises both independent Non Executive Directors, being Mr C Bird and myself as Chairman of the Committee.

The Committee assists the Board in determining the Group's policy on executive directors' remuneration and determines the specific remuneration packages for senior executives, including the Executive Directors, on behalf of the Board. When the Committee is considering matters concerning key executives below Board level, advice is sought from the Executive Directors. The Committee also took independent advice on executive compensation and incentives from PricewaterhouseCoopers LLP ('PwC') (formerly Halliwell Consulting) during the period. PwC provided no other services to the Company in the period.

The Committee is formally constituted with written Terms of Reference, a copy of which is available to shareholders by writing to the Company Secretary.

The Committee has met three times during the last year with each member attending all the meetings.

#### Policy

The policy of the Committee is to attract, motivate and retain executives of the necessary calibre required to shape and execute the Group's business strategy and enhance shareholder value over both the short and long term. In addition, the policy is to provide executives with the opportunity to earn exceptional levels of reward provided that performance is exceptional.

The key principles behind the Committee's policy for 2009 and 2010 are:

- To maintain a competitive package of total compensation, commensurate with comparable packages available with similar retailers
- To make a significant percentage of potential maximum reward conditional on short and long term performance
- To link reward to the satisfaction of targeted objectives which are the main drivers of value creation
- To be sensitive in determining Executive Directors' remuneration to pay and conditions in the Group and the wider economic environment
- To have the flexibility to reward executives for exceptional performance or to address specific issues in relation to the retention and motivation of key executives



# Directors' Remuneration Report

continued

## Components of Remuneration

The main components of the current remuneration package are:

### Base salary

The policy of the Committee is to set base salaries for the Executive Directors between the lower or median quartile when compared to UK quoted retailers with similar corporate attributes to those of the Group.

Factors taken into account by the Committee when determining base salary levels are:

- Objective research based on a review of the remuneration in comparable retail companies carried out by PwC
- The performance of the individual executive director and their contribution to the performance of the business
- Experience and responsibilities of each executive director
- Pay and conditions throughout the Group and the wider economic environment

In line with the remuneration policy, the salaries of the Executive Directors are reviewed annually.

With effect from 1 April 2009, the salaries for the executive directors have been increased as follows:

Executive director	Previous salary	New salary	Percentage increase	Position against comparator group
Peter Cowgill	£398,475	£410,430	3%	Median
Barry Bown	£284,625	£293,165	3%	Lower Quartile
Brian Small (i)	£180,950	£186,380	3%	Lower Quartile

(i) The previous salary for Mr B Small reflected a £5,000 increase awarded during the period to 31 January 2009, over and above that which was disclosed in the prior period remuneration report. This increase in salary was backdated to 1 April 2008 to reflect his additional responsibilities.

### Annual bonus

The level of payout for annual bonus is based on the achievement of challenging EPS targets. The Committee reviews these targets at the beginning and end of each financial year to ensure that they remain fair and challenging and are appropriate to the current market conditions and position of the Company.

Whilst the normal maximum bonus potential is 100% of salary, the Remuneration Committee retains the discretion to pay bonuses above that level for exceptional performance. This discretion was utilised in 2008 but not in 2009.

### Special retention payment

In the year to 2 February 2008, the Company faced a real retention risk in relation to the Executive Chairman. It was the strong belief of the Committee that it was crucial to the continued growth of the Company that the services of the Executive Chairman were secured in the short to medium term. As a result, the Committee introduced a Special Retention Payment ('SRP') for the Executive Chairman to ensure that he was retained to focus on driving shareholder value for the foreseeable future. The structure of the SRP was disclosed in my report last year which was

subsequently approved at the Annual General Meeting held on 26 June 2008. There have been no changes to the structure of the SRP in the year.

	Paid / Payable			
	March 2008 £000	March 2009 £000	March 2010 £000	Total £000
Retention element	3,000	500	500	4,000
Performance element	-	500 (i)	500 (ii)	1,000
Total	3,000	1,000	1,000	5,000

- (i) Based on performance in the period ending 31 January 2009
- (ii) Based on performance in the period ending 30 January 2010

The amounts shown above are non-pensionable.

The retention element of £4,000,000 was recognised in full in the Consolidated Income Statement for the period ended 2 February 2008.

The performance related element is payable on the achievement of pre-determined profit targets in line with market expectations. An amount of £500,000 has been recognised in the Consolidated Income Statement for the period ended 31 January 2009 on the basis of the Group achieving performance targets for this period. The remaining £500,000 will be recognised in the Consolidated Income Statement in the period ended January 2010 assuming the applicable target for that period is also achieved.

The Committee intends to review the remuneration and retention arrangements for the Executive Chairman during the current year.

### Cash based Long Term Incentive Plan

The shareholders approved the introduction of the JD Sports Fashion Plc 2008 Long Term Incentive Plan ('LTIP') at the Annual General Meeting held on 26 June 2008. The objective of the LTIP is to:

- Provide the Committee with the necessary mechanism with which to retain the Executives who are critical to driving shareholder value
- Provide the Executives with the opportunity to earn competitive rewards which was previously severely restricted by the absence of any long-term incentive plan
- Align the Executives' interests more closely with those of the shareholders
- Focus the Executives on sustaining and improving the long-term financial performance of the Company and reward them appropriately for doing so
- Ensure a more appropriate balance in the Executives' compensation between fixed and performance elements

The LTIP consists of two separate awards that pay out in cash after two and three years respectively, subject to continued employment and meeting stretching performance targets which drive the creation of shareholder value. The Committee gave considerable thought as to whether the awards should pay out in cash or shares and decided that given the current shareholder structure and the lack of a large free float, the delivery mechanism should be in cash.

The following table outlines the structure of the LTIP:

	1st Award	2nd Award
Performance to Payable	30 January 2010 March 2010	29 January 2011 March 2011
Amount Payable:		
Peter Cowgill	£400,000	£450,000
Barry Bown	£350,000	£393,750
Brian Small	£250,000	£281,250
Other Key Executives	£1,500,000	£1,625,000
	£2,500,000	£2,750,000

The 1st award would be paid out in March 2010 subject to the Group achieving average headline earnings\* of £40 million over the three year period ending 30 January 2010.

The 2nd award would be paid out in March 2011 subject to the Group achieving average headline earnings of £44 million (40% of payout) and £48 million (100% of payout) over the three year period ending 29 January 2011.

\* Headline earnings are defined as profit before tax and exceptional items.

An amount of £1,750,000 has been recognised in the Consolidated Income Statement for the period ended 31 January 2009 (2008: £833,000) being one-third of the 1st award payable (2008: one-third) and one-third of the 2nd award payable (2008: nil). These amounts are consistent with the vesting profile of a three year performance period.

Any payments made under the scheme will be non-pensionable.

### Other benefits

The Company makes contributions into individual personal pension schemes for Mr B Bown and Mr B Small at a defined percentage of salary, excluding bonus and other forms of remuneration.

Other benefits vary from director to director and include entitlement to a fully expensed car, private health care for the executive director and immediate family and life assurance to provide cover equal to four times the executive director's salary. Car benefits have been calculated in accordance with HM Revenue and Customs scale charges.

The Committee actively reviews the levels of benefit received to ensure that they remain competitive in the UK quoted environment.

### Service Contracts

Details of the contracts currently in place for executive directors are as follows:

	Date of Contract	Notice Period (Months)	Unexpired Term
Barry Bown	20 February 2009	12	Rolling 12 months
Brian Small	10 March 2004	12	Rolling 12 months
Peter Cowgill	16 March 2004	12	Rolling 12 months

Each service contract includes provision for compensation commitments in the event of early termination. For each of the Executives, these commitments now do not exceed one year's salary and benefits.

Each service contract expires upon the director reaching the age of 65 (subject to re-election by shareholders).

The Committee consider these levels of compensation for loss of office appropriate in light of the levels of basic salary provided and prevailing market conditions.

In the event of gross misconduct, the Company may terminate the service contract of an executive director immediately and with no liability to make further payments other than in respect of amounts accrued at the date of termination.

During the period ended 31 January 2009, the Committee have sought to align the previously preferential terms of compensation in the event of early termination of the contract of Mr B Bown to those of the other executive directors. As a consequence, in the event of the early termination of his appointment, Mr B Bown is no longer entitled to an additional £170,000 (net of PAYE and NIC) over and above an amount equal to 12-months salary and benefits.

Principally, in consideration for this change in his contract the Committee agreed that a one off bonus payment be made to Mr B Bown for an amount of £300,000. This one off payment is non-pensionable and was recognised in full in the Consolidated Income Statement for the period ended 31 January 2009. All other benefits within his contract of service remained unchanged.

Directors retiring by rotation at the next Annual General Meeting are shown in the Directors' Report on page 20.

During the year, Peter Cowgill also served as Non-Executive Chairman of United Carpets Group Plc and MBL Group Plc and has retained earnings of £121,041 in respect of these offices.

### Non-Executive Directors

The Non-Executive Directors have entered into letters of appointment with the Company for a fixed period of 12 months which are renewable by the Board and the non-executive director, and are terminable by the non-executive director or Company on not less than three months' notice.

Their remuneration is determined by the Board taking into account the scope and nature of their duties and market rates. The Non-Executive Directors do not participate in the Company's incentive arrangements and no pension contributions are made in respect of them. Details of their fees are set out in the audited information on page 34.



# Directors' Remuneration Report

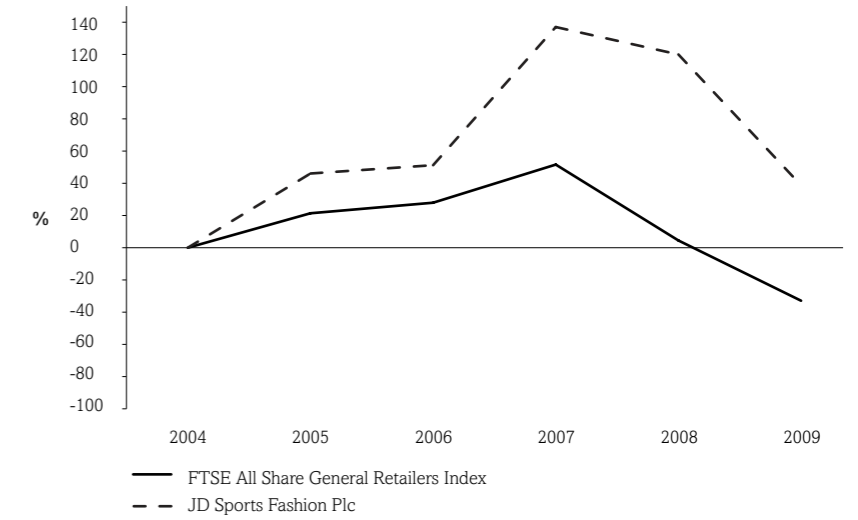
continued

## Total Shareholder Return

The following graph shows the Total Shareholder Return ("TSR") of the Group in comparison to the FTSE All Share General Retailers Index over the past five years. The Committee consider the FTSE All Share General Retailers Index a relevant index for total shareholder return comparison disclosure required under the Regulations as the index represents the broad range of UK quoted retailers.

TSR is calculated for each financial year end relative to the base date of 31 January 2004 by taking the percentage change of the market price over the relevant period, re-investing any dividends at the ex-dividend rate.

Total Shareholders Return from 31 January 2004





# Directors' Remuneration Report

continued

## Audited Information

### Individual Directors' Emoluments

Directors' salaries and benefits charged in the period to 31 January 2009 are set out below together with comparatives for the period to 2 February 2008.

	Salary and fees £000	Benefits excluding pensions £000	Annual performance related bonus £000	Special retention payment £000	Contract renegotiation payment £000	2009 Total £000	2008 Total £000	2009 Pensions costs £000	2008 Pensions costs £000
P Cowgill	396	1	398	500	-	1,295	4,819	-	-
B Bown	283	1	285	-	300	869	597	22	21
B Small	179	21	181	-	-	381	386	21	20
C Archer	36	-	-	-	-	36	35	-	-
C Bird	27	-	-	-	-	27	26	-	-
	921	23	864	500	300	2,608	5,863	43	41

The pension contributions represent amounts payable to defined contribution pension schemes.

### Cash Based Long Term Incentive Plan

In addition, the following amounts have been provided in the period ended 31 January 2009 in respect of the LTIP. The amounts recognised comprise one third of the amount proposed for the 1st award based on Group performance in the second year of the three year vesting period and one third of the 2nd award based on Group performance in the first year of the three year vesting period. The first award is payable in March 2010 subject to the Group meeting the performance conditions as detailed on page 31.

	2009 £000	2008 £000
P Cowgill	283	133
B Bown	248	117
B Small	177	83
	708	333

On behalf of the Remuneration Committee

**Colin Archer**  
Chairman of the Remuneration Committee  
8 April 2009



# Directors' Responsibility Statement

## Responsibilities of Directors

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

The Group and Parent Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Parent Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRSs as adopted by the EU
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and Group; and
- the management report, comprising the chairman's statement, financial and risk review, property and stores review and directors' report, includes a fair review of the development and performance of the business and the position of the Parent Company and Group, together with a description of the principal risks and uncertainties that they face.

By order of the Board



**Brian Small**  
**Group Finance Director**  
**8 April 2009**





# Independent Auditor's Report to the Members of JD Sports Fashion Plc

We have audited the Group and Parent Company financial statements (the 'financial statements') of JD Sports Fashion Plc for the 52 week period ended 31 January 2009 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expense, and the related notes.

These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective Responsibilities of Directors and Auditor

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 36.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Summary of Key Performance Indicators, Chairman's Statement, Financial and Risk Review, Property and Stores Review and Corporate and Social Responsibility pages that is cross-referenced from the Principal Activities and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 January 2009 and of its profit for the period then ended;
- the Parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 January 2009;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

**KPMG Audit Plc**  
**Chartered Accountants**  
**Registered Auditor**  
**Preston**  
**8 April 2009**







## Consolidated Income Statement

For the 52 weeks ended 31 January 2009

	Note	52 weeks to 31 January 2009 £000	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 Restated - see note 1 £000	53 weeks to 2 February 2008 Restated - see note 1 £000
<b>Revenue</b>			<b>670,855</b>		592,240
Cost of sales			(340,309)		(300,813)
<b>Gross profit</b>			<b>330,546</b>		291,427
Selling and distribution expenses - normal		(256,315)		(225,994)	
Selling and distribution expenses - exceptional	4	(8,201)		(8,404)	
Selling and distribution expenses			(264,516)		(234,398)
Administrative expenses - normal		(20,867)		(22,500)	
Administrative expenses - exceptional	4	(8,122)		-	
Administrative expenses			(28,989)		(22,500)
Other operating income			1,109		1,086
<b>Operating profit</b>			<b>38,150</b>		35,615
Before exceptional items			54,473		44,019
Exceptional items	4		(16,323)		(8,404)
<b>Operating profit</b>			<b>38,150</b>		35,615
Share of results of joint venture before exceptional items (net of tax)	15		(166)		(145)
Share of exceptional items (net of tax)	15		914		-
Share of results of joint venture	15		748		(145)
Financial income	7		529		297
Financial expenses	8		(1,210)		(764)
<b>Profit before tax</b>	3		<b>38,217</b>		35,003
Income tax expense	9		(13,707)		(11,416)
<b>Profit for the period</b>			<b>24,510</b>		23,587
Attributable to equity holders of the parent			24,379		23,549
Attributable to minority interest	26		131		38
Basic earnings per ordinary share	10		50.49p		48.79p
Diluted earnings per ordinary share	10		50.49p		48.79p

## Statement of Recognised Income and Expense

For the 52 weeks ended 31 January 2009

	GROUP		COMPANY	
	52 weeks ended 31 January 2009 £000	53 weeks ended 2 February 2008 £000	52 weeks ended 31 January 2009 £000	53 weeks ended 2 February 2008 £000
<b>Profit for the period</b>	<b>24,510</b>	23,587	<b>25,801</b>	24,387
Exchange differences on translation of foreign operations	4	-	-	-
<b>Total recognised income and expense for the period</b>	<b>24,514</b>	23,587	<b>25,801</b>	24,387
Attributable to equity holders of the parent	24,383	23,549	25,801	24,387
Attributable to minority interest	131	38	-	-



# Balance Sheets

As at 31 January 2009

	Note	GROUP		COMPANY	
		As at 31 January 2009 £000	As at 2 February 2008 Restated - see note 1 £000	As at 31 January 2009 £000	As at 2 February 2008 £000
<b>Assets</b>					
Intangible assets	11	42,890	44,433	19,757	22,164
Property, plant and equipment	12	62,668	52,713	48,073	39,678
Investment property	13	4,102	4,151	4,102	4,151
Other receivables	14	5,459	5,025	5,227	4,801
Equity accounted investment in joint venture	15	1,108	360	-	-
Investments	16	-	-	6,668	5,298
Deferred tax assets	25	-	-	571	-
<b>Total non-current assets</b>		<b>116,227</b>	<b>106,682</b>	<b>84,398</b>	<b>76,092</b>
Available for sale investments	17	2,053	-	2,053	-
Inventories	18	58,287	58,040	43,011	45,172
Trade and other receivables	19	20,453	16,251	53,967	47,809
Cash and cash equivalents	20	23,538	11,969	23,530	9,343
<b>Total current assets</b>		<b>104,331</b>	<b>86,260</b>	<b>122,561</b>	<b>102,324</b>
<b>Total assets</b>		<b>220,558</b>	<b>192,942</b>	<b>206,959</b>	<b>178,416</b>
<b>Liabilities</b>					
Interest bearing loans and borrowings	21	(83)	(155)	(83)	(83)
Trade and other payables	23	(80,073)	(80,875)	(64,584)	(62,177)
Provisions	24	(2,859)	(1,893)	(2,492)	(1,438)
Income tax liabilities		(8,395)	(9,716)	(8,419)	(8,485)
<b>Total current liabilities</b>		<b>(91,410)</b>	<b>(92,639)</b>	<b>(75,578)</b>	<b>(72,183)</b>
Interest bearing loans and borrowings	21	-	(83)	-	(83)
Other payables	23	(19,690)	(11,839)	(20,567)	(17,939)
Provisions	24	(5,310)	(4,726)	(3,999)	(3,351)
Deferred tax liabilities	25	(379)	(864)	-	(310)
<b>Total non-current liabilities</b>		<b>(25,379)</b>	<b>(17,512)</b>	<b>(24,566)</b>	<b>(21,683)</b>
<b>Total liabilities</b>		<b>(116,789)</b>	<b>(110,151)</b>	<b>(100,144)</b>	<b>(93,866)</b>
<b>Total assets less total liabilities</b>		<b>103,769</b>	<b>82,791</b>	<b>106,815</b>	<b>84,550</b>
<b>Capital and reserves</b>					
Issued ordinary share capital	26	2,433	2,413	2,433	2,413
Share premium	26	11,659	10,823	11,659	10,823
Retained earnings	26	89,677	69,555	92,723	71,314
<b>Total equity</b>		<b>103,769</b>	<b>82,791</b>	<b>106,815</b>	<b>84,550</b>
Attributable to equity holders of the parent		102,474	81,627	106,815	84,550
Attributable to minority interest	26	1,295	1,164	-	-
<b>Total equity</b>		<b>103,769</b>	<b>82,791</b>	<b>106,815</b>	<b>84,550</b>

These financial statements were approved by the Board of Directors on 8 April 2009 and were signed on its behalf by:

**B Bown**  
**B Small**  
**Directors**

# Cash Flow Statements

For the 52 weeks ended 31 January 2009

	Note	GROUP		COMPANY	
		52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
<b>Cash flows from operating activities</b>					
Profit for the period		24,510	23,587	25,801	24,387
Share of results of joint venture	15	(748)	145	-	-
Income tax expense	9	13,707	11,416	13,961	11,605
Financial expenses	8	1,210	764	1,064	887
Financial income	7	(529)	(297)	(526)	(320)
Depreciation and amortisation of non-current assets		14,332	12,421	11,228	10,848
Exchange differences on translation of non-current assets		(399)	-	-	-
Impairment of intangible assets	4	2,045	-	2,045	-
Impairment of non-current assets	4	2,225	2,535	328	1,499
Impairment of available for sale investments	4	6,077	-	6,077	-
Loss on disposal of non-current assets	4	2,976	3,015	2,180	2,766
(Increase)/decrease in inventories		(57)	2,955	2,161	1,109
(Increase)/decrease in trade and other receivables		(3,832)	1,396	(6,308)	(24,660)
Increase in trade and other payables and provisions		9,513	6,877	7,627	11,805
Interest paid		(1,210)	(764)	(1,064)	(887)
Income taxes paid		(15,572)	(7,619)	(14,908)	(7,777)
<b>Net cash from operating activities</b>		<b>54,248</b>	<b>56,431</b>	<b>49,666</b>	<b>31,262</b>
<b>Cash flows from investing activities</b>					
Interest received		529	297	526	320
Proceeds from sale of non-current assets		23	1,257	5	1,168
Proceeds from group asset transfer		-	-	-	2,339
Disposal costs of non-current assets		(1,271)	(2,432)	(847)	(2,123)
Acquisition of intangible assets	11	-	(4,279)	-	(4,279)
Acquisition of property, plant and equipment	12	(28,019)	(19,407)	(21,337)	(18,284)
Acquisition of investment property	13	-	(4,160)	-	(4,160)
Acquisition of non-current other receivables		(810)	(389)	(707)	(373)
Cash consideration of acquisitions net of cash acquired	11	(1,310)	(1,135)	(1,370)	(1,323)
Acquisition of available for sale investment		(8,130)	-	(8,130)	-
Investment in joint venture	15	-	(505)	-	(505)
Amounts loaned to joint venture		-	(2,479)	-	(2,479)
<b>Net cash used in investing activities</b>		<b>(38,988)</b>	<b>(33,232)</b>	<b>(31,860)</b>	<b>(29,699)</b>
<b>Cash flows from financing activities</b>					
Repayment of interest bearing loans and borrowings	30	(99)	(18,917)	(83)	(121)
Payment of finance lease and similar hire purchase contracts	30	(56)	(19)	-	-
Dividends paid		(3,536)	(3,524)	(3,536)	(3,524)
<b>Net cash used in financing activities</b>		<b>(3,691)</b>	<b>(22,460)</b>	<b>(3,619)</b>	<b>(3,645)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	30	<b>11,569</b>	<b>739</b>	<b>14,187</b>	<b>(2,082)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	30	<b>11,969</b>	<b>11,230</b>	<b>9,343</b>	<b>11,425</b>
<b>Cash and cash equivalents at the end of the period</b>	30	<b>23,538</b>	<b>11,969</b>	<b>23,530</b>	<b>9,343</b>



# Notes to the Financial Statements

## 1. Significant accounting policies

JD Sports Fashion Plc, formerly 'The John David Group Plc', (the 'Company') is a company incorporated and domiciled in the United Kingdom. The financial statements for the 52 week period ended 31 January 2009 represent those of the Company and its subsidiaries (together referred to as the 'Group'). The Parent Company financial statements present information about the Company as a separate entity and not about its group.

The financial statements were authorised for issue by the Board of Directors on 8 April 2009.

### Basis of preparation

European Union ('EU LAW') law (IAS Regulation EC 1606/2002) requires that the financial statements of the Group are prepared and approved in accordance with International Financial Reporting Standards as adopted by the EU ('adopted IFRSs'). The financial statements have been prepared on the basis of the requirements of adopted IFRSs that are endorsed by the EU and effective at 31 January 2009.

The Company has chosen to present its own results under adopted IFRSs and by publishing the Company financial statements here, with the Group financial statements, the Company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes.

The following adopted IFRSs, which will have an impact for the Group, were available for early adoption but have not been applied in these financial statements:

- IFRS8 'Operating Segments' applicable for financial periods commencing on or after 1 January 2009. This requires that entities adopt the 'management approach' to reporting the financial performance of its operating segments. It is concerned with disclosures only and, as such, will have no impact on the Consolidated Income Statement or Group and Company Balance Sheets
- IAS1 '(Revised) Presentation of Financial Statements' applicable for financial periods commencing on or after 1 January 2009. The standard requires a change in the format and presentation of the Group's primary statements but will have no impact on reported profits or equity

All other standards and interpretations that are available for early adoption have no impact for the Group.

The financial statements are presented in pounds sterling, rounded to the nearest thousand.

The financial statements have been prepared under the historical cost convention, as modified for financial assets and liabilities (including derivative instruments) at fair value through the Consolidated Income Statement.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The accounting policies set out below have unless otherwise stated been applied consistently to all periods present in these financial statements and have been applied consistently by all Group entities.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Financial and Risk Review on pages 4 and 10 respectively. In addition, details of financial instruments and exposures to interest rate, foreign currency, credit and liquidity risks are outlined in note 22.

As at 31 January 2009, the Group has net cash balances of £23,455,000 and undrawn committed borrowing facilities of £70,000,000. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

### Prior period restatement

The comparative shown in the Consolidated Income Statement for the 53 week period ended 2 February 2008 has been restated to reclassify certain costs totalling £3,274,000 from administrative to selling and distribution expenses. Management consider the revised presentation to be a better reflection of the nature of these costs. In addition, the comparative Group Balance Sheet as at 2 February 2008, has been restated to reflect the completion during the period of initial accounting in respect of acquisitions made in the prior period. Adjustments made to the provisional calculation of the fair value of assets and liabilities acquired amount to £3,080,000. This has resulted in an increase to goodwill of £3,062,000 and a reduction in minority interests of £18,000. The impact of these adjustments on the net assets acquired is shown in note 11.

### Basis of consolidation

#### I. Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Minority interests in the net assets of consolidated subsidiaries are identified separately from the equity attributable to holders of the parent. Minority interests consist of the amount of those interests at the date that control commences and the minority's share of changes in equity subsequent to that date.

# Notes to the Financial Statements

continued

## 1. Significant accounting policies (continued)

### II. Joint ventures

Joint ventures are entities over which the Group has joint control based on a contractual arrangement. The results and assets and liabilities of joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Investments in joint ventures are carried in the balance sheet at cost and adjusted for post-acquisition changes in the Group's share of the net assets. Losses of the joint venture in excess of the Group's interest in it are not recognised.

### III. Transactions eliminated on consolidation

Intragroup balances, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

### Property, plant and equipment

#### I. Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful economic lives, they are accounted for as separate items.

#### II. Leased assets

Assets funded through finance leases and similar hire purchase contracts are capitalised as property, plant and equipment where the Group assumes substantially all of the risks and rewards of ownership. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Future installments under such leases, net of financing costs, are included within interest bearing loans and borrowings. Rental payments are apportioned between the finance element, which is included in finance costs, and the capital element which reduces the outstanding obligation for future installments so as to give a constant charge on the outstanding obligation.

All other leases are accounted for as operating leases and the rental charges are charged to the Consolidated Income Statement on a straight line basis over the life of the lease.

Legal fees and other costs associated with the acquisition of a leasehold interest are capitalised as other receivables within non-current assets. These costs are amortised over the life of the lease.

Lease incentives are credited to the Consolidated Income Statement on a straight line basis over the life of the lease.

#### III. Depreciation

Depreciation is charged to the Consolidated Income Statement over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful economic lives are as follows:

• Long leasehold properties	2% per annum on a straight line basis
• Improvements to short leasehold properties	life of lease on a straight line basis
• Computer equipment	3 - 6 years on a straight line basis
• Fixtures and fittings	7 - 10 years, or length of lease if shorter, on a straight line basis
• Motor vehicles	25% per annum on a reducing balance basis

### Investment property

Investment property, which is property held to earn rentals, is stated at cost less accumulated depreciation and impairment losses. Investment property is depreciated over a period of 50 years on a straight-line basis, with the exception of freehold land, which is not depreciated. The Group has elected not to revalue investment property annually but to disclose the fair value in the Consolidated Financial Statements.

The fair value is based on an external valuation prepared by persons having the appropriate professional qualification and experience.

### Intangible assets

#### I. Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 February 2004, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 February 2004 has not been reconsidered in preparing the Group's opening adopted IFRS balance sheet at 1 February 2004.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (CGUs) and is tested annually for impairment. The CGUs used are the store portfolios and wholesale companies acquired through acquisitions. The recoverable amount is compared to the carrying amount of the CGU including goodwill. The recoverable amount of a CGU is determined based on value-in-use calculations.

Negative goodwill arising on an acquisition is recognised immediately in the Consolidated Income Statement.



# Notes to the Financial Statements

continued

## 1. Significant accounting policies (continued)

### II. **Other intangible assets**

Other intangible assets represent brand licences and purchased fascia names. Brand licences are stated at cost less accumulated amortisation and impairment losses. Amortisation of brand licences is charged to the Consolidated Income Statement over the term to the licence expiry on a straight-line basis.

Separately identifiable fascia names acquired on acquisition are initially stated at fair value and thereafter at cost less accumulated amortisation and impairment losses. The useful economic life of each purchased fascia name is considered separately. Where the Directors believe that there is no foreseeable limit to the period over which the asset is expected to generate a net cash flow, the specific fascia name is not amortised but is subject to annual impairment reviews.

### **Investments in subsidiary undertakings and joint ventures**

In the Company's accounts all investments in subsidiary undertakings and joint ventures are stated at cost less provisions for impairment losses.

### **Available for sale investments**

Available for sale investments comprise investments in listed equity shares that are traded in an active market. Available for sale financial assets are measured at fair value with fair value gains or losses recognised directly in equity through the statement of recognised income and expense and recycled into the income statement on sale or impairment of the asset. A significant or prolonged decline in market value is deemed to be objective evidence of impairment. At this point, the cumulative gain or loss previously recognised in equity is recognised in profit or loss for the period. Transaction costs that are directly attributable to the acquisition of available for sale investments are added to the fair value on initial recognition.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle. Provisions are made for obsolescence, mark downs and shrinkage.

### **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cashflows from the financial assets expire or are transferred. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

### **Trade receivables**

Trade receivables are recognised at amortised cost less impairment losses. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The movement in the provision is recognised in the Consolidated Income Statement.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the Cash Flow Statement, as these are used as an integral part of the Group's cash management.

### **Net cash/interest bearing borrowings**

Net cash consists of cash and cash equivalents together with other borrowings from bank loans, other loans, loan notes, finance leases and similar hire purchase contracts.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Following the initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

### **Trade and other payables**

Trade and other payables are non-interest bearing and are stated at their cost.

### **Foreign currency translation**

Transactions denominated in foreign currencies are translated into sterling at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange at the balance sheet date. Exchange differences in monetary items are recognised in the Consolidated Income Statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into sterling at the rate of exchange at the balance sheet date. Income and expenses are translated at the average exchange rate for the accounting period.

### **Derivative financial instruments**

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

# Notes to the Financial Statements

continued

## 1. Significant accounting policies (continued)

Derivative financial instruments are recognised initially at fair value and remeasured at each period end. The gain or loss on remeasurement to fair value is recognised immediately in the Consolidated Income Statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Interest rate swaps are recognised at fair value in the balance sheet with movements in fair value recognised in the Consolidated Income Statement for the period. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the respective risk profiles of the swap counterparties.

### **Hedging**

#### **Hedge of monetary assets and liabilities**

Where a derivative financial instrument is used to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the Consolidated Income Statement.

### **Provisions**

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably.

Within the onerous lease provision, management have provided against the minimum contractual lease cost less potential sublease income for vacant stores. For loss making trading stores, provision is made to the extent that the lease is deemed to be onerous.

### **Revenue**

Revenue represents the amounts receivable by the Group for goods supplied to customers net of discounts, returns and VAT. Revenue is recognised when goods are sold and title has passed.

### **Exceptional items**

Items that are material in size, unusual or infrequent in nature are included within operating profit and disclosed separately as exceptional items in the Consolidated Income Statement.

The separate reporting of exceptional items, which are presented as exceptional within the relevant category in the Consolidated Income Statement, helps provide an indication of the Group's underlying business performance. The principal items which will be included as exceptional items are:

- Loss/(profit) on the disposal of non-current assets
- Provision for rentals on onerous property leases
- Impairment of property, plant and equipment
- Impairment of non-current other receivables
- Impairment of intangible assets
- The cost of significant restructuring and incremental integration costs following acquisition

### **Financial income**

Financial income comprises interest receivable on funds invested. Financial income is recognised in the Consolidated Income Statement on an effective interest method.

### **Financial expenses**

Financial expenses comprise interest payable on interest-bearing loans and borrowings. Financial expenses are recognised in the Consolidated Income Statement on an effective interest method.

### **Income tax expense**

Tax on the profit or loss for the year comprises current and deferred tax.

#### **I. Current income tax**

Current income tax expense is calculated using the tax rates which have been enacted or substantively enacted by the balance sheet date, adjusted for any tax paid in respect of prior years.

#### **II. Deferred taxation**

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- Goodwill not deductible for tax purposes
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



# Notes to the Financial Statements

continued

## 1. Significant accounting policies (continued)

### Impairment

The carrying amounts of the Group's assets other than inventories and deferred tax assets are reviewed annually to determine whether there is any indication of impairment. An impairment review is performed on individual cash generating units (CGUs), being principally individual stores or a collection of stores where the cash flows are not independent. If any such impairment exists then the asset's recoverable amount is estimated. Impairment losses are recognised in the Consolidated Income Statement.

Impairment losses in respect of goodwill are not reversed.

### Pensions

The Group operates defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds. Obligations for contributions to the defined contribution schemes are recognised as an expense in the Consolidated Income Statement when incurred.

### Critical accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

#### I. Impairment of goodwill

The Group is required to test whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows expected to arise from the continuing operation of the cash generating unit and the choice of a suitable discount rate in order to calculate the present value. The cash generating units used are the store portfolios and wholesale companies acquired through acquisitions.

#### II. Impairment of property, plant and equipment and non-current other receivables

Property, plant and equipment and non-current other receivables are reviewed for impairment if events or changes in circumstances indicate that the carrying amount of an asset or a cash generating unit is not recoverable. The recoverable amount is the greater of the fair value less costs to sell and value in use.

#### III. Impairment of other intangible assets with indefinite lives

The Group is required to test whether other intangible assets with an indefinite useful economic life have suffered any impairment. The recoverable amount of these assets is based on the estimation of future sales and the choice of a suitable royalty and discount rate in order to calculate the present value. Note 11 provides further detail of the judgements made by the Board in determining that the lives of acquired fascia names are indefinite.

#### IV. Provisions to write inventories down to net realisable value

The Group makes provisions for obsolescence, mark downs and shrinkage based on historical experiences and management estimates of future events.

#### V. Onerous property lease provisions

The Group makes a provision for onerous property leases on specific stores based on the anticipated future cash outflows relating to the contractual lease cost less potential sublease income. The estimation of sublease income is based on historical experience and knowledge of the retail property market in the area around each specific property. Significant assumptions and judgements are used in making these estimates and changes in assumptions and future events could cause the value of these provisions to change. This would include sub-let premises becoming vacant, the liquidation of an assignee resulting in a property reverting to the Group or closing an uneconomic store and subletting at below passing rent.

# Notes to the Financial Statements

continued

## 2. 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 £000	Fashion £000	Unallocated £000	Total £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 £000	Fashion £000	Total £000
<b>Capital expenditure:</b>			
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
<b>Depreciation, amortisation and impairments:</b>			
Depreciation and amortisation of non-current assets	11,667	2,665	14,332
Impairment of intangible assets	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 operations and assets of the Group are located almost entirely in the United Kingdom. Accordingly, no geographical analysis is presented.



# Notes to the Financial Statements

continued

## 2. Segmental analysis (continued)

The comparative divisional results for the 53 weeks to 2 February 2008 are as follows:

INCOME STATEMENT	Sport £000	Fashion £000	Total £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

BALANCE SHEET	Sport £000	Fashion £000	Unallocated £000	Total £000
Total assets	127,586	49,096	16,260	192,942
Total liabilities	(80,891)	(18,680)	(10,580)	(110,151)

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 £000	Fashion £000	Total £000
<b>Capital expenditure:</b>			
Property, plant and equipment	18,491	916	19,407
Investment property	4,160	-	4,160
Non-current other receivables	373	16	389
Goodwill on acquisition	17	14,154	14,171
Other intangible assets	4,279	5,481	9,760
<b>Depreciation, amortisation and impairments:</b>			
Depreciation and amortisation of non-current assets	10,918	1,503	12,421
Impairment of non-current assets	1,500	1,035	2,535

The operations and assets of the Group are located almost entirely in the United Kingdom. Accordingly, no geographical analysis is presented.

# Notes to the Financial Statements

continued

## 3. Profit before tax

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
<b>Profit before tax is stated after charging:</b>		
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	103	106
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	61	42
Other services pursuant to legislation	21	51
Tax services	69	27
All other services	5	20
Depreciation and amortisation of non-current assets:		
Depreciation of property, plant and equipment		
Owned	13,527	11,674
Held under finance lease and similar hire purchase contracts	23	155
Depreciation of investment property - owned	49	9
Amortisation of intangible assets	362	60
Amortisation of non-current other receivables - owned	371	523
Impairments of non-current assets:		
Property, plant and equipment (see note 4)	2,119	2,535
Intangible assets (see note 4)	2,045	-
Other non-current assets (see note 4)	106	-
Impairments of current assets:		
Available for sale investments (see note 4)	6,077	-
Rentals payable under non-cancellable operating leases for:		
Land and buildings	70,807	67,332
Other - plant and equipment	1,253	923
Provision to write down inventories to net realisable value	1,475	216
<b>Profit before tax is stated after crediting:</b>		
Rents receivable and other income from property	811	1,087
Sundry income	298	-
Foreign exchange gain recognised	698	525

In addition, fees of £20,000 (2008: £40,000) were incurred and paid by Pentland Group Plc (see note 33) in relation to the non-coterminous audit of the Group for the purpose of inclusion in their consolidated financial statements. The Group also incurred fees of £nil (2008: £35,000) in respect of tax and accounting advice provided by the Company's auditor, which is included in the cost of acquisitions in the period (see note 11).

Non-current other receivables comprises legal fees and other costs associated with the acquisition of leasehold interests (see note 14).

## 4. Exceptional items

	Note	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
Loss on disposal of non-current assets		2,976	3,015
Impairment of non-current assets		2,225	2,535
Onerous lease provision for stores returning under privity		3,000	-
Lease variation costs (i)		-	2,854
Selling and distribution expenses - exceptional		8,201	8,404
Impairment of intangible assets	11	2,045	-
Impairment of available for sale investments	17	6,077	-
Administrative expenses - exceptional		8,122	-
		16,323	8,404

(i) Lease variation costs represent the costs of varying onerous leases to create a break option.



# Notes to the Financial Statements

continued

## 5. Remuneration of directors

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
Directors' emoluments:		
As non-executive directors	63	61
As executive directors	3,253	6,135
Pension contributions	43	41
	<b>3,359</b>	<b>6,237</b>

The remuneration of the executive directors includes retention and contract renegotiation payments totalling £800,000 (2008: £4,000,000) and provision for future LTIP payments of £708,000 (2008: £333,000). Further information on directors' emoluments is shown in the Directors' Remuneration Report on page 29.

## 6. Staff numbers and costs

### Group

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	2009	2008
Sales and distribution	9,498	8,459
Administration	201	168
	<b>9,699</b>	<b>8,627</b>
Full time equivalents	<b>5,737</b>	<b>4,951</b>

Average staff numbers for the 53 week period to 2 February 2008 (Group and Company) have been re-analysed between administration and sales and distribution on a consistent basis to the restatement of operating costs in the Income Statement comparative (see note 1).

The aggregate payroll costs of these persons were as follows:

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
Wages and salaries	95,351	83,890
Social security costs	6,617	5,601
Other pension costs (see note 29)	474	374
	<b>102,442</b>	<b>89,865</b>

In the opinion of the Board, the key management as defined under IAS24 'Related Party Disclosures' are the five executive and non-executive Directors (2008: five). Full disclosure of the directors' remuneration is given in the Directors' Remuneration Report on page 29.

### Company

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	2009	2008
Sales and distribution	7,835	7,813
Administration	181	158
	<b>8,016</b>	<b>7,971</b>
Full time equivalents	<b>4,621</b>	<b>4,553</b>

# Notes to the Financial Statements

continued

## 6. Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
Wages and salaries	78,813	77,186
Social security costs	5,426	5,169
Other pension costs	381	351
	<b>84,620</b>	<b>82,706</b>

## 7. Financial income

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
Bank interest	323	278
Other interest	206	19
	<b>529</b>	<b>297</b>

## 8. Financial expenses

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
On bank loans and overdrafts	1,209	758
Finance charges payable in respect of finance lease and similar hire purchase contracts	1	6
	<b>1,210</b>	<b>764</b>

## 9. Income tax expense

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
<b>Current tax</b>		
UK corporation tax at 28.3% (2008: 30%)	14,167	13,229
Adjustment relating to prior periods	25	(251)
Total current tax charge	<b>14,192</b>	<b>12,978</b>
<b>Deferred tax</b>		
Deferred tax (origination and reversal of temporary differences)	87	(544)
Adjustment relating to prior periods	(572)	(1,018)
Total deferred tax credit (see note 25)	<b>(485)</b>	<b>(1,562)</b>
Income tax expense	<b>13,707</b>	<b>11,416</b>



# Notes to the Financial Statements

continued

## 9. Income tax expense (continued)

### Reconciliation of income tax expense

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
Profit before tax multiplied by the standard rate of corporation tax in the UK of 28.3% (2008: 30%)	10,828	10,501
Effects of:		
Expenses not deductible	262	306
Depreciation and impairment of non-qualifying non-current assets	945	1,451
Loss on disposal of non-qualifying non-current assets	516	586
Non qualifying impairment of available for sale investments	1,722	-
Reduction in future tax rate	-	3
Effect of overseas tax rates	(66)	(161)
(Loss)/profit from joint venture - after tax result included	(212)	44
Other differences	259	(45)
Adjustments to tax charge in respect of prior periods	(547)	(1,269)
<b>Income tax expense</b>	<b>13,707</b>	<b>11,416</b>

The adjustment relating to prior periods represents a correction of the eligible/ineligible split in respect of non-current assets.

## 10. Earnings per ordinary share

### Basic and diluted earnings per ordinary share

The calculation of basic and diluted earnings per ordinary share at 31 January 2009 is based on the profit for the period attributable to equity holders of the parent of £24,379,000 (2008: £23,549,000) and a weighted average number of ordinary shares outstanding during the 52 weeks ended 31 January 2009 of 48,287,502 (2008: 48,263,434), calculated as follows:

	52 weeks to 31 January 2009	53 weeks to 2 February 2008
Issued ordinary shares at beginning of period	48,263,434	48,263,434
Issued ordinary shares at end of period	48,661,658	48,263,434
<b>Weighted average number of ordinary shares during the period - basic and diluted</b>	<b>48,287,502</b>	<b>48,263,434</b>

### Adjusted basic and diluted earnings per ordinary share

Adjusted basic and diluted earnings per ordinary share has been based on the profit for the period attributable to equity holders of the parent for each financial period but excluding the post tax effect of certain exceptional items. The Directors consider that this gives a more meaningful measure of the underlying performance of the Group.

	Note	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
Profit for the period attributable to equity holders of the parent		24,379	23,549
Exceptional items excluding loss on disposal of non-current assets	4	13,347	5,389
Tax relating to exceptional items		(1,885)	(1,405)
Share of exceptional items of joint venture (net of tax)		(914)	-
<b>Profit for the period attributable to equity holders of the parent excluding exceptional items</b>		<b>34,927</b>	<b>27,533</b>
<b>Adjusted basic and diluted earnings per ordinary share</b>		<b>72.33p</b>	<b>57.05p</b>

# Notes to the Financial Statements

continued

## 11. Intangible assets

GROUP	Goodwill £000	Brand Licence £000	Fascia Name £000	Total £000
<b>Cost or valuation</b>				
At 27 January 2007	25,769	-	-	25,769
Acquisitions	14,171	4,279	5,481	23,931
At 2 February 2008	39,940	4,279	5,481	49,700
Acquisitions	864	-	-	864
At 31 January 2009	40,804	4,279	5,481	50,564
<b>Amortisation and impairment</b>				
At 27 January 2007	5,207	-	-	5,207
Charge for the period	-	60	-	60
At 2 February 2008	5,207	60	-	5,267
Charge for the period	-	362	-	362
Impairment	2,045	-	-	2,045
At 31 January 2009	7,252	422	-	7,674
<b>Net book value</b>				
<b>At 31 January 2009</b>	<b>33,552</b>	<b>3,857</b>	<b>5,481</b>	<b>42,890</b>
At 2 February 2008	34,733	4,219	5,481	44,433
At 27 January 2007	20,562	-	-	20,562

The impairment in the period relates to the residual goodwill on the acquisition of trade and certain assets of 14 stores in Airport locations from Hargreaves (Sports) Limited in 2006, and reflects disappointing trade since acquisition.

The brand licence is a sub-licence to use the Sergio Tacchini brand in the UK until 2019. The original cost of £4,279,000 is being amortised on a straight-line basis over the licence period. Amortisation of this intangible is included within cost of sales in the Consolidated Income Statement.

The fascia name of £5,481,000 represents the fair value of the 'Bank' fascia name acquired as part of the prior period acquisition of Bank Stores Holdings Limited and its subsidiaries. The 'Bank' fascia name is not being amortised as management consider this asset to have an indefinite useful economic life. Factors considered by the Board in determining that the useful life of the Bank fascia name is indefinite include:

- The strength of the Bank fascia name in the branded fashion sector
- The history of the fascia name and that of similar assets in the retail sector
- The commitment of the Group to continue to operate Bank stores separately for the foreseeable future



# Notes to the Financial Statements

continued

## 11. Intangible assets (continued)

COMPANY	Goodwill £000	Brand Licence £000	Total £000
<b>Cost or valuation</b>			
At 27 January 2007	19,945	-	19,945
Acquisitions	-	4,279	4,279
At 2 February 2008 and 31 January 2009	19,945	4,279	24,224
<b>Amortisation and impairment</b>			
At 27 January 2007	2,000	-	2,000
Charge for the period	-	60	60
At 2 February 2008	2,000	60	2,060
Charge for the period	-	362	362
Impairment	2,045	-	2,045
At 31 January 2009	4,045	422	4,467
<b>Net book value</b>			
<b>At 31 January 2009</b>	<b>15,900</b>	<b>3,857</b>	<b>19,757</b>
At 2 February 2008	17,945	4,219	22,164
At 27 January 2007	17,945	-	17,945

### Acquisition of Nicholas Deakins Limited

On 11 April 2008, the Group acquired 100% of the entire issued share capital of Nicholas Deakins Limited for a cash consideration of £1,337,000 together with associated fees of £33,000. Nicholas Deakins Limited is involved in the design, sourcing and wholesale of own-label fashion footwear and apparel.

The goodwill calculation is summarised below:

	Book and provisional fair value £000
Acquiree's net assets at the acquisition date:	
Property, plant & equipment	3
Inventories	190
Trade and other receivables	520
Cash and cash equivalents	60
Trade and other payables	(215)
Income tax liabilities	(51)
Deferred tax liabilities	(1)
Net identifiable assets	506
Goodwill on acquisition	864
Consideration paid - satisfied in cash	1,370

The Board believe that the excess of consideration paid over net identifiable assets is best considered as goodwill on acquisition, representing non-contractual customer loyalty, employee expertise and anticipated future operating synergies.

In the period after acquisition to 31 January 2009, Nicholas Deakins Limited generated turnover of £2,215,000 and an operating loss of £22,000.

If the acquisition of Nicholas Deakins Limited had been completed on 3 February 2008, Group revenues and operating profits would have been £671,349,000 and £38,065,000 respectively.

# Notes to the Financial Statements

continued

## 11. Intangible assets (continued)

### Prior period acquisition of Topgrade Sportswear Limited

On 7 November 2007, the Group acquired a 51% share of Topgrade Sportswear Limited for a cash consideration of £1,020,000 together with associated fees of £168,000. Topgrade Sportswear Limited is a wholesaler of sports and fashion related footwear, apparel and accessories.

During the 12-month period following acquisition, certain hindsight adjustments have been made to the provisional fair values of the net assets of Topgrade Sportswear Limited as at the acquisition date, in accordance with IFRS3 'Business Combinations'. The revised calculation of goodwill is summarised below:

	Book and provisional fair value at 7 November 2007 £000	Fair value adjustments £000	Fair value at 31 January 2009 £000
Acquiree's net assets at the acquisition date:			
Property, plant & equipment	191	(31)	160
Inventories	2,005	(383)	1,622
Trade and other receivables	1,115	437	1,552
Cash and cash equivalents	189	-	189
Interest bearing loans and borrowings	(59)	(5)	(64)
Trade and other payables	(1,072)	(436)	(1,508)
Deferred tax (liabilities) / assets	(37)	383	346
Net identifiable assets	2,332	(35)	2,297
Minority interest	(1,144)	18	(1,126)
Goodwill on acquisition	-	17	17
Consideration paid – satisfied in cash	1,188	-	1,188

### Prior period acquisition of Bank Stores Holdings Limited

On 7 December 2007, the Group acquired the entire share capital of Bank Stores Holdings Limited for a cash consideration of £1 together with associated fees of £135,000. Bank is a retailer of branded mens and womens fashion footwear, apparel and accessories.

During the 12-month period following acquisition, certain hindsight adjustments have been made to the provisional fair values of the consolidated net assets of Bank Stores Holdings Limited and its subsidiaries as at the acquisition date, in accordance with IFRS3 'Business Combinations'. The revised calculation of goodwill is summarised below:

	Provisional fair value at 2 February 2008 £000	Fair value adjustments £000	Fair value at 31 January 2009 £000
Acquiree's net liabilities at the acquisition date:			
Intangible assets	5,481	-	5,481
Property, plant & equipment	8,427	(878)	7,549
Inventories	8,151	(246)	7,905
Trade and other receivables	3,169	(85)	3,084
Cash and cash equivalents	-	-	-
Interest bearing loans and borrowings	(18,796)	(16)	(18,812)
Trade and other payables	(15,913)	(50)	(15,963)
Provisions	(1,117)	-	(1,117)
Income tax liabilities	(376)	(569)	(945)
Deferred tax liabilities	-	(1,201)	(1,201)
Net identifiable liabilities	(10,974)	(3,045)	(14,019)
Goodwill on acquisition	11,109	3,045	14,154
Consideration paid – satisfied in cash	135	-	135



# Notes to the Financial Statements

continued

## 11. Intangible assets (continued)

### Impairment tests for cash generating units containing goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) and tested annually for impairment. The CGUs used are the store portfolios and wholesale companies acquired through acquisitions. The recoverable amount is compared to the carrying amount of the CGU including goodwill.

The recoverable amount of a CGU is determined based on value-in-use calculations. The CGUs for which the carrying amount of goodwill is deemed significant are shown below:

	GROUP		COMPANY	
	2009 £000	2008 £000	2009 £000	2008 £000
Hargreaves airports store portfolio	-	2,045	-	2,045
Allsports store portfolio	924	924	924	924
RD Scott store portfolio	2,617	2,617	-	-
First Sport store portfolio	14,976	14,976	14,976	14,976
Bank store portfolio	14,154	14,154	-	-
Nicholas Deakins Limited	864	-	-	-
	<b>33,535</b>	34,716	<b>15,900</b>	17,945

Based on the value-in-use calculations performed in the year, impairment charges of £2,045,000 have been recognised in the Consolidated Income Statement in the period. These relates entirely to goodwill on the Hargreaves airports store portfolio.

The key assumptions used for value-in-use calculations are set out below:

- In relation to the Allsports store portfolio, RD Scott store portfolio, Bank store portfolio and First Sport store portfolio, the cash flow projections are based on actual operating results, together with financial forecasts and strategy plans approved by the Board covering a five year period. These forecasts and plans are based on both past performance and expectations for future market development. Cash flows beyond this five year period are extrapolated using a growth rate of 2.0% (2008: 2.0%) which is a prudent estimate of the growth based on past experience
- In relation to the Hargreaves airports store portfolio, the cash flow projections were based on actual operating results together with financial forecasts and strategy plans for individual stores for the periods to the end of the individual concession agreements. These forecasts assumed annual growth of 2.0% (2008: 2.0%). No assumption has been made on agreements being extended except where those extensions were agreed before 31 January 2009
- In relation to Nicholas Deakins Limited, the cashflow projections are based on actual divisional operating results together with financial forecasts and strategy plans approved by the Board. These forecasts are based on both past performance and expectations for future development
- The discount rate of 12.7% (2008: 9.0%) is pre-tax and reflects the specific risks and costs of capital of the Group
- The Board believe that any foreseeable possible change in these assumptions would not cause the aggregate carrying amount to exceed the recoverable amount

### Impairment tests for intangible assets with indefinite lives

Intangible assets with indefinite lives are tested annually for impairment by comparing the recoverable amount of fascia names to their carrying value. The recoverable value of individual fascia names is determined based on a 'royalty relief' method of valuation, which takes projected future sales, applies a royalty rate to them and discounts the projected future post tax royalties, to arrive at a net present value. The Group has used a discount rate of 15.0% (2008: 12.5%) to reflect current market assessments of the time value of money and risks specific to the asset, for which the future cash flow estimates have not been adjusted. Projected future sales are based on financial forecasts approved by the Board covering a five-year period. Subsequent sales projections assume annual growth of 5.0% for a further five years and 0% growth thereafter (2008: same).

# Notes to the Financial Statements

continued

## 12. Property, plant and equipment

GROUP	Improvements to short leasehold properties £000	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At 27 January 2007	13,796	8,284	83,200	239	105,519
Additions	1,504	1,585	16,173	145	19,407
Disposals	(2,341)	(290)	(8,609)	(176)	(11,416)
On acquisition of subsidiaries	702	47	6,860	100	7,709
At 2 February 2008	13,661	9,626	97,624	308	121,219
Additions	2,617	1,706	23,610	86	28,019
Disposals	(1,406)	(185)	(12,132)	(96)	(13,819)
Exchange differences	66	5	391	-	462
On acquisition of subsidiaries	-	1	2	-	3
At 31 January 2009	14,938	11,153	109,495	298	135,884
<b>Depreciation and impairment</b>					
At 27 January 2007	8,771	5,632	49,059	138	63,600
Charge for period	1,026	1,360	9,403	40	11,829
Impairments	112	20	2,403	-	2,535
Disposals	(1,876)	(276)	(7,195)	(111)	(9,458)
At 2 February 2008	8,033	6,736	53,670	67	68,506
Charge for period	1,065	1,629	10,772	84	13,550
Impairments	243	57	1,819	-	2,119
Disposals	(1,096)	(171)	(9,694)	(73)	(11,034)
Exchange differences	9	4	62	-	75
At 31 January 2009	8,254	8,255	56,629	78	73,216
<b>Net book value</b>					
<b>At 31 January 2009</b>	<b>6,684</b>	<b>2,898</b>	<b>52,866</b>	<b>220</b>	<b>62,668</b>
At 2 February 2008	5,628	2,890	43,954	241	52,713
At 27 January 2007	5,025	2,652	34,141	101	41,919

Included in the net book value of computer equipment is £nil (2008: £62,000), fixtures and fittings £nil (2008: £481,000) and motor vehicles £nil (2008: £41,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £nil (2008: £29,000), £nil (2008: £120,000) and £23,000 (2008: £6,000), respectively. The maturity of obligations under finance lease and similar hire purchase contracts is included in note 21.

Impairment charges of £2,119,000 (2008: £2,535,000) relate to all classes of property, plant and equipment in cash generating units which are loss making and where it is considered that the position can not be recovered as a result of a continuing deterioration in the performance in the particular store. The cash generating units represent individual stores, or a collection of stores where the cash flows are not independent, with the loss based on the specific revenue streams and costs attributable to those cash generating units. Assets in impaired stores are written down fully except where a reasonable estimate may be made of their recoverable value, calculated as the greater of the fair value less costs to sell and value in use.

# Notes to the Financial Statements

continued

## 12. Property, plant and equipment (continued)

COMPANY	Improvements to short leasehold properties £000	Computer equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
<b>Cost</b>					
At 27 January 2007	12,799	7,675	75,674	241	96,389
Additions	1,377	1,517	15,278	112	18,284
Disposals	(1,935)	(228)	(7,273)	(164)	(9,600)
Transfers to other group companies	(431)	(40)	(2,276)	-	(2,747)
At 2 February 2008	11,810	8,924	81,403	189	102,326
Additions	2,079	1,136	18,122	-	21,337
Disposals	(1,309)	(168)	(10,250)	(23)	(11,750)
At 31 January 2009	12,580	9,892	89,275	166	111,913
<b>Depreciation and impairment</b>					
At 27 January 2007	8,148	5,384	45,969	149	59,650
Charge for period	922	1,121	8,242	28	10,313
Impairments	76	1	1,422	-	1,499
Disposals	(1,484)	(219)	(5,900)	(111)	(7,714)
Transfers to other group companies	(55)	(34)	(1,011)	-	(1,100)
At 2 February 2008	7,607	6,253	48,722	66	62,648
Charge for period	817	1,340	8,284	30	10,471
Impairments	33	4	267	-	304
Disposals	(1,058)	(162)	(8,344)	(19)	(9,583)
At 31 January 2009	7,399	7,435	48,929	77	63,840
<b>Net book value</b>					
<b>At 31 January 2009</b>	<b>5,181</b>	<b>2,457</b>	<b>40,346</b>	<b>89</b>	<b>48,073</b>
At 2 February 2008	4,203	2,671	32,681	123	39,678
At 27 January 2007	4,651	2,291	29,705	92	36,739

## 13. Investment property

	GROUP AND COMPANY £000	
<b>Cost</b>		
At 27 January 2007	-	-
Additions	4,160	4,160
At 2 February 2008 and 31 January 2009	4,160	4,160
<b>Depreciation and impairment</b>		
At 27 January 2007	-	-
Charge for period	9	9
At 2 February 2008	9	9
Charge for period	49	49
At 31 January 2009	58	58
<b>Net book value</b>		
<b>At 31 January 2009</b>	<b>4,102</b>	<b>4,102</b>
At 2 February 2008	4,151	4,151
At 27 January 2007	-	-

Based on an external valuation, the fair value of investment property as at 31 January 2009 was £3,600,000 (2008: £4,160,000).

# Notes to the Financial Statements

continued

## 14. Other non-current receivables

	GROUP		COMPANY	
	2009 £000	2008 £000	2009 £000	2008 £000
Loan notes receivable from joint venture	2,629	2,479	2,629	2,479
Other receivables	2,830	2,546	2,598	2,322
	<b>5,459</b>	<b>5,025</b>	<b>5,227</b>	<b>4,801</b>

The loan notes receivable from the joint venture earn interest at bank base lending rates plus a margin of 1.5% and are repayable in full over a five-year period ending in December 2012. The first repayment is due to be made in July 2011 of an amount equal to that which would have been repaid cumulatively to July 2011 had repayments been made in equal quarterly installments over the full five-year period and will include accrued interest at that time. The remaining balance will be paid in equal quarterly installments to December 2012.

The Board do not consider there to be any significant credit risk in respect of the loan notes receivable from the joint venture as at 31 January 2009.

Other receivables represent lease premia, legal fees and other costs associated with the acquisition of leasehold interests.

Impairment losses of £106,000 (2008: £86,000) have been recognised on other receivables in specific cash generating units which are loss making. The methodology behind identifying loss making cash generating units is explained in note 12.

## 15. Interest in joint venture

On 3 December 2007, the Group acquired 49% of the issued share capital of Focus Brands Limited for an initial cash consideration of £49,000 together with associated fees of £456,000. Focus Brands Limited is a jointly controlled entity set up for the purposes of acquiring Focus Group Holdings Limited and its subsidiary companies ('Focus Group'). The Focus Group is involved in the design, sourcing and distribution of branded and own brand footwear, apparel and accessories. Focus Brands Limited is jointly controlled with the former shareholders of Focus Group Holdings Limited.

Deferred consideration may be payable to the vendors in the event that the profit before amortisation and after tax of the Focus Group exceeds certain thresholds in the period to 31 January 2013. The maximum total deferred consideration that could be payable to the vendors is approximately £12.4 million. As at 31 January 2009, the Board do not consider it probable that further consideration will be paid. Accordingly, no further liability has been recognised as at the balance sheet date.

The results and assets and liabilities of the Focus Group are incorporated in the consolidated financial statements using the equity method of accounting. The interest in the joint venture in the Group's balance sheet is based on the share of the net assets, which are as follows:

	31 January 2009 £000	2 February 2008 £000
Non-current assets	607	592
Current assets	5,675	9,778
Current liabilities	(5,158)	(4,381)
Non-current liabilities	(16)	(5,629)
Total net assets	<b>1,108</b>	<b>360</b>

The amount included in the Consolidated Income Statement in relation to joint ventures is as follows:

	52 weeks to 31 January 2009			53 weeks to 2 February 2008		
	Before exceptionals £000	Exceptionals £000	After exceptionals £000	Before exceptionals £000	Exceptionals £000	After exceptionals £000
Revenue	13,043	-	13,043	3,142	-	3,142
Share of result before tax	(155)	1,270	1,115	(207)	-	(207)
Tax	(11)	(356)	(367)	62	-	62
Share of result after tax	<b>(166)</b>	<b>914</b>	<b>748</b>	<b>(145)</b>	<b>-</b>	<b>(145)</b>

As at 31 January 2009, the Group had loan notes receivable from Focus Brands Limited, including accrued interest thereon, to the value of £2,629,000 (2008: £2,479,000).



# Notes to the Financial Statements

continued

## 16. Investments

COMPANY	Investments £000
<b>Cost</b>	
At 27 January 2007	5,470
Additions	1,828
At 2 February 2008	7,298
Additions	1,370
At 31 January 2009	8,668
<b>Impairment</b>	
At 27 January 2007 and 2 February 2008 Impairments	(2,000)
At 31 January 2009	(2,000)
<b>Net book value</b>	
<b>At 31 January 2009</b>	<b>6,668</b>
At 2 February 2008	5,298
At 27 January 2007	3,470

The addition to investments in the year comprises £1,370,000 on the acquisition of Nicholas Deakins Limited (100% owned). A full list of subsidiaries and jointly controlled entities is shown in Note 34.

## 17. Available for sale investments

	GROUP £000	COMPANY £000
<b>Cost</b>		
As at 27 January 2007 and 2 February 2008	-	-
Additions	8,130	8,130
<b>As at 31 January 2009</b>	<b>8,130</b>	<b>8,130</b>
<b>Fair value</b>		
As at 27 January 2007 and 2 February 2008	-	-
Additions	8,130	8,130
Impairments	(6,077)	(6,077)
<b>As at 31 January 2009</b>	<b>2,053</b>	<b>2,053</b>

The available for sale investments represent investments in listed equity securities. The Group holds a strategic non-controlling interest of 9.98% in JJB Sports Plc. These shares are classified as available for sale. The fair value of equity securities is based on quoted market prices.

## 18. Inventories

	GROUP		COMPANY	
	2009 £000	2008 £000	2009 £000	2008 £000
Finished goods and goods for resale	58,287	58,040	43,011	45,172

The cost of inventories recognised as expenses and included in cost of sales for the 52 weeks ended 31 January 2009 was £345,416,000 (2008: £303,092,000).

# Notes to the Financial Statements

continued

## 19. Trade and other receivables

	GROUP		COMPANY	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Current assets</b>				
Trade receivables	2,503	2,150	701	618
Other receivables	2,550	167	2,527	5
Prepayments and accrued income	15,400	13,934	11,057	10,657
Amounts owed by other Group companies	-	-	39,682	36,529
	<b>20,453</b>	<b>16,251</b>	<b>53,967</b>	<b>47,809</b>

The ageing of trade receivables is detailed below:

GROUP	Gross £000	2009 Provision £000	Net £000	Gross £000	2008 Provision £000	Net £000
Not past due - 60 days	1,814	(36)	1,778	1,951	-	1,951
Past 60 days	877	(152)	725	426	(227)	199
	<b>2,691</b>	<b>(188)</b>	<b>2,503</b>	<b>2,377</b>	<b>(227)</b>	<b>2,150</b>

GROUP	COMPANY	Gross £000	2009 Provision £000	Net £000	Gross £000	2008 Provision £000	Net £000
		302	-	302	584	-	584
		399	-	399	40	(6)	34
		<b>701</b>	<b>-</b>	<b>701</b>	<b>624</b>	<b>(6)</b>	<b>618</b>

The Board consider that the carrying amount of trade and other receivables approximate their fair value. Concentrations of credit risk with respect to trade receivables are limited due to the majority of the Group's customer base being large and unrelated. Therefore, no further credit risk provision is required in excess of the normal provision for impairment losses, which has been calculated following individual assessments of credit quality based on historic default rates and knowledge of debtor insolvency or other credit risk. Movement on this provision is shown below:

	GROUP £000	COMPANY £000
At 27 January 2007	6	6
On acquisition of subsidiaries	221	-
At 2 February 2008	227	6
Released	(25)	-
On acquisition of subsidiaries	4	-
Utilised	(18)	(6)
<b>At 31 January 2009</b>	<b>188</b>	<b>-</b>

The other classes within trade and other receivables do not contain impaired assets.

Included within prepayments and accrued income for the Group and Company is £160,000 (2008: £217,000) in relation to deferred costs incurred in setting up the current bank facility (see note 21).

# Notes to the Financial Statements

continued

## 20. Cash and cash equivalents

	GROUP		COMPANY	
	2009 £000	2008 £000	2009 £000	2008 £000
Bank balances and cash floats	23,538	11,969	23,530	9,343

## 21. Interest bearing loans and borrowings

	GROUP		COMPANY	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Current liabilities</b>				
Obligations under finance leases and similar hire purchase contracts	-	56	-	-
Loan notes	83	99	83	83
	83	155	83	83
<b>Non-current liabilities</b>				
Loan notes	-	83	-	83

The following note provides information about the contractual terms of the Group and Company's interest bearing loans and borrowings. For more information about the Group and Company's exposure to interest rate risk, see note 22.

### Bank facilities

The Group has a £70,000,000 revolving facility which expires on 18 October 2011. Under this facility, a maximum of 10 drawdowns may be outstanding at any time with drawdowns made for a period of one, two, three or six months with interest currently payable at a rate of LIBOR plus a margin of 0.75% (2008: 0.75%). The commitment fee on the undrawn element of the facility is 45% of the applicable margin rate.

At 31 January 2009, there were no amounts drawdown on this facility (2008: £nil).

### Finance leases and similar hire purchase contracts

The maturity of obligations under finance leases and similar hire purchase contracts is as follows:

	GROUP		COMPANY	
	2009 £000	2008 £000	2009 £000	2008 £000
Within one year	-	56	-	-

Amounts owed under finance leases and similar hire purchase contracts are secured on the assets to which they relate with interest charged at rates of 10% to 21%. No new finance leases or similar hire purchase contracts were entered into in the period. All of the agreements in place as at 2 February 2008 were entered into by Topgrade Sportswear Limited prior to its acquisition by the Company on 7 November 2007.

Future minimum lease payments under finance leases and similar hire purchase contracts together with the value of the principle are as follows:

GROUP	Minimum lease payments			Minimum lease payments		
	2009	2009	2009	2008	2008	2008
	£000	£000	£000	£000	£000	£000
Within one year	-	-	-	66	(10)	56

# Notes to the Financial Statements

continued

## 21. Interest bearing loans and borrowings (continued)

### Loan notes

The maturity of the loan notes is as follows:

	GROUP		COMPANY	
	2009 £000	2008 £000	2009 £000	2008 £000
Within one year	83	99	83	83
Between one and two years	-	83	-	83
	83	182	83	166

The loan notes do not carry interest and are redeemable at par on 29 December 2009.

## 22. Financial instruments

### Financial assets

The Group's financial assets are all categorised as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'Trade and other receivables', 'Cash and cash equivalents' and 'Loan notes receivable from joint venture' included within 'Other non-current receivables' in the balance sheet.

Cash and cash equivalents comprise short-term cash deposits with major United Kingdom and European clearing banks and earn floating rates of interest based upon bank base rates or rates linked to LIBOR. The currency profile of cash and cash equivalents is shown below:

GROUP	2009 £000	2008 £000
Bank balances and cash floats	23,538	11,969
Sterling	21,341	6,218
Euros	1,288	5,067
US Dollars	909	684
	23,538	11,969

COMPANY	2009 £000	2008 £000
Bank balances and cash floats	23,530	9,343
Sterling	22,312	3,833
Euros	361	4,826
US Dollars	857	684
	23,530	9,343

Other financial assets are all denominated in sterling.

### Financial liabilities

The Group's financial liabilities are all categorised as other financial liabilities. Other financial liabilities are measured at amortised cost. The Group's other financial liabilities comprise 'Interest bearing loans and borrowings' and 'Trade and other payables'.

Included in trade and other payables are £87,000 and £105,000 of US Dollar and Euro denominated payables respectively. All other financial liabilities are denominated in Sterling.

### Risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in exchange rates, interest rates, credit risk and its liquidity position. The Group manages these risks through the use of derivative instruments, which are reviewed on a regular basis. Derivative instruments are not entered into for speculative purposes.

### Interest rate risk

The Group finances its operations by a mixture of retained profits and bank borrowings. Other than a small proportion of finance lease borrowing at fixed interest rates, the Group's borrowings are at floating rates, partially hedged by floating rate interest on deposits, reflecting the seasonality of its cash flow.



# Notes to the Financial Statements

continued

## 22. Financial instruments (continued)

Interest rate risk therefore arises from bank borrowings. The Board regularly reviews the interest rate risk of the Group and uses interest rate swaps to minimise exposure to interest rate fluctuations where appropriate. Given that the facility is not drawdown at certain times of the year, the Board did not consider that an interest rate swap on the floating rate facility was necessary as at 31 January 2009. The net fair value of swap liabilities at 31 January 2009 was £nil (2008: £nil).

The Group has potential bank floating rate financial liabilities on the £70,000,000 revolving credit facility, although there were no drawdowns from this facility at 31 January 2009 (2008: £nil). When drawdowns are made, the Group is exposed to cash flow interest risk with interest paid on its bank floating rate liabilities at a rate of LIBOR plus a margin of 0.75% (2008: 0.75%).

The Group paid interest on its finance leases and similar hire purchase contracts at market interest rates. Although the rates varied between agreements, the rates on each individual agreement were fixed for the whole term with the interest range being between 10% to 21% (see note 21). As at 31 January 2009, the Group has no liabilities in respect of finance lease or similar hire purchase contracts.

A change of 1% in the average interest rates during the year, applied to the average net cash/debt position of the Group during the period, would change profit before tax by £37,000 (2008: £6,000). This assumes that all other variables remain unchanged. Calculations are performed on the same basis as the prior year.

### Foreign currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than pound sterling. The currencies giving rise to this risk are the Euro and US Dollar with sales made in Euros and purchases made in both Euros and US Dollars (principal exposure). To protect its foreign currency position, the Group sets a buying rate for the purchase of goods in US Dollars at the start of the buying season (typically six to nine months before the product actually starts to appear in the stores) and then enters into a number of Euro/Dollar and Sterling/Dollar contracts whereby the minimum exchange rate on the purchase of dollars is guaranteed.

As at 31 January 2009, options have been entered into to protect approximately 70% of the US Dollar requirement for the period to January 2010. The balance of the US Dollar requirement for the period will be satisfied at spot rates. Hedge accounting is not applied.

As at 31 January 2009, the fair value of these instruments was an asset of £885,000 (2008: liability of £347,000) which has been included within current assets (2008: current liabilities).

A 10% strengthening of sterling relative to the Euro and the US Dollar as at the balance sheet date would have reduced profit before tax by £196,000 (2008: £523,000). A 10% weakening of sterling relative to the Euro and the US Dollar as at the balance sheet date would have increased profit before tax by £216,000 (2008: £575,000). These figures assume that all other variables remain unchanged. Calculations are performed on the same basis as the prior year.

### Credit risk

Credit risk arises from the possibility of customers and counterparties failing to meet their obligations to the Group. Investments of cash surpluses, borrowings and derivative instruments are made through major United Kingdom and European clearing banks, which must meet minimum credit ratings as required by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis and provision is made for impairment where amounts are not thought to be recoverable (see note 19). At the balance sheet date there were no significant concentrations of credit risk.

The Group considers its maximum exposure to credit risk to be equivalent to total trade and other receivables of £20,453,000 (2008: £16,251,000) and cash and cash equivalents of £23,538,000 (2008: £11,969,000).

The Company has provided guarantees on banking facilities entered into by Topgrade Sportswear Limited and Nicholas Deakins Limited totalling £2,000,000 and £600,000 respectively. In addition, the £70,000,000 revolving credit facility agreement encompasses cross guarantees between the Company, RD Scott Limited, Bank Fashion Limited, Bank Stores Holdings Limited, Bank Stores Financing Limited, Athleisure Limited and First Sport Limited to the extent to which any of these companies is overdrawn. As at 31 January 2009, the value of these guarantees was £1,976,000 (2008: £nil).

### Liquidity risk

The Group manages its cash and borrowing requirement to minimise net interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of the business. The forecast cash and borrowing profile of the Group is monitored on an ongoing basis, to ensure that adequate headroom remains under committed borrowing facilities.

All of the Groups financial liabilities as at 31 January 2009 and 2 February 2008 have a contractual maturity date falling within a period of one year from the balance sheet date.

# Notes to the Financial Statements

continued

## 22. Financial instruments (continued)

As at 31 January 2009, there are undrawn committed facilities with a maturity profile as follows:

	2009 £000	2008 £000
Expiring in more than two years but no more than three years	70,000	-
Expiring in more than three years but no more than four years	-	70,000
	<b>70,000</b>	<b>70,000</b>

The commitment fee on these facilities is 0.34% (2008: 0.34%).

### Fair values

The fair values together with the carrying amounts shown in the balance sheet as at 31 January 2009 are as follows:

	Note	GROUP		COMPANY	
		Carrying amount 2009 £000	Fair value 2009 £000	Carrying amount 2009 £000	Fair value 2009 £000
Available for sale investments	17	2,053	2,053	2,053	2,053
Trade and other receivables	19	20,453	20,453	53,967	53,967
Cash and cash equivalents	20	23,538	23,538	23,530	23,530
Loan notes	21	(83)	(81)	(83)	(81)
Trade and other payables - current	23	(80,073)	(80,073)	(64,584)	(64,584)
Trade and other payables - non-current	23	(19,690)	(19,690)	(20,567)	(20,567)
		<b>(53,802)</b>	<b>(53,800)</b>	<b>(5,684)</b>	<b>(5,682)</b>
Unrecognised gains			2		2

The comparatives at 2 February 2008 are as follows:

	Note	GROUP		COMPANY	
		Carrying amount 2008 £000	Fair value 2008 £000	Carrying amount 2008 £000	Fair value 2008 £000
Trade and other receivables	19	16,251	16,251	47,809	47,809
Cash and cash equivalents	20	11,969	11,969	9,343	9,343
Finance lease and similar hire purchase contracts	21	(56)	(56)	-	-
Loan notes	21	(182)	(168)	(166)	(152)
Trade and other payables - current	23	(80,875)	(80,875)	(62,177)	(62,177)
Trade and other payables - non-current	23	(11,839)	(11,839)	(17,939)	(17,939)
		<b>(64,732)</b>	<b>(64,718)</b>	<b>(23,130)</b>	<b>(23,116)</b>
Unrecognised gains			14		14

In the opinion of the Board, the fair value of the Groups financial assets and liabilities as at 31 January 2009 and 2 February 2008 are not considered materially different to that of the book value. On this basis, the carrying amounts have not been adjusted for the fair values.

### Estimation of fair values

The major methods and assumptions used in estimating the fair values of financial instruments reflected in the table are as follows:

#### Finance lease and similar hire purchase contracts

The fair value is estimated as the present value of future cash flows, discounted at market rates for homogeneous lease agreements (7% - 10%). The estimated fair value reflects changes in interest rates.

#### Loan notes

The loan notes have been discounted at a rate of 2.25% (2008: 6.0%).

#### Interest rate swap liabilities on unsecured bank loan

The fair value of the interest rate swap liabilities on the previous term loan facility is calculated on the discounted expected future interest cash flows.

#### Trade and other receivables/payables

For trade and other receivables/payables (as adjusted for the fair value of the foreign exchange contracts), the notional amount is deemed to reflect the fair value.

# Notes to the Financial Statements

continued

## 23. Trade and other payables

	GROUP		COMPANY	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Current liabilities</b>				
Trade payables	34,837	33,868	29,824	26,018
Other payables and accrued expenses	36,562	36,785	28,145	28,963
Other tax and social security costs	8,674	10,222	6,570	7,196
Amounts payable to other group companies	-	-	45	-
	<b>80,073</b>	80,875	<b>64,584</b>	62,177
<b>Non-current liabilities</b>				
Other payables and accrued expenses	19,690	11,839	13,985	11,357
Amounts payable to other group companies	-	-	6,582	6,582
	<b>19,690</b>	11,839	<b>20,567</b>	17,939

## 24. Provisions

Provisions relate to costs on onerous property leases and represent anticipated minimum contractual lease costs less potential sublease income for vacant properties. For loss making trading stores, provision is made to the extent that the lease is deemed to be onerous. The provisions are discounted where the effect is material. The discount rate used is 12.7% (2008: 9.0%) (see note 11).

GROUP	Current £000	Non-current £000	Total £000
Balance at 2 February 2008	1,893	4,726	6,619
Provisions created during the period	3,134	2,851	5,985
Provisions released during the period	(718)	(2,267)	(2,985)
Provisions utilised during the period	(1,450)	-	(1,450)
<b>Balance at 31 January 2009</b>	<b>2,859</b>	<b>5,310</b>	<b>8,169</b>

COMPANY	Current £000	Non-current £000	Total £000
Balance at 2 February 2008	1,438	3,351	4,789
Provisions created during the period	2,666	2,024	4,690
Provisions released during the period	(533)	(1,376)	(1,909)
Provisions utilised during the period	(1,079)	-	(1,079)
<b>Balance at 31 January 2009</b>	<b>2,492</b>	<b>3,999</b>	<b>6,491</b>

## 25. Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

GROUP	Assets 2009 £000	Assets 2008 £000	Liabilities 2009 £000	Liabilities 2008 £000	Net 2009 £000	Net 2008 £000
Property, plant and equipment	-	-	77	2,620	77	2,620
Chargeable gains held over/rolled over	-	-	332	332	332	332
Lease variations	-	(603)	-	-	-	(603)
General accruals	-	(1,335)	457	-	457	(1,335)
Tax losses	(487)	(150)	-	-	(487)	(150)
<b>Tax (assets)/liabilities</b>	<b>(487)</b>	<b>(2,088)</b>	<b>866</b>	<b>2,952</b>	<b>379</b>	<b>864</b>

# Notes to the Financial Statements

continued

## 25. Deferred tax assets and liabilities (continued)

### Movement in deferred tax during the period

GROUP	Property, plant and equipment	Chargeable gains held over/rolled over	Lease variations and other items	Tax losses	Total
Balance at 27 January 2007	1,049	1,160	(638)	-	1,571
On acquisition	1,510	-	(505)	(150)	855
Recognised in income	61	(828)	(795)	-	(1,562)
Balance at 2 February 2008	2,620	332	(1,938)	(150)	864
Recognised in income	(2,543)	-	2,395	(337)	(485)
<b>Balance at 31 January 2009</b>	<b>77</b>	<b>332</b>	<b>457</b>	<b>(487)</b>	<b>379</b>

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

COMPANY	Assets 2009 £000	Assets 2008 £000	Liabilities 2009 £000	Liabilities 2008 £000	Net 2009 £000	Net 2008 £000
Property, plant and equipment	-	-	176	1,278	176	1,278
Chargeable gains held over/rolled over	-	-	332	332	332	332
Lease variations	-	(470)	-	-	-	(470)
General accruals	(1,079)	(830)	-	-	(1,079)	(830)
<b>Tax (assets)/liabilities</b>	<b>(1,079)</b>	<b>(1,300)</b>	<b>508</b>	<b>1,610</b>	<b>(571)</b>	<b>310</b>

### Movement in deferred tax during the period

COMPANY	Property, plant and equipment	Chargeable gains held over/rolled over	Lease variations and other items	Total
Balance at 27 January 2007	968	1,160	(638)	1,490
Recognised in income	310	(828)	(662)	(1,180)
Balance at 2 February 2008	1,278	332	(1,300)	310
Recognised in income	(1,102)	-	221	(881)
<b>Balance at 31 January 2009</b>	<b>176</b>	<b>332</b>	<b>(1,079)</b>	<b>(571)</b>



# Notes to the Financial Statements

continued

## 26. Capital and reserves

### Issued ordinary share capital

GROUP AND COMPANY	Number of ordinary shares thousands	Ordinary share capital £000
At 2 February 2008	48,263	2,413
Uptake of interim scrip dividend alternative	398	20
<b>At 31 January 2009</b>	<b>48,661</b>	<b>2,433</b>

The total number of authorised ordinary shares was 62,150,000 (2008: 62,150,000) with a par value of 5p per share (2008: 5p per share). All issued shares are fully paid.

### Reconciliation of movement in capital and reserves

GROUP	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 (see note 27)	-	-	(3,524)	-	(3,524)
Balance at 2 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 (see note 27)	-	-	(4,392)	-	(4,392)
<b>Balance at 31 January 2009</b>	<b>2,433</b>	<b>11,659</b>	<b>88,382</b>	<b>1,295</b>	<b>103,769</b>

### Reconciliation of movement in capital and reserves

COMPANY	Ordinary share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 27 January 2007	2,413	10,823	50,451	63,687
Total recognised income and expense	-	-	24,387	24,387
Dividends to shareholders (see note 27)	-	-	(3,524)	(3,524)
Balance at 2 February 2008	2,413	10,823	71,314	84,550
Shares issued in the period	20	836	-	856
Total recognised income and expense	-	-	25,801	25,801
Dividends to shareholders (see note 27)	-	-	(4,392)	(4,392)
<b>Balance at 31 January 2009</b>	<b>2,433</b>	<b>11,659</b>	<b>92,723</b>	<b>106,815</b>

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, share premium and retained earnings. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. There were no changes to the Group's approach to capital management during the period.

Full disclosure on the rights attached to shares is provided in the Directors' Report on page 20.

# Notes to the Financial Statements

continued

## 27. Dividends

After the balance sheet date the following dividends were proposed by the Directors. The dividends were not provided for at the balance sheet date.

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
8.90p per ordinary share (2008: 6.00p)	4,331	2,896

### Dividends on issued ordinary share capital

	52 weeks to 31 January 2009 £000	53 weeks to 2 February 2008 £000
Final dividend of 6.00p (2008: 4.80p) per qualifying ordinary share paid in respect of prior period, but not recognised as a liability in that period	2,896	2,317
Interim dividend of 3.10p (2008: 2.50p) per qualifying ordinary share paid in respect of current period	1,496	1,207
	<b>4,392</b>	<b>3,524</b>

A scrip alternative was offered in respect of the interim dividend of 3.10p. As a result, a total of 398,224 new shares were issued, in lieu of the cash dividend, with a reference share price of £2.15. The balance of £640,000 was paid out as a cash dividend.

## 28. Commitments

### Group

#### (i) Capital commitments

As at 31 January 2009, the Group had entered into contracts to purchase property, plant and equipment as follows:

	2009 £000	2008 £000
Contracted	4,216	4,072

These commitments are expected to be settled in the following financial period.

#### (ii) Operating lease commitments

The Group leases various retail outlets, offices, warehouses, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2009 £000	Plant and equipment 2009 £000	Land and buildings 2008 £000	Plant and equipment 2008 £000
Within one year	68,531	902	67,409	818
Later than one year and not later than five years	238,251	865	244,180	820
After five years	230,653	-	262,350	-
	<b>537,435</b>	<b>1,767</b>	<b>573,939</b>	<b>1,638</b>

The future minimum rentals payable on land and buildings represent the base rents that are due on each property. Certain properties have rents which are partly dependent on turnover levels in the individual store concerned.

# Notes to the Financial Statements

continued

## 28. Commitments (continued)

### (iii) Sublease receipts

The Group subleases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The total future minimum operating sublease receipts expected to be received at 31 January 2009 are as follows:

	2009 £000	2008 £000
Within one year	639	614
Later than one year and not later than five years	2,224	2,293
After five years	3,322	3,794
	<b>6,185</b>	<b>6,701</b>

### Company

#### (i) Capital commitments

As at 31 January 2009, the Company had entered into contracts to purchase property, plant and equipment as follows:

	2009 £000	2008 £000
Contracted	3,664	3,730

These commitments are expected to be settled in the following financial period.

#### (ii) Operating lease commitments

The Company leases various retail outlets, offices, warehouses, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

Undiscounted total future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2009 £000	Plant and equipment 2009 £000	Land and buildings 2008 £000	Plant and equipment 2008 £000
Within one year	52,222	693	51,686	598
Later than one year and not later than five years	178,284	706	184,865	592
After five years	161,336	-	186,821	-
	<b>391,842</b>	<b>1,399</b>	<b>423,372</b>	<b>1,190</b>

### (iii) Sublease receipts

The Company subleases various retail outlets under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The total future minimum operating sublease receipts expected to be received at 31 January 2009 are as follows:

	2009 £000	2008 £000
Within one year	529	535
Later than one year and not later than five years	1,890	1,994
After five years	2,995	3,414
	<b>5,414</b>	<b>5,943</b>

## 29. Pension schemes

The Group only operates defined contribution pension schemes. The pension charge for the period represents contributions payable by the Group of £431,000 (2008: £333,000) in respect of employees, and £43,000 (2008: £41,000) in respect of directors. The amount owed to the schemes at the period end was £82,000 (2008: £42,000).

# Notes to the Financial Statements

continued

## 30. Analysis of net cash

GROUP	At 2 February 2008 £000	On acquisition of subsidiary £000	Cash flow £000	At 31 January 2009 £000
Cash at bank and in hand	11,969	60	11,509	23,538
<b>Cash and cash equivalents</b>	<b>11,969</b>	<b>60</b>	<b>11,509</b>	<b>23,538</b>
Interest bearing loans and borrowings:				
Loan notes	(182)	-	99	(83)
Finance leases and similar hire purchase contracts	(56)	-	56	-
	<b>11,731</b>	<b>60</b>	<b>11,664</b>	<b>23,455</b>

COMPANY	At 2 February 2008 £000	Cash flow £000	At 31 January 2009 £000
Cash at bank and in hand	9,343	14,187	23,530
<b>Cash and cash equivalents</b>	<b>9,343</b>	<b>14,187</b>	<b>23,530</b>
Interest bearing loans and borrowings:			
Loan notes	(166)	83	(83)
	<b>9,177</b>	<b>14,270</b>	<b>23,447</b>

## 31. Related party transactions and balances

Transactions and balances with related parties during the period are shown below. Transactions were undertaken in the ordinary course of business. Outstanding balances are unsecured and will be settled in cash.

### Related party - Pentland Group Plc

Pentland Group Plc owns 57.5% (2008: 57%) of the issued ordinary share capital of JD Sports Fashion Plc.

GROUP	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Concession fee income	-	-	(147)	-
Purchases of inventory for retail	(23,794)	-	(26,238)	-
Other income	157	-	203	-
Payments (gross including VAT)	(27,353)	-	(30,897)	-
Receipts (gross including VAT)	180	-	239	-
Trade payables (gross including VAT)	-	(1,430)	-	(1,574)

COMPANY	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Purchase of inventory for retail	(21,192)	-	(23,930)	-
Other income	157	-	157	-
Payments (gross including VAT)	(24,173)	-	(27,953)	-
Receipts (gross including VAT)	180	-	184	-
Trade payables (gross including VAT)	-	(1,216)	-	(1,315)

Unless otherwise stated the amounts above are stated net of VAT.



# Notes to the Financial Statements

continued

## 31. Related party transactions and balances (continued)

### Related party - Athleisure Limited

COMPANY	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Amounts owed to JD Sports Fashion Plc	-	6,638	-	6,638

### Related party - RD Scott Limited

COMPANY	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Purchase of inventory	(178)	-	-	-
Income tax group relief	447	-	537	-
Amounts owed to JD Sports Fashion Plc	-	8,849	-	9,245

### Related party - JD Sports Fashion (Ireland) Limited

COMPANY	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Sale of inventory	5,076	-	1,725	-
Other income	1,328	-	514	-
Store assets legally transferred to John David Sports Fashion (Ireland) Limited	-	-	2,339	-
Amounts owed to JD Sports Fashion Plc	-	3,218	-	2,136

On 26 November 2007, the Company legally transferred the trade and assets of 5 stores to John David Sports Fashion (Ireland) Limited. The consideration equated to the book value of the assets at this time.

### Related party - Bank Stores Holdings Limited

COMPANY	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Sale of inventory	15	-	-	-
Amounts owed to JD Sports Fashion Plc	-	19,090	-	18,510

# Notes to the Financial Statements

continued

## 31. Related party transactions and balances (continued)

### Related party - Nicholas Deakins Limited

COMPANY	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Purchase of inventory	(284)	-	-	-
Income tax group relief	6	-	-	-
Amounts owed by JD Sports Fashion Plc	-	(45)	-	-

The figures highlighted above for 2009 are based on the period post acquisition from 11 April 2008 to 31 January 2009.

### Related party - Topgrade Sportswear Limited

COMPANY	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Purchase of inventory	(161)	-	-	-
Sale of inventory	41	-	-	-
Interest income	14	-	-	-
Amounts loaned to Topgrade Sportswear Limited	1,800	-	-	-
Amounts owned to JD Sports Fashion Plc	-	1,888	-	-

The loan receivable from Topgrade Sportswear Limited attracts interest at UK base rates plus a margin of 1.0%.

### Related party - Focus Brands Limited

GROUP	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Purchase of inventory	(6,802)	-	(714)	-
Rental income	319	-	54	-
Interest income	150	-	28	-
Payments (gross including VAT)	(7,597)	-	(1,475)	-
Trade payables (gross including VAT)	-	(37)	-	(123)
Loan notes receivable (including accrued interest)	-	2,629	-	2,479

COMPANY	Value of transactions 2009 £000	(Payable)/ receivable at period end 2009 £000	Value of transactions 2008 £000	(Payable)/ receivable at period end 2008 £000
Purchase of inventory	(5,316)	-	(708)	-
Rental income	319	-	54	-
Interest income	150	-	28	-
Payments (gross including VAT)	(5,962)	-	(1,448)	-
Trade payables (gross including VAT)	-	(37)	-	(124)
Loan notes receivable (including accrued interest)	-	2,629	-	2,479

There have been no transactions in the year (2008: £nil) and there are no balances outstanding (2008: £nil) with the other subsidiary undertakings of the Company, as listed in note 34.

# Notes to the Financial Statements

continued

## 32. Contingent liability

The Group has provided a guarantee on an interest bearing loan in Focus Brands Limited. This guarantee has been provided in conjunction with the other shareholders on a several basis with each shareholder guaranteeing the loan in line with their relative shareholding. As at 31 January 2009, the Group and Company's contingent liability on this loan was £497,000 (2008: £3,185,000).

## 33. Ultimate parent company

The Company is a subsidiary undertaking of Pentland Group Plc which is also the ultimate parent company. Pentland Group Plc is incorporated in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Pentland Group Plc. The results of Pentland Group Plc may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes. The total recognised income and expense for the parent included in these consolidated financial statements is £25,801,000 (2008: £24,387,000). The Consolidated Financial Statements of JD Sports Fashion Plc are available to the public and may be obtained from The Company Secretary, JD Sports Fashion Plc, Hollinsbrook Way, Pilsforth, Bury, BL9 8RR or online at www.jdplc.com.

## 34. Principal subsidiary undertakings and jointly controlled entities

The following companies were the principal subsidiary undertakings and jointly controlled entities of JD Sports Fashion Plc at 31 January 2009.

Name of subsidiary	Place of registration	Nature of business and operation	Ownership interest	Voting rights interest
John David Sports Fashion (Ireland) Limited	Ireland	Retailer of sports clothing and footwear	100%	100%
John David Sports Limited	UK	Dormant	100%	100%
JD Sports Fashion Group Limited	UK	Dormant	100%	100%
JD Sports Limited	UK	Dormant	100%	100%
Athleisure Limited	UK	Intermediate holding company	100%	100%
First Sport Limited*	UK	Dormant	100%	100%
Allsports Retail Limited*	UK	Dormant	100%	100%
Allsports.co.uk Limited*	UK	Dormant	100%	100%
The Sports Shop (Fife) Limited*	UK	Dormant	100%	100%
Jog Shop Limited*	UK	Dormant	100%	100%
RD Scott Limited	UK	Retailer of fashion clothing and footwear	100%	100%
Bank Stores Holdings Limited	UK	Intermediate holding company	100%	100%
Bank Stores Financing Limited*	UK	Intermediate holding company	100%	100%
Bank Fashion Limited*	UK	Retailer of fashion clothing and footwear	100%	100%
Hoss Ventures Limited*	UK	Dormant	100%	100%
Hallco 1521 Limited	UK	Intermediate holding company	51%	51%
Topgrade Sportswear Limited*	UK	Wholesaler of sports clothing and footwear	51%	51%
Getthelabel.com Limited*	UK	Dormant	51%	51%
Topgrade Trading Limited*	UK	Dormant	51%	51%
Nicholas Deakins Limited	UK	Wholesaler of fashion footwear	100%	100%
<b>Name of jointly controlled entity</b>				
Focus Brands Limited	UK	Wholesaler of sports clothing and footwear	49%	50%

\*Indirect holding of the Company.

# Five Year Record

Consolidated income statements

	PREPARED UNDER ADOPTED IFRSs				
	52 weeks to 29 January 2005 £000	52 weeks to 28 January 2006 £000	52 weeks to 27 January 2007 £000	53 weeks to 2 February 2008 Restated - see note 1 £000	52 weeks to 31 January 2009 £000
<b>REVENUE</b>	471,656	490,288	530,581	592,240	670,855
Cost of sales	(256,504)	(263,608)	(278,331)	(300,813)	(340,309)
<b>GROSS PROFIT</b>	215,152	226,680	252,250	291,427	330,546
Selling and distribution expenses - normal	(186,230)	(192,730)	(209,270)	(225,994)	(256,315)
Selling and distribution expenses - exceptional	(8,603)	(11,206)	(3,799)	(8,404)	(8,201)
Selling and distribution expenses	(194,833)	(203,936)	(213,069)	(234,398)	(264,516)
Administrative expenses - normal	(12,777)	(15,438)	(17,409)	(22,500)	(20,867)
Administrative expenses - exceptional	(736)	(1,777)	(4,000)	-	(8,122)
Administrative expenses	(13,513)	(17,215)	(21,409)	(22,500)	(28,989)
Other operating income	953	1,609	1,730	1,086	1,109
<b>OPERATING PROFIT</b>	7,759	7,138	19,502	35,615	38,150
Before exceptional items	17,098	20,121	27,301	44,019	54,473
Exceptional items	(9,339)	(12,983)	(7,799)	(8,404)	(16,323)
<b>OPERATING PROFIT BEFORE FINANCING AND SHARE OF RESULTS OF JOINT VENTURE</b>	7,759	7,138	19,502	35,615	38,150
Share of results of joint venture	-	-	-	(145)	748
Financial income	304	230	177	297	529
Financial expenses	(4,461)	(3,718)	(2,412)	(764)	(1,210)
<b>PROFIT BEFORE TAX</b>	3,602	3,650	17,267	35,003	38,217
Income tax expense	(1,341)	(1,302)	(6,879)	(11,416)	(13,707)
<b>PROFIT FOR THE PERIOD</b>	2,261	2,348	10,388	23,587	24,510
Attributable to equity holders of the parent	2,261	2,348	10,388	23,549	24,379
Attributable to minority interest	-	-	-	38	131
<b>BASIC EARNINGS PER ORDINARY SHARE</b>	4.81p	4.92p	21.52p	48.79p	50.49p
<b>ADJUSTED BASIC EARNINGS PER ORDINARY SHARE (i)</b>	18.62p	25.32p	36.41p	57.05p	74.22p
<b>DIVIDENDS PER ORDINARY SHARE (ii)</b>	6.60p	6.90p	7.20p	8.50p	12.00p

(i) Adjusted basic earnings per ordinary share is based on earnings before certain exceptional items and amortisation (see note 10).

(ii) Represents dividends declared for the year. Under Adopted IFRSs dividends are only accrued when approved.



# Financial Calendar

Final Results Announced	8 April 2009
Final Dividend Record Date	8 May 2009
Financial Statements Published	May 2009
Annual General Meeting	25 June 2009
Final Dividend Payable	3 August 2009
Interim Results Announced	September 2009
Period End (52 Weeks)	30 January 2010
Final Results Announced	April 2010

# Shareholder Information

**Registered office**

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**Financial advisers  
and stockbrokers**

Investec  
2 Gresham Street  
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**Principal bankers**

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43 High Street  
Sutton  
Surrey SM1 1DR

**Solicitors**

DLA Piper UK LLP  
Princes Exchange  
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Leeds LS1 4BY

**Company number**

Registered in England  
and Wales,  
Number 1888425

**Financial public relations**

Hogarth Partnership Limited  
No 1 London Bridge  
London SE2 9BG

**Registrars**

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West Sussex BN99 6DA

**Auditor**

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The Board wishes to express its thanks to the marketing department for the in-house production of this Annual Report and Accounts.

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[www.size-online.co.uk](http://www.size-online.co.uk)

**Other websites**  
[www.bankfashion.co.uk](http://www.bankfashion.co.uk)  
[www.scottsonline.co.uk](http://www.scottsonline.co.uk)





